REGISTRATION DOCUMENT

2018

including the Annual Financial Report

technicolor

content

The elements of the Annual Financial Report are identified in the summary using the pictogram **AFR**

The elements of the Extra-Financial Performance Declaration are identified using the pictogram **EFPS**

Société Anonyme with a share capital of €414, 461, 178
Registered Office: 8-10, rue du Renard
75004 Paris - France
Paris Register of Commerce and Companies No. 333 773 174

REGISTRATION DOCUMENT
2018
including the Annual Financial Report

This Registration Document (Document de Référence) was filed with the Autorité des marchés financiers (AMF) on March 29, 2019 in accordance with Article 212-13 of the AMF General Regulations. It may be used in connection with a financial transaction provided it is accompanied by a transaction note (note d'opération) approved by the AMF. This document was prepared by the issuer and is the responsibility of the signatories thereof. This Registration Document can be consulted on the website of the AMF (French version only (www.amf-france.org)) and on the website of Technicolor (www.technicolor.com).

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

SHAREHOLDER MESSAGE

GRI *[102-14]*

Technicolor is today a global leader in the Media & Entertainment sector benefiting from emerging market needs for more immersive, augmented digital life experiences.

In 2018, Technicolor concluded the sale of its Patent Licencing business and it has recently announced the disposal of its Research and Innovation activities. Entering 2019, your Group is now able to focus fully on its world leading operational activities.

Significant external headwinds hampered profitability in 2018, including in particular large costs increases for memory chips used by Connected Home and a weak demand for DVDs. Overall revenues from continuing activities reached almost €4bn, down 3% year-on-vyear at constant rate, but yet with a solid second half, up 3%. Your Group benefits from a solid financial structure, strong liquidity and no major debt reimbursement milestones before 2023.

In Production Services, Technicolor continues to be positioned as a global leader benefiting from growing demand for high quality visual content, whether in the theatre or through streaming. In 2018, the Group established a presence in Adelaide, South Australia and the recent adoption of the French visual effects tax credit provides a new opportunity for the Group to develop an additional platform in France. Continued investment in capacity by taking advantage of our global footprint and efficiencies through new technology will support growth.

In DVD services, Technicolor is the worldwide leader in the replication, packaging and distribution of physical media for video, games and music. Key customer contract renegotiations will occur over the next several years and these are expected to lead to a transformation in the business model which will enable Technicolor to manage long term profitability.

The Connected Home segment is today the global leader in broadband access. In 2018, the Group managed to significantly increase its market share in both Broadband Access and android based video solutions. The Group also launched a three-year transformation plan to improve its cost competitiveness with a view to achieving material growth.

Our objective is to pave the way towards profitable mid-term growth to the benefit of all our stakeholders.

Bruce HACK
Independent Chairman
of the Board of Directors

Frédéric ROSE
Chief Executive Officer

FORWARD-LOOKING STATEMENTS

GRI *[102-46]*

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

This Registration Document includes:

(i) the Annual Financial Report (Rapport Financier Annuel) issued pursuant to Article L. 451-1-2-I and II of the French Monetary and Financial Code (Code monétaire et financier) and referred to in Article 222-3 of the AMF General Regulation (Règlement général de l'AMF) (a cross-reference table is set forth on page 304 between the documents referred to in Article 222-3 of the AMF General Regulation and the relevant sections of this Registration Document);

(ii) the management report (rapport de gestion) adopted by the Board of Directors of Technicolor SA pursuant to Article L. 225-100 et seq. of the French Commercial Code (Code de commerce) (the cross-reference table on page 304 mentions the elements of this report); and

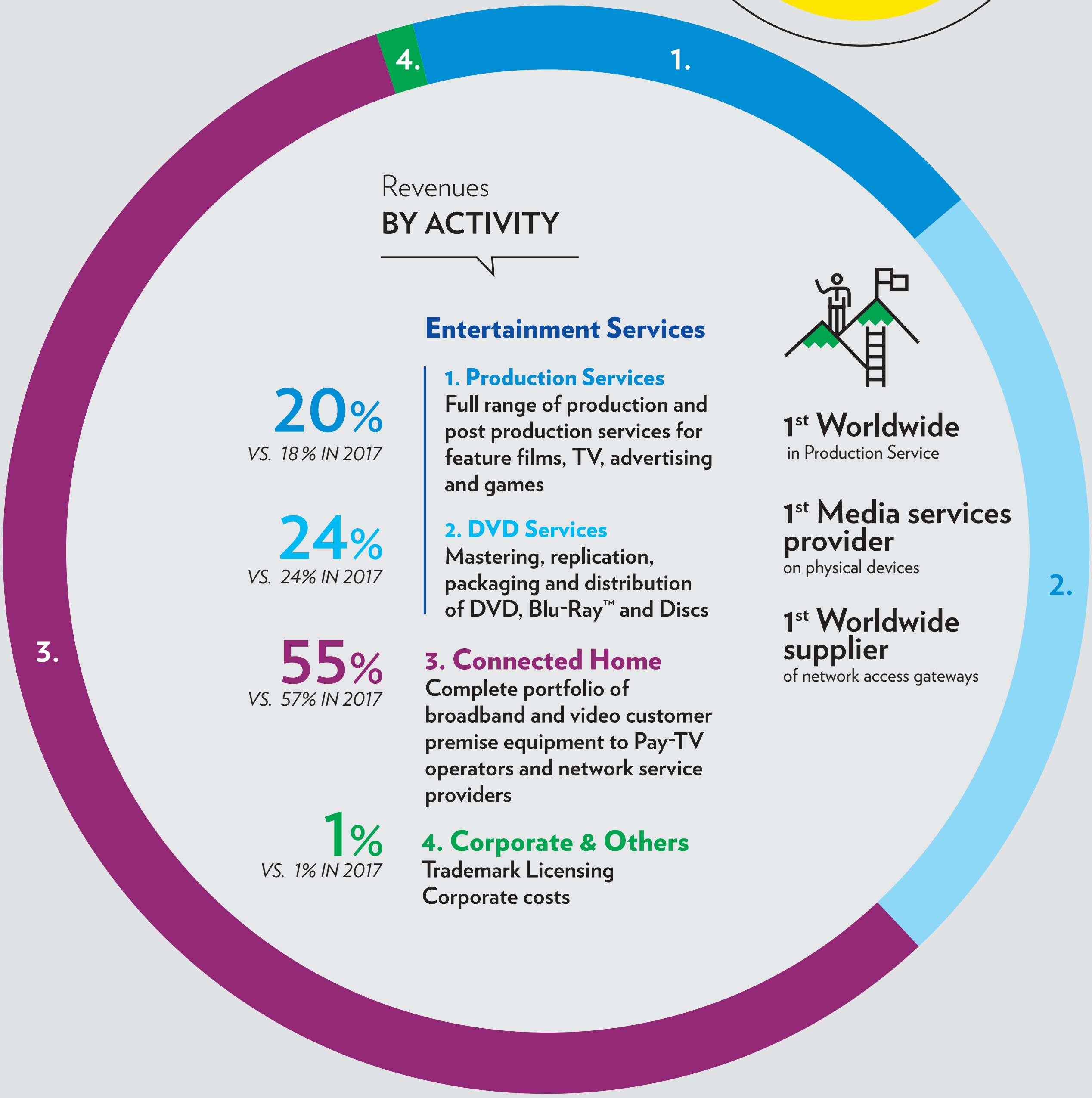
(iii) the corporate governance report (rapport sur le gouvernement d'entreprise) adopted by the Board of Directors of Technicolor SA pursuant to Article L. 225-37 of the French Commercial Code (the cross-reference table on page 306 mentions the elements of this report).

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

OVERVIEW OF TECHNICOLOR in 2018

Revenues of continuing operations

c.€4 M



Revenues
BY ACTIVITY

Entertainment Services

20%
VS. 18 % IN 2017

1. Production Services
Full range of production and post production services for feature films, TV, advertising and games

24%
VS. 24% IN 2017

2. DVD Services
Mastering, replication, packaging and distribution of DVD, Blu-Ray™ and Discs

55%
VS. 57% IN 2017

3. Connected Home
Complete portfolio of broadband and video customer premise equipment to Pay-TV operators and network service providers

1%
VS. 1% IN 2017

4. Corporate & Others
Trademark Licensing
Corporate costs

1st Worldwide
in Production Service

1st Media services provider
on physical devices

1st Worldwide supplier
of network access gateways

Revenues
BY CURRENCY

51%	**23%**	**26%**
USD	Euros	Others

GOVERNANCE

Bruce Hack 🟡 🔴
Independent Chairman of the Board of Directors

Frédéric Rose 🟡
Chief Executive Officer

Melinda J. Mount 🔵 🟣
Independent Director and Vice-Chairman

Bpifrance Participations 🟡 🔴
Represented by Thierry Sommelet
Independent Director

Yann Debois 🔴 🟣
Director representing the employees

Ana Garcia Fau 🔴 🔵
Independent Director

Laura Quatela 🟡 🔴 🟣
Independent Director

Maarten Wildschut 🔵 🔴
Director

AUDIT COMMITTEE	REMUNERATIONS COMMITTEE	NOMINATIONS & GOVERNANCE COMMITTEE	STRATEGY COMMITTEE
Meetings in: **6**	*Meetings in:* **3**	*Meetings in:* **2**	*Meetings in 2018:* **5**
Participation : 100%	Participation : 100%	Participation : 100%	Participation : 94%

71% **INDEPENDENT DIRECTORS**
(without the director representing the employees)

43% **OF FEMALE DIRECTORS**
(without the director representing the employees)

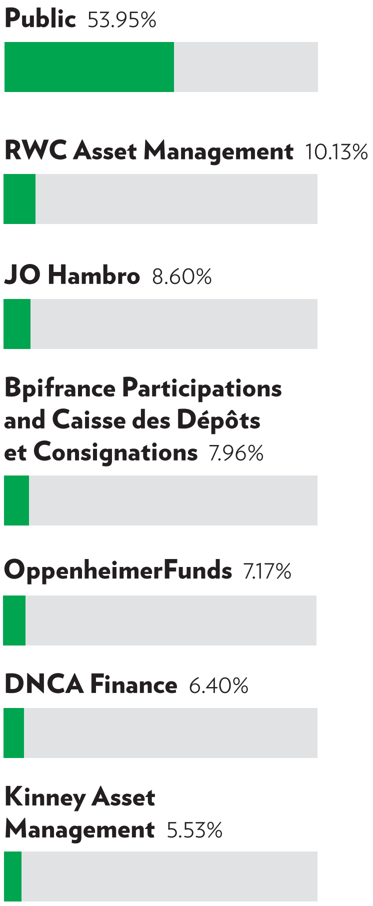
4 **DIFFERENT NATIONALITIES**

54 years **AVERAGE AGE OF DIRECTORS**

SHAREHOLDING

(As of 31 December 2018)

TECHNICOLOR S.A.
Parent Company of the Group



Public 53.95%

RWC Asset Management 10.13%

JO Hambro 8.60%

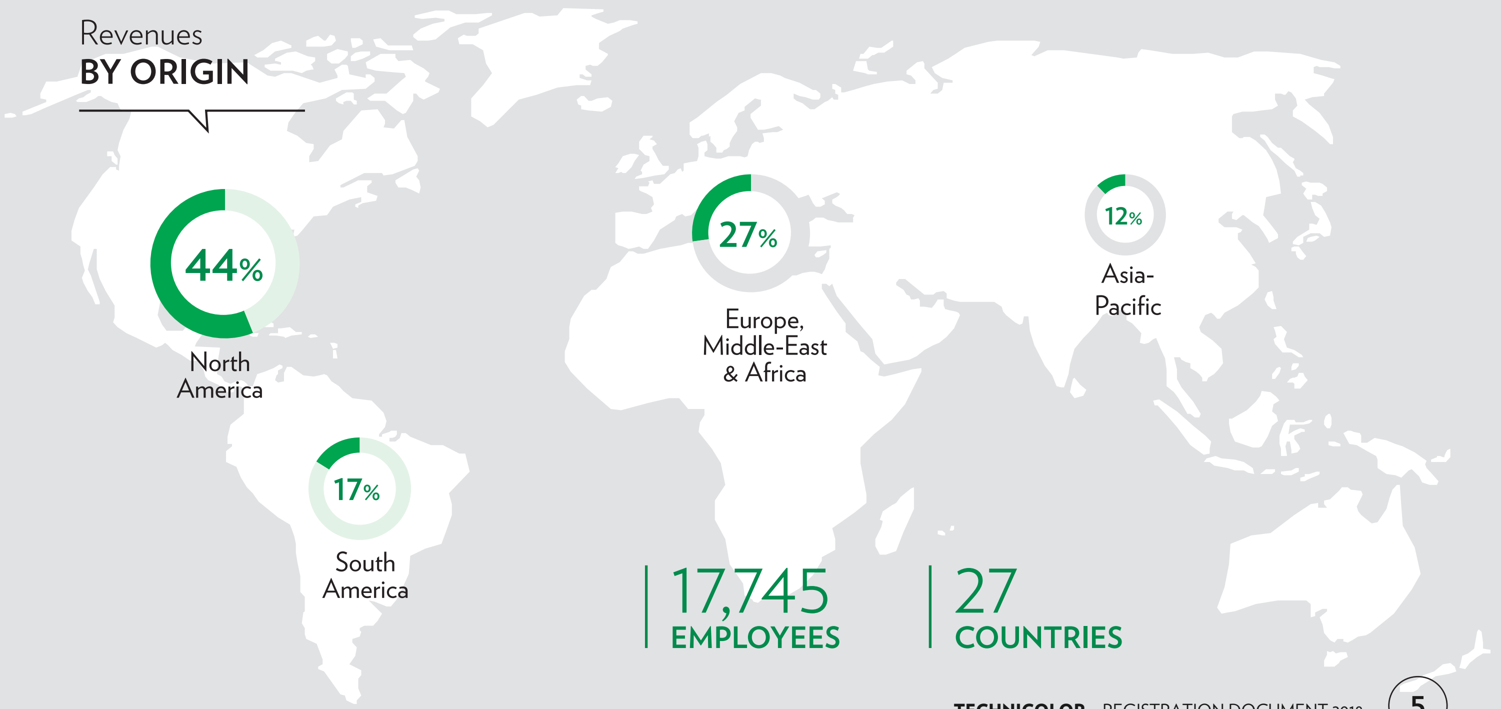
Bpifrance Participations and Caisse des Dépôts et Consignations 7.96%

OppenheimerFunds 7.17%

DNCA Finance 6.40%

Kinney Asset Management 5.53%

Revenues
BY ORIGIN



17,745 **EMPLOYEES**

27 **COUNTRIES**

1

PRESENTATION OF THE GROUP

€3,988 million of consolidated revenues from continuing operations

17,745 employees in **27** countries as of December 31, 2018

Our mission

developing, creating and delivering immersive experiences through two business segments

1.1 OVERVIEW AND HISTORICAL BACKGROUND

1.1.1 Overview

GRI *[102-2] [102-7] [102-15]*

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

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

Technicolor operates in three leading operating businesses:

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

Technicolor announced, on February 11, 2019, that it has received a binding offer and entered into exclusive negotiations with InterDigital, for the sale of its Research & Innovation ("R&I") activity. As a result, the Group reported the financial information of its R&I, previously included in the Corporate and Other segment under Discontinued operations. 2017 results were restated for comparative purposes.

Technicolor now operates two business segments:

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

Unallocated Corporate functions and all other unallocated activities, including Trademark Licensing activities are presented within the segment "Corporate & Other". For more information, please refer to section 1.2: "Organization & Business overview" of this Chapter.

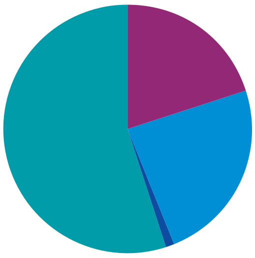
In the fiscal year 2018, Technicolor generated consolidated revenues from continuing operations of €3,988 million. As of December 31, 2018, the Group had 17,745 employees in 27 countries.

Technicolor is publicly listed on Euronext Paris Exchange (TCH) with a market capitalization of €395 million as of December 31, 2018 and traded in the USA on the OTCQX marketplace (OTCQX: TCLRY).

KEY ELEMENTS

5,393	OPERATIONALS
1,365	RESEARCHERS & ENGINEERS
8,559	CREATIVES
2,428	OTHERS

2018 REVENUES OF CONTINUING OPERATIONS BY SEGMENT



- ● **55%** *(vs. 57% in 2017)* Connected Home
- ● **20%** *(vs. 18% in 2017)* Production Services
- ● **24%** *(vs. 24% in 2017)* DVD Services
- ● **1%** *(vs. 1% in 2017)* Corporate & Other

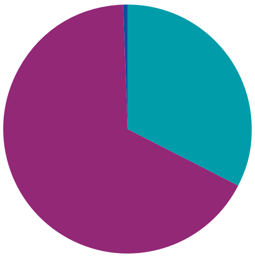
2018 REVENUES OF CONTINUING OPERATIONS BY REGION

- ● **44%** *(vs. 53% in 2017)* North America
- ● **27%** *(vs. 23% in 2017)* Europe, Middle-East & Africa
- ● **17%** *(vs. 16% in 2017)* Latin America
- ● **12%** *(vs. 8% in 2017)* Asia-Pacific

2018 REVENUES OF CONTINUING OPERATIONS BY CURRENCY

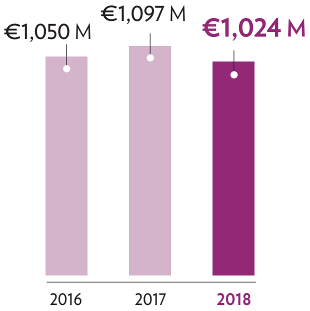
- ● **51%** *(vs. 56% in 2017)* Dollar US
- ● **23%** *(vs. 23% in 2017)* Euro
- ● **26%** *(vs. 21% in 2017)* Other

2018 ADJUSTED EBITDA BY BUSINESS SEGMENT



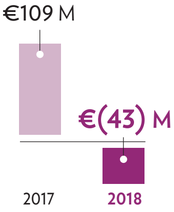
- ● **€178 M** *(vs. €216 M in 2017)* Entertainment Services
- ● **€87 M** *(vs. €128 M in 2017)* Connected Home
- ● **€1 M** *(vs. €(3) M in 2017)* Corporate & Others

GROSS DEBT EVOLUTION (IFRS)

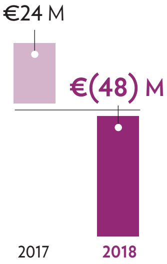


CASH POSITION EVOLUTION

FREE CASH FLOW OF CONTINUING OPERATIONS



GROUP FREE CASH FLOW



For more information, please to refer to section 1.2 «Organisation and business overview».

1.1.2 Historical background

GRI *[102-10] [102-15] [102-49]*

REFOCUSING OUR BUSINESSES & STRATEGIC ACQUISITIONS

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

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

In 2018, Technicolor announced an outsourcing agreement from Sony DADC to Technicolor in North America and Australia to start in the second quarter of 2018 and Connected Home launched a three-year transformation targeting market share gains while improving profitability being able to absorb potential new headwinds in the market.

In the first quarter of 2019, Technicolor announced it has received a binding offer and entered into exclusive negotiations with InterDigital for the sale of its R&I activity. It is worth highlighting that InterDigital acquired Technicolor's Patent Licensing business in 2018.

FINANCING STRUCTURE

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

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

In December 2018, Technicolor prepaid the European Investment Bank ("EIB") loan of €90 million.

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

1.2 ORGANIZATION AND BUSINESS OVERVIEW

GRI *[102-2]*

1.2.1 Entertainment Services

The Entertainment Services segment, which generated consolidated revenues of €1,726 million in 2018, accounting for 43% of the Group's reported consolidated revenues, supports content creators from creation to post production (Production Services), while offering global distribution solutions through its replication and distribution services for DVD, Blu-ray™ discs and CD (DVD Services).

The Entertainment Services segment is organized in two divisions:

- the Production Services Division provides a full set of award-winning Visual Effects ("VFX"), Animation, Video and Post Production services;
- the DVD Services Division replicates, packages and distributes DVD, Blu-ray™ discs and CD.

1.2.1.1 PRODUCTION SERVICES

GRI *[102-2] [102-6] [103-1 Market presence] [103-2 Market presence] [103-3 Market presence]*

Business overview

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

Technicolor continues to extend the range and depth of its product and service offerings, and to develop new innovative solutions, including state-of-the-art technologies and creative tools. In this division, Technicolor is also committed to the growth of immersive experiences and has made great strides in the Virtual Reality ("VR"), Augmented Reality ("AR"), and branded experiential landscape. The Group offers a large portfolio of VR/AR and other emerging technology work, resources and technical expertise for clients and consumers looking for a truly immersive experience.

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

Organization

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

Technicolor continued hiring additional talent to support its brands while further optimizing its resource allocations among key production-incentivized or cost-advantageous geographies and expanding into new ones, including the opening of Mill Film studios in Adelaide (Australia) and Montreal (Canada) and also increasing its capacity in India, in the UK and in Canada.

Capacity growth also requires significant investment in computing power, render farms, storage, and cloud solutions to deliver on clients' projects on quality and on time. In order to optimize utilization, Technicolor is investing in technology to develop a more flexible cost structure and to facilitate sharing of human and technology resources across facilities around the world.

Production Services in 2018 launched "The Focus" to consolidate talent recruitment across all business units within the Film & TV VFX service line to make more efficient the global recruiting process, identify new talent pools, facilitate international mobility and fill the expansion in capacity. The Focus will be rolled out across all of Production Services' other service lines in the coming years. The division also launched the Technicolor Academy across multiple locations to serve as training camp/finishing schools for aspiring digital artists to support the continuous need for future talent.

PS BRANDS	Film & TV VFX	Advertising	Post Production	Animation & Games	Primary Focus Areas	Locations
MPC Film	✓				VFX for tentpole films, servicing all major studios	*London, Montreal, Vancouver, LA, Bangalore, Mumbai*
Mill Film	✓				Mid-sized VFX projects for theatrical/ streaming films and higher-end episodics	*Montreal, Adelaide, Bangalore*
Mr. X	✓				VFX for TV/OTT and genre/ international films	*Toronto, Montreal, Bangalore*
The Mill		✓			VFX, production & delivery for agencies, production companies and brands	*London, LA, NY, Chicago, Mumbai, Bangalore*
MPC Advertising		✓			VFX & production for agencies, production companies and brands	*London, LA, NY, Amsterdam, Paris, Shanghai, Bangalore*
Mikros		✓	✓	✓	Feature animation VFX/Post services in France for Film/TV & Advertising	*Paris, Montreal, London, Brussels, Liege, Bangalore*
Technicolor	✓		✓	✓	Film & TV/OTT post, including beauty fixes & other just-in-time VFX Animation services for TV/OTT & Games	*LA, Toronto, London, Paris, Vancouver, Bangalore*

Approximately 10,300 people (including approximately 7,900 digital artists) worked for the Production Services Division at the end of December 2018 in India (43%), Canada (21%), USA (16%), UK (15%), and France and Other (5%).

Industry trends and market position

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

As global digital advertising spend continues to grow faster past traditional television advertising spend, and as rapidly evolving consumer technology choices drive new advertising content and device formats, Technicolor's Advertising businesses are well-positioned to address this market evolution and utilize emerging technologies to create the high-end imagery required by advertisers across all screens and experiences, strengthening its leadership in high-end advertising content creation and immersive experiences.

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

While the major studios' CGI animated films lead the Feature Animation box office, there is growth in the number of mid-level budgeted animated features, like Warner Bros.' Smallfoot, being produced each year as studios have become more open to outsourcing Feature Animation services and as OTT providers like Netflix invest significantly in animated original content. The Games services market is expanding as mobile game developers have become a more relevant market as mobile game art quality increases. Broadening the Group's position in these two emerging markets is a key element of the Technicolor growth strategy.

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

Key customers and Main competitors

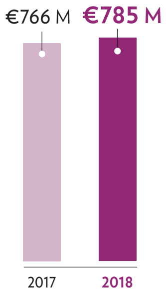
Technicolor's customer base includes major and independent film studios, and non-studio customers such as TV broadcasters, independent content producers, game developers/publishers and OTT service providers developing their own original content. In Advertising, clients range primarily from boutique to major advertising agencies to production companies to brands and advertisers. In the past few years the Group has been strategically strengthening its market position with leading studios and advertising agencies/production companies while also increasing its collaborations with non-studio customers and directly with brands and advertisers.

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

	Film & TV VFX	**Advertising**	**Post Production**	**Animation & Games**
Key Customers	• Major U.S. studios • Mini-majors and independent studios • TV production companies • OTT providers	• Global ad agencies • Production companies • Smaller agencies • Brands and advertisers	• Major U.S. studios • Mini-majors and independent studios • TV production companies • OTT providers	• Major and independent Animation studios • Key children's TV networks • Publishers and developers of AAA game titles
Key Competitors	• ILM (Disney) • Weta Digital • Double Negative • Method, Encore (Deluxe) • Framestore	• Method, Company 3 (Deluxe) • Framestore • In-house production arms of the global ad holding companies • Several local boutiques	• Company 3, EFILM (Deluxe) • FotoKem • In-house facilities of certain major U.S. studios • Several local boutiques	• Animal Logic • Sony Pictures Imageworks • Cinesite • Ilion Animation Studios • Reel FX • Bardel Entertainment • CGCG • Virtuos Ltd. • Keywords Studios
Key Data (2018)	• Over 12,000 VFX shots for theatrical features • Over 3,100 VFX shots for TV/OTT content	• Over 5,750 commercials	• Over 300 theatrical features • Over 470 TV/OTT series, mini-series and/or pilots	• 2,600 minutes of Animation for TV and film • 15,000 CG assets for top selling video games, TV series and films

Revenue and key highlights

PRODUCTION SERVICES REVENUE



Revenues grew 5.6% at constant currency, driven by significant volume expansion in Film & TV VFX and growth in Advertising.

In 2018:

- **Film & TV VFX**
  - Exceptional work on over 40 films from all major studios, including 2018 releases like *Aquaman* (Warner Bros.), *Fifty Shades Freed* (Universal), *Tomb Raider* (Warner Bros.), *The Nutcracker And The Four Realms* (Disney), *The Predator* (Fox), *Creed Ii* (MGM), *A Wrinkle In Time* (Disney):
    - in production on major studio tentpoles like *Dark Phoenix* (Fox), *Dumbo* (Disney), *Godzilla: King Of The Monsters* (Warner Bros./Legendary), *The Lion King* (Disney), and *Pokémon Detective Pikachu* (Warner Bros./Legendary).
  - Mr. X worked on over 14 TV projects, including new seasons of Vikings (History), *American Gods* (Starz), *Narcos* (Netflix) and *A Series of Unfortunate Events* (Netflix).
  - Secured major awards that will contribute significantly in 2019 like *Artemis Fowl* (Disney), *Call Of The Wild* (Fox), *Cats* (Universal), *Dora The Explorer* (Paramount), *Godzilla Vs. Kong* (Warner Bros./Legendary), *Maleficent* 2 (Disney), *Sonic The Hedgehog* (Paramount), *The One And Only Ivan* (Disney), *The Voyage Of Doctor Dolittle* (Universal).
  - Academy Award®-winning Mill Film re-launched and has now ramped up to 100+ artists across facilities in Montreal, and Adelaide.
  - The Group provided over 12,000 VFX shots for feature films and over 3,100 VFX shots for TV/OTT content.
- **Advertising**
  - Another record year of industry successes, including:
    - at the prestigious Cannes Lions International Festival of Creativity, the Group received seven Lions (1 Gold, 4 Silver, 2 Bronze);
    - MPC awarded *VFX Company of the Year* at the Ciclope and Shots awards;
    - The Mill recognized by Televisual 50 as the UK's #1 Post Production Company for the 10th year running;
    - MPC swept all three commercial categories at the 2018 *Visual Effects Society ("**VES**") Awards* with its work on Samsung *Ostrich*, and won at the recently held 2019 VES Awards for *Outstanding Visual Effects in a Commercial* for its work on the John Lewis' *The Boy and the Piano* Christmas spot, and for *Outstanding Animated Character in a Commercial* for its work on Volkswagen's *Born Confident*.
  - Highlight projects: Apple *Unlock*, Childish Gambino *This is America*, John Lewis, *The Boy and the Piano*, Amazon Alexa Loses Her Voice, Call of Duty *Black Ops 4: Angels & Men*, Gatorade *Beat the Blitz VR Experience*, Monster.com *Opportunity Roars*.
  - Technicolor contributed to over 5,750 commercials for advertising.
- **Post Production**
  - Highlight Film projects include *Avengers: Infinity War* (Disney/Marvel), *Bad Times At The El Royale* (Fox), *Black Panther* (Disney/Marvel), *Ant-Man And The Wasp* (Disney), *Roma* (Netflix), *Welcome To Marwen* (Universal), *The Mule* (Warner Bros.).
  - Highlight TV projects include *Atlanta* (FX), *The Romanoffs* (Amazon), *This Is Us* (NBC), *The Man in the High Castle* (Amazon), *Dirty John* (Bravo), *Seal Team* (CBS), *True Detective* (HBO), *American Gods* (Starz/Amazon), *Black Mirror* (Netflix).
  - Technicolor's Senior Colorist Maxine Gervais became the first female colorist to win the *Hollywood Professional Association award* for *Outstanding Color Grading* on a Feature Film for her work on Sony's *Alpha*.
  - Supervising DI Colorist Jean-Clément Soret won the *BAFTA Craft Award in the Special, Visual and Graphic Effects category* for his work on *Black Mirror Metalhead* (2018) marked the third year in a row that Technicolor provided post production services for *Black Mirror*, including the highly acclaimed *Bandersnatch* interactive film.
  - Technicolor provided Post Production services on over 300 theatrical features and over 470 TV/OTT series, mini-series and/or pilots.
- **Animation & Games:**
  - Mikros delivered three animated features in 2018: SGT. *Stubby: An American Hero* (Fun Academy), *Sherlock Gnomes* (Paramount), and Astérix: *Le Secret de la potion magique* (M6) which was recently nominated for the César Award for best animated feature; and is now ramping up production on *The Spongebob Movie: It's A Wonderful Sponge* (Paramount);

- TV Animation worked on the following shows: *Alvin and The Chipmunks* seasons 3 & 4 (Nickelodeon/M6), *Monchhichi* season 1 (TF1), *Spirit Riding Free* seasons 2 & 3 (DreamWorks Animation/Netflix), *Mickey and the Roadster Racers* season 2 (Disney), *The Boss Baby: Back in Business* (DreamWorks Animation/Netflix), *Elena of Avalor* season 2 (Disney), *Kung Fu Panda: The Paws of Destiny* season 1 (DreamWorks Animation/Amazon), *Dragons: Rescue Riders* (DreamWorks Animation/Netflix);
- Technicolor Animation Productions (original content IP business) in 2018 delivered approximately 30 commercial half hours and greenlit season 2 of *Monchhichi* and season 1 of *Team DroniX;*
- Games: Delivered *NBA 2K19* (2K Sports/Take-Two), *NHL 19* (EA Sports), *FIFA 19* (EA Sports), *Assassin's Creed Odyssey* (Ubisoft), *Call of Duty: Black Ops 4* (Activision), *Starlink: Battle for Atlas* (Ubisoft), *Red Dead Redemption II* (Rockstar Games), *Overkill's The Walking Dead* (Starbreeze), *Spyro Reignited Trilogy* (Activision), *God of War* (Sony);
- The Group delivered approximately 2,600 minutes of animation for leading animated TV shows and feature films. The Group also created 15,000 CG assets for top selling video games, animated TV series and feature films.

1.2.1.2 DVD SERVICES

GRI *[102-2] [102-6] [103-1 Market presence]*
[103-2 Market presence]
[103-3 Market presence]

Business overview

Technicolor is the worldwide leader in replication, packaging and supply chain solutions for packaged media and related products serving global content producers across film, television, games and music. The Group provides turnkey integrated supply-chain solutions including mastering, replication, packaging, direct-to-retail and direct-to-consumer distribution of both new releases and catalog products, returns handling and freight management, as well as procurement and selected other inventory management and related services. DVD Services has established deeply integrated customer relationships and a highly scalable, optimized low cost operational platform.

Technicolor runs strategically positioned key manufacturing facilities in Guadalajara (Mexico) and Piaseczno (Poland), while associated supply chain services (e.g. packaging and distribution) in the United States, Europe and Australia are supported by a multi-region/multi-site facility platform. In the U.S., the Group operates primarily from its Memphis (Tennessee) and Huntsville (Alabama) facilities, while continuing to grow its existing packaging and distribution platform in Mexicali (Mexico), located on the U.S. border. All Technicolor facilities and supply chain operations employ rigorous security processes to help ensure against piracy and other data loss of our customer's valuable Intellectual Property.

Technicolor believes it has the most efficient cost base in the packaged media industry, and the Group continuously seeks to implement further operational and productivity improvements, including the ability to adjust to the heavily seasonal nature of the packaged media industry *via* the use of temporary labor and other cost variabilization strategies.

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

Industry trends and market position

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

The package media business remains a large and profitable revenue source for content creators, and Technicolor believes there will be continuing significant consumer demand for physical ownership of content. Given a highly variable cost structure, activity optimization and cost reductions as well as ongoing revenue diversification efforts, Technicolor expects to maintain profitability in this maturing market environment.

As a global market leader, Technicolor's key customers include major Hollywood Studios such as Warner Bros., The Walt Disney Company, Paramount, Universal, Sony, Fox and Lionsgate, independent film studios, software and games publishers, and major music publishers. Most major customers are covered by multi-year contracts (generally, two to four years), which typically contain volume exclusivity and/or time commitments. Major client relationships typically consist of multiple contractual arrangements for specific types of services within specific geographical areas. DVD Services division-wide has launched initiatives to adapt distribution operations and related customer agreements in response to continued volume reduction and increasing order profile complexity. Customer contract renegotiations will occur over the next several years in line with specific renewal dates in order to move to volume-based pricing.

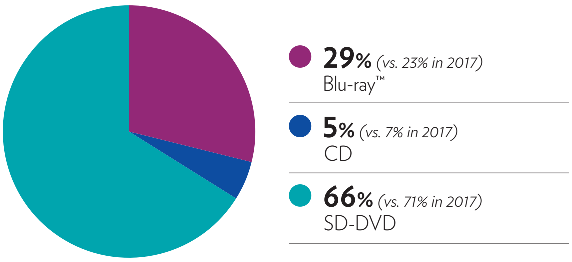
In January 2018, Sony DADC announced that it outsourced to Technicolor a substantial majority of its CD, DVD and Blu-ray™ manufacturing, packaging and distribution requirements in both the North American and Australian markets. Sony DADC continues to maintain direct relationships with distributors and also continues to directly support its PlayStation customers. This outsourcing initiative started in the second quarter of 2018 with manufacturing services and will expand into distribution services in early 2019.

Technicolor's key competitors in the DVD market include Sony and Arvato, both of which now have the majority of their activity concentrated in the European market.

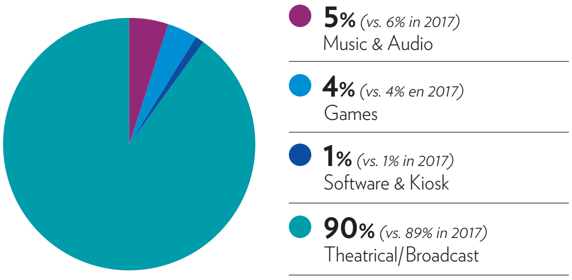
Revenue highlights

Technicolor sold a total of 1,195 million DVD, Blu-ray^{TM} discs and CD, in 2018 compared with 1,347 million discs in 2017. Operations are supported by approximately 1 million square feet of dedicated replication and distribution space, with unique capability for the timely delivery of discs to more than 40,000 locations.

VOLUMES BY FORMAT



VOLUMES BY SEGMENT



Selected major feature film titles produced by Technicolor in 2018 included:

Coco, *Black Panther*, *Avengers: Infinity War*, and *The Incredibles 2* from Disney; *The Greatest Showman*, *Deadpool 2* and *Ferdinand* from Fox; *A Quiet Place* and *Mission Impossible*: *Fallout* from Paramount; *Jurassic World*: *Fallen Kingdom* and *Skyscraper* from Universal; *Justice League*, *Ocean's 8* and *Crazy Rich Asians* from Warner; *Venom* and *Hotel Transylvania 3* from Sony and *Wonder* from Lionsgate. Major games titles included *Red Dead Redemption 2* from Take-Two Interactive, *Call of Duty: Black Ops 4* from Activision, *FIFA 19* from Electronic Arts, and *Fallout 76* from Bethesda Softworks.

1.2.2 Connected Home

GRI *[102-2] [102-6] [103-1 Market presence]*
[103-2 Market presence]
[103-3 Market presence]

Business overview

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

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

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

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

Organization

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

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

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

Connected Home had approximately 1,602 employees at the end of December 2018, of which around 269 employees belong to the Manaus manufacturing facility in Brazil.

Contract structuring and process

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

The standard contractual process is divided into five main steps:

- presale partnership to help refine a new product definition;
- request for Price/Request for Quote process;
- development, which ranges widely from about 6 to 18 months;
- deployment;
- maintenance.

Industry Trends

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

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

In 2018, our industry faced cost and supply continuity challenges resulting from global shortages of components. Technicolor led the industry in taking actions to mitigate the impact and guarantee supply. The component environment remains challenging:

- although the situation with the prices for memory chips is gradually improving, the costs for MLCCs have continued to increase materially;
- starting from mid-2018, the segment is invoicing clients for the vast majority of these identifiable component cost increases.

The industry also experienced the significant drop in the cable video market in North American 2018, which was partially offset by stronger demand in broadband.

Market Position in 2018

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

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

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

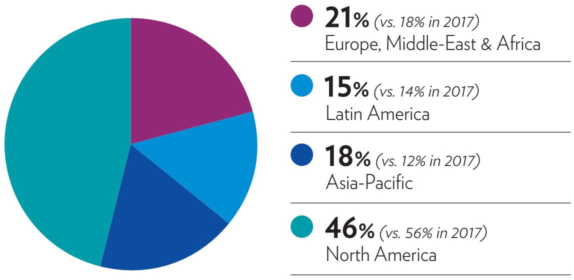
Revenue highlights

The Connected Home segment generated consolidated revenues of €2,218 million in 2018, accounting for 55% of the Group's reported consolidated revenues.

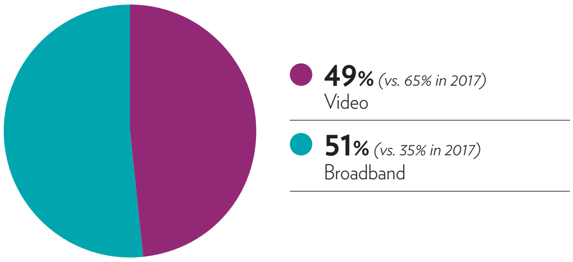
Connected Home shipped a total of 39.1 million products in 2018, or more than 752,000 devices per week. By product category, video devices represented 56% of total volumes in 2018 (2017: 59%), while broadband devices represented 44% of total shipments (2017: 41%) of which 9.6% of total volumes from Manaus.

On the video side, Ultra-High definition products represented around 33.3% of the Group's digital set-top box revenues in 2018.

REVENUES BY REGION



REVENUES BY PRODUCT



- **Customer concentration**

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

The Group's top 20 customers make up approximatively 40% of the total market, and Technicolor holds a material market share position at each.

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

- **By Geography**

		North America	**Europe, Middle-East & Africa**	**Latin America**	**Asia-Pacific**
Revenues	2018	€1,033 million	€460 million	€327 million	€398 million
	2017	€1,364 million	€434 million	€324 million	€297 million
Volumes *(in million units)*	Video	4.425	3.165	6.036	8.088
	Broadband	7.153	4.465	3.559	2.161
	Total	11.578	7.630	9.596	10.249

Connected Home recorded strong commercial activity in 2018 in North America, in particular with major cable operators in broadband solutions. Driven by this North American broadband activity, Connected Home has taken the undisputed worldwide leadership role in DOCSIS 3.1 deployments, both in volume and value.

In Europe, Middle-East and Africa, Connected Home continued to add new AndroidTV and DOCSIS 3.1 wins, both product groups adding revenue fuel for the coming years. The segment succeeded in maintaining its solid leadership in telecom and cable gateways and in all categories of Set-Top Box.

Connected Home is well established in the Latin American region with many marquee CPE customers, driving a high market share both in value and volume.

In Asia-Pacific, Connected Home is not present in all markets, preferring to focus where the segment can build solid market positions. The largest product categories of this market are digital satellite set-top box and telecom broadband gateways. In 2018, Connected Home recorded solid growth in South Korea and Japan, where Technicolor has decided to grow its position, following acquisitions of LG and Pioneer activities in the NSP market.

- **Transformation Plan**

During 2018, Connected Home decided to launch a three-year transformation program to adapt itself to the market conditions and subsequent consolidation facing our industry. This program includes a customer "selectivity" plan to better achieve product synergies and develop stronger partnerships with key suppliers and partners to improve product costing, competitiveness, and time to market. The plan includes reducing the annual fixed cost structure by 40% over a three-year period, representing c. €140 million savings versus 2017. Total costs associated with this plan amount to c.€90 million, with c.€50 million still to be spent, with an average pay-back of less than 15 months. It should enable Connected Home to improve overall profitability and be more competitive to increase its market share.

1.2.3 Corporate & Other

GRI *[102-2]*

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

Corporate & Other operations are as follows:

- Trademark Licensing business monetizes valuable brands such as RCA™ and Thomson™ which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business. Trademarks create business and market opportunities for licensing partners around the globe, which benefit from a complete brand service including rights management & protection, quality insurance, marketing and design. Main product categories developed are Television, Tablets, Home appliances with an increased market and awareness presence in EMEA, North and South America;
- Patent Licenses, which have not been sold to Interdigital and which monetize valuable patents such as MPEG-LA and various others;
- post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs;
- unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as sourcing, Human Resources, IT, Finance, Marketing and Communication, Corporate legal operations and real estate management, and that cannot be strictly assigned to a particular business within the two operating segments.

1.2.4 Discontinued operations

GRI *[102-10] [102-49]*

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

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

Technicolor announced, on December 18, 2017, it decided to sell its Patent Licensing business and was in advanced negotiations with a third party. As a result, the Group reported the financial information of its Patent Licensing business, previously included in the Technology segment, under Discontinued operations. On July 30, 2018, the Group concluded the sale to InterDigital excluding some mobile patents, a small number of patents for nascent technologies and some patents associated with patents tools.

Technicolor announced, on February 11, 2019, it has received a binding offer and entered into exclusive negotiations with InterDigital for the sales of its R&I activity. As a result, the Group reported the financial information of this activity, previously included in the Corporate & Other segment, under Discontinued operations. 2017 results were re-presented for comparative purposes.

R&I aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences. A solution-driven-portfolio is built to serve content creators, particularly Hollywood Studios, Network Service Providers and Consumer Electronics manufacturers when facing the technology challenges of emerging formats and digital platforms. Under this model, R&I and the operating businesses sustain a joint project portfolio driven to maximize impact with a clear path to deployment.

R&I employs around 180 world-class researchers and scientists as of December 31, 2018, with a mix of scientists and engineers with skills spanning from video compression, color science, computer vision and computer graphics, to emerging fields such as Virtual/Augmented Reality, light fields, cognitive science, human/computer interaction, network virtualization, heterogeneous networks and deep/machine learning.

1.3 STRATEGY

GRI [102-10] [102-15] [102-49]

In light of the evolving challenges in our end markets, reviews of Technicolor's portfolio of businesses resulted in the decision to focus on developing its key operating business segments. The transaction to transfer its Patent Licensing business and accompanying Research & Innovation activity, allows Technicolor to concentrate its management focus and capital resource on these divisions to maximize value creation:

- Entertainment Services:
  - Technicolor's Production Services' strong position in the content creation markets it serves presents the most significant growth opportunities given the continued drive for original content and the emergence of immersive content. Capital and resources will continue to be allocated to opportunities in this business, including the development of market leading tools that improve operational efficiency and effectiveness;
  - DVD Services will focus on cash generation while continuing to develop adjacent opportunities for its world class operating platform;
- Connected Home has the potential to benefit from new opportunities in home networking and streaming solutions, including through alliances and partnerships. It will also concentrate its efforts to increase its market share whilst improving overall profitability.

1.4 SHARE CAPITAL AND SHAREHOLDING

1.4.1 Share capital

NUMBER OF SHARES AND VOTING RIGHTS AS OF DECEMBER 31, 2018

During 2018, the Company did not carried out any capital increase.

As of December 31, 2018, the Company's share capital was divided in 414,461,178 shares with a nominal value of €1, fully paid-up (ISIN FR0010918292) and all of the same class (see below paragraph "Changes to share capital" of this Chapter).

Date	Number of Outstanding Shares	Number of Voting Rights
December 31, 2018	414,461,178	Number of Theoretical Voting Rights(1): 414,461,178 Number of Voting Rights Exercisable at Shareholders' Meeting(2): 413,386,184

(1) Calculated, pursuant to Article 223-11 of the General Regulations of the Autorité des marchés financiers, based on the total number of outstanding shares to which voting rights are attached, including shares with suspended voting rights.

(2) Excluding shares with suspended voting rights, entirely composed of the treasury shares (i.e. 1,074,994 shares).

HOLDING OF SHARE CAPITAL AND VOTING RIGHTS

GRI *[102-7] [102-40]*

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

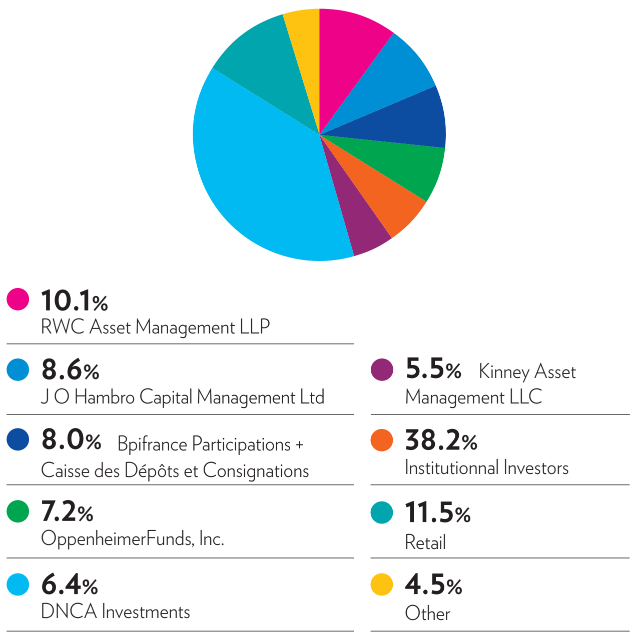
	December 31, 2018			December 31, 2017			December 31, 2016		
shareholders	**Number of shares**	**% of share capital**	**% of voting rights(3)**	**Number of shares**	**% of share capital**	**% of voting rights(3)**	**Number of shares**	**% of share capital**	**% of voting rights(3)**
Public(1)(2)	223,609,006	53.95%	54.09%	263,865,487	63.66%	63.82%	295,782,293	71.58%	71.71%
RWC Asset Management LLP	42,000,000	10.13%	10.16%	-	-	-	-	-	-
J O Hambro Capital Management Limited	35,655,435	8.60%	8.63%	25,047,689	6.04%	6.06%	-	-	-
• Bpifrance Participations	21,853,869	5.27%	5.29%	21,853,869	5.27%	5.29%	21,853,869	5.29%	5.30%
• Caisse des Dépôts et Consignations	11,129,059	2.69%	2.69%	11,129,059	2.69%	2.69%	11,116,440	2.69%	2.69%
Total Bpifrance Participations + Caisse des Dépôts et Consignations	32,982,928	7.96%	7.98%	32,982,928	7.96%	7.98%	32,970,309	7.98%	7.99%
OppenheimerFunds, Inc.	29,700,000	7.17%	7.18%	48,679,165	11. 75%	11.77%	41,484,036	10.04%	10.06%
DNCA Finance, SA and DNCA Finance Luxembourg	26,510,000	6.40%	6.41%	21,489,718	5.18%	5.20%	20,838,421	5.04%	5.05%
Kinney Asset Management LLC	22,928,815	5.53%	5.55%	-	-	-	-	-	-
Cisco Systems, Inc.	-	-	-	21,418,140	5.17%	5.18%	21,418,140	5.18%	5.19%
Treasury shares	1,074,994	0.26%	-	978,051	0.24%	-	752,768	0.18%	-
TOTAL	**414,461,178**	**100%**	**100%**	**414,461,178**	**100%**	**100%**	**411,443,290**	**100%**	**100%**

(1) Estimate obtained by subtraction.

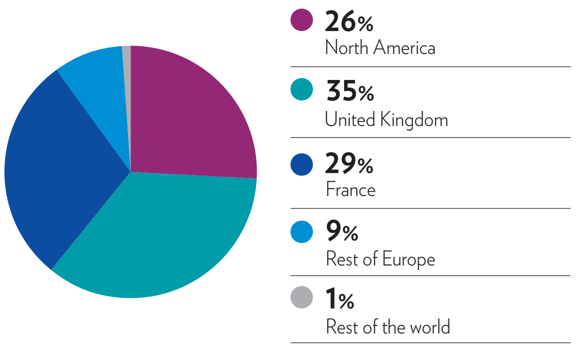
(2) Including equity held by major shareholding funds.

(3) Net of shares deprived of voting rights.

TOTAL SHAREHOLDING EVOLUTION



INSTITUTIONAL HOLDERS BY GEOGRAPHY



INDIVIDUALS OR ENTITIES HOLDING CONTROL OF THE COMPANY AND SHAREHOLDERS' AGREEMENTS

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

SHARE OWNERSHIP THRESHOLDS' CROSSINGS NOTIFIED TO THE COMPANY IN 2018 AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S CAPITAL

In accordance with Article L. 233-13 of the French Commercial Code, and to the Company's knowledge, the following legal share ownership thresholds' crossings were notified to the Company and the *Autorité des marchés financiers* (AMF) during 2018 fiscal year:

Shareholders	Date on which threshold crossed	Threshold crossed upwards or downwards	Threshold crossed	Percentage of share capital held on the date of notification	Number of shares
Cisco Systems, Inc. *(D&I AMF n°218C0702)*	April 4, 2018	Downwards	5%	4.93%	20,440,793
Sycomore Asset Management *(D&I AMF n°218C0804)*	April 26, 2018	Upwards	5%	5.01%	20,746,777
RWC Asset Management LLP *(D&I AMF n°218C0815)*	April 26, 2018	Upwards	5%	5.02%	20,814,869
RWC Asset Management LLP *(D&I AMF n°218C1006)*	May 29, 2018	Upwards	10%	10.02%	41,542,850
OppenheimerFunds, Inc. *(D&I AMF n°218C1481)*	August 17, 2018	Downards	10%	9.98%	41,344,563
Kinney Asset Management LLC *(D&I AMF n°218C1495)*	August 22, 2018	Upwards	5%	5.53%	22,928,815
Sycomore Asset Management *(D&I AMF n°218C1950)*	December 7, 2018	Downards	5%	4.90%	20,289,777

As of December 31, 2018:

- RWC Asset Management held 10.13% of the share capital and 10.16% of the voting rights;
- J O Hambro Capital Management held 8.60% of the share capital and 8.62% of the voting rights;
- *Caisse des Dépôts et Consignations* held, jointly with Bpifrance Participations SA, 7.96% of the share capital and 7.98% of the voting rights;
- OppenheimerFunds held 7.17% of the share capital and 7.18% of the voting rights;
- DNCA Finance held 6.40% of the share capital and 6.41% of the voting rights; and
- Kinney Asset Management LLC held 5.53% of the share capital and 5.55% of the voting rights.

To the Company's knowledge, no shareholder, other than those mentioned above, held more than 5% of its share capital or voting rights on December 31, 2018.

In addition, to the Company's knowledge, no Board member or Executive Committee member currently holds more than 1% of the Company's share capital or voting rights, except for Bpifrance Participations SA and RWC Asset Management LLP (for further information on Board Members' holdings see section 4.1.1.5: "Directors' holdings in the Company's share capital" under Chapter 4: "Corporate governance and internal control" of this Registration Document).

MODIFICATIONS IN THE HOLDING OF SHARE CAPITAL OVER THE PAST THREE YEARS

GRI *[102-10]*

In 2018, two shareholders built up significant stakes through the purchase of shares on the market:

- the holding of RWC Asset Management LLP reached 5.02% of the Company's share capital and voting rights, and subsequently 10.13% of the Company's share capital and voting rights;
- Kinney Asset Management's holding reached 5.53% of the Company's share capital and voting rights.

J O Hambro Capital Management Limited and DNCA Finance kept building up their stakes.

Cisco Systems, Inc. sold all of its stakes in the Company's share capital and went from 5.17% in December 31, 2017 to 0% in December 31, 2018.

OppenheimerFunds, Inc. sold part of its stakes in the Company's share capital and went from 11.75% in December 31, 2017 to 7.17% in December 31, 2018.

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

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

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

CHANGES TO THE SHARE CAPITAL

GRI *[102-10]*

Transaction date	**Number of shares issued or canceled**	**Increase/ reduction in capital** *(in euros)*	**Total amount of share capital at closing** *(in euros)*	**Additional paid-in capital variation** *(in euros)*	**Carrying amount of additional paid-in capital** *(in euros)*	**Cumulative number of shares at closing**	**Nominal value** *(in euros)*
As of December 31, 2015			**411,443,290**		**1,124,286,679**	**411,443,290**	**1**
From January 1, 2016 to January 29, 2016							
Increase of Capital	533,909	533,909		1,308,865			1
Creation of new shares under MIP 2015							
From February 1, 2016 to December 31, 2016							
Increase of Capital	1,268,768	1,268,768		2,944,099			1
Creation of new shares under MIP 2015							
Allocation of net loss for FY 2015 to retained earnings by the Shareholders' General Meeting of April 29, 2016				(186,444,553)			
Dividend distribution decided by the Shareholders' General Meeting of April 29, 2016				(24,745,266)			
As of December 31, 2016			**413,245,967**		**917,349,824**	**413,245,967**	**1**
Creation of new shares under MyTechnicolorShares Plan *(delivery of restricted shares)*	778,750	778,750		(778,750)			1
Creation of new shares under MIP 2015 *(exercise of stock options)*	436,461	436,461		955,850			1
As of December 31, 2017			**414,461,178**		**917,526,924**	**414,461,178**	**1**
Allocation of net loss for FY 2017 to reserves by the Shareholders' General Meeting of April 26, 2018					(917,526,924)		
As of December 31, 2018			**414,461,178**		**0**	**414,461,178**	**1**

POTENTIAL MODIFICATIONS TO THE COMPANY'S SHARE CAPITAL

GRI *[102-10]*

As of December 31, 2018, a total of 10,652,013 stock options are outstanding in the framework of stock options plans, part of which remains subject to the achievement of performance conditions (for details of these plans, see Chapter 4: "Corporate governance and compensation", section 4.2.3: "Stock Option Plans and Performance and Restricted Share Plans" of this Registration Document). If all options in the Stock Option Plans were exercised, this would lead to the issuance of 10,652,013 shares. Technicolor's share capital would be composed of 425,113,191 ordinary shares, *i.e.* a 2.5% increase in the number of shares from December 31, 2018.

As of December 31, 2018, a total of 6,483,821 performance shares could be vested to employees and Corporate Officers under performance conditions set by the performance share plans (for details of these plans, see Chapter 4: "Corporate governance and compensation", section 4.2.3: "Details on Stock Option Plans and Performance and Restricted Share Plans" of this Registration Document). If all shares in the performance share plans were delivered, this would lead to the issuance of 6,483,821 shares. Technicolor's share capital would be composed of 420,944,999 ordinary shares, *i.e.* a 1.5% increase in the number of shares from December 31, 2018.

As of the date of publication of this Regitration Document, no other securities giving access to capital are in circulation.

TECHNICOLOR SHARES SUBJECT TO A SECURITY INTEREST

To the Company's knowledge, as of the date of publication of this Regitration Document, no shares of the Company are pledged.

ELEMENTS LIKELY TO HAVE AN INFLUENCE IN CASE OF A PUBLIC OFFER

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

1.4.2 Share buy back

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

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

SHARE MANAGEMENT AGREEMENT

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

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

As a result of the Board's decision not to submit to the shareholders a new share purchase program in 2018, Technicolor decided to suspend this program effective on April 26, 2018.

HOLDING AND ALLOCATION OF TREASURY SHARES AS OF DECEMBER 31, 2018

As of December 31, 2018, the Company held 1,074,994 treasury shares(1) representing 0.26% of the share capital, with a gross book value of €56,405,049.38 and a nominal value of €1,074,994.

Percentage of treasury shares held directly or indirectly	0.26%
Number of treasury shares held directly or indirectly	1,074,994
Number of shares canceled over the last 24 months(2)	-
Gross book value of shares owned (in Euros)	56,405,049.38
Market value of shares owned(3) (in Euros)	1,025,544.28

(1) As of December 31, 2018, the Company was holding 371,069 registered shares directly and 703,925 shares in the frame of the share management agreement.
(2) Last 24 months preceding December 31, 2018.
(3) Based on a quoted market price of €0.954 per share on December 31, 2018.

Out of the total 1,074,994 treasury shares held on December 31, 2018:

- 371,069 shares are allocated to employee stock option programs or other allocations of shares to employees and Corporate Officers of the Group; and
- 703,925 shares are allocated to a liquidity objective.

TRANSACTIONS CARRIED OUT BY THE COMPANY ON ITS OWN SHARES BETWEEN JANUARY 1, 2018 AND DECEMBER 31, 2018

In accordance with Article L. 225-211 of the French Commercial Code, under the share management agreement and during the period from January 1, 2018 to December 31, 2018, the Company's aggregate purchases totaled 1,114,523 shares (at the average price of €2.12388) or 0.27% of the share capital, amounting to €2,367,113, while the aggregate sales totaled 1,017,580 shares (at the average price of €2.26903), amounting to €2,308,920 or 0.25% of the share capital. It is reminded that the share management agreement was suspended as of April 26, 2018.

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

1.4.3 Delegations granted to the Board of Directors by the Shareholders' Meetings

In accordance with Article L. 225-100 paragraph 7 of the French Commercial Code, the table below summarizes the delegations in force granted to the Board of Directors by the Shareholders' Meeting and the use made of these delegations during the 2018 fiscal year:

I – FINANCIAL DELEGATIONS TO ALLOW EQUITY-LINKED INSTRUMENTS EXCLUDING EMPLOYEES OR CORPORATE OFFICERS

Type of the financial delegation	Duration of the authorization and date of expiration	Maximum amount of the issuance of equity-linked debt securities *(in euros)*	Maximum nominal amount of Capital Increases	Amount used	Amount available
Issuances with preferential subscription right					
Issuance of shares and/or equity-linked securities giving access, immediately or over time, to the Company's share capital, with preferential subscription rights **(13th resolution of the AGM of April 26, 2018)**	26 months June 26, 2020	500 million	€165,784,471 representing 40% of the share capital on December 31, 2017	None	100% of the ceiling
In the event of an over-subscription (Greenshoe)					
Increase in the number of shares to be issued in the event of a capital increase, with or without preferential subscription rights **(16th resolution of the AGM of April 26, 2018)**	26 months June 26, 2020	N/A	15% of the initial issue	None	100% of the ceiling
Issuance without preferential subscription right					
Issuance, without preferential subscription rights and by way of a public offering, of shares and/or equity-linked securities giving access, immediately or over time, to the Company's share capital **(14th resolution of the AGM of April 26, 2018)**	26 months June 26, 2020	400 million	€41,446,117 representing 10% of the share capital on December 31, 2017	None	100% of the ceiling
Issuance, without preferential subscription rights, of shares and/or equity-linked securities giving access, immediately or over time, to the Company's share capital, by way of an offering in accordance with Article L. 411-2 of the French Monetary and Financial Code **(15th resolution of the AGM of April 26, 2018)**	26 months June 26, 2020	400 million	€41,446,117 representing 10% of the share capital on December 31, 2017	None	100% of the ceiling
Issuance, without preferential subscription rights, of shares and/or equity-linked securities giving access, immediately or over time, to the Company's share capital in consideration for contributions in kind to the Company **(17th resolution of the AGM of April 26, 2018)**	26 months June 26, 2020	400 million	€41,446,117 representing 10% of the share capital on December 31, 2017	None	100% of the ceiling
Overall limits on issues					
Overall limits on issues **(20th resolution of the AGM of April 26, 2018)**	N/A	500 million	€165,784,471 representing 40% of the share capital on December 31, 2017	None	N/A

II – DELEGATIONS TO ALLOW EQUITY-LINKED INSTRUMENTS FOR EMPLOYEES OR CORPORATE OFFICERS

Type of the financial delegation	**Duration of the authorization and date of expiration**	**Number of shares and percentage of capital likely to be issued**	**Amount used**	**Amount available**
Capital increase without preferential subscription rights, reserved to members of a group savings plan **(18th resolution of the AGM of April 26, 2018)**	18 months October 26, 2019	4,144,612 shares representing 1% of the share capital on April 26, 2018	None	100% of the ceiling
Capital increase without preferential subscription rights, reserved to specific categories of beneficiaries – shareholding transactions for employees outside a group savings plan **(19th resolution of the AGM of April 26, 2018)**	18 months October 26, 2019	4,144,612 shares representing 1% of the share capital on April 26, 2018	None	100% of the ceiling
Overall limits on issues **(20th resolution of the AGM of April 26, 2018)**	N/A	500 million	€165,784,471 representing 40% of the share capital on December 31, 2017	None

1.4.4 Dividend policy

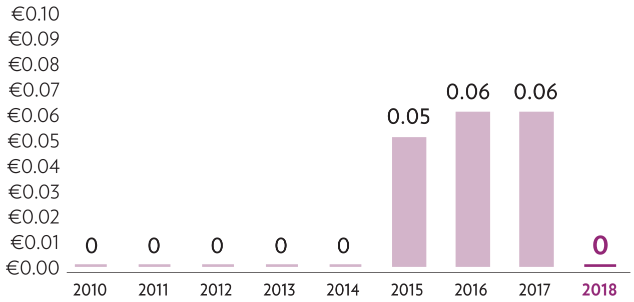
GRI [201-1]

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

Upon proposal of the Board of Directors, with respect to fiscal year 2017, the General Shareholders' Meeting of April 26, 2018 decided the absence of payment of a dividend.

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

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



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

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

2

2018 ADJUSTED EBIDTA FROM CONTINUING OPERATIONS

Entertainment Services
178 million euros

Connected Home
87 million euros

Corporate & Others
1 million euros

2.1 SUMMARY OF RESULTS

GRI *[103-3 Economic performance] [201-1]*

Due to the announcement of the divesture of the Patent Licensing business in December 2017, results pertaining to this business for 2017 were reported as discontinued operations. In 2018, the latter include the results of this business until disposal, the gain on sale to InterDigital on July 30, 2018 and the results of the Research & Innovation activity, which sale is highly probable further to the announcement by the Group of exclusive negotiations with InterDigital on February 11, 2019.

Revenues from continuing operations totaled €3,988 million in 2018, down 6.2% at current currency and down 2.9% at constant currency compared to 2017. For more information, please refer to section 2.2.1 "Analysis of revenues from continuing operations" of this Chapter.

Adjusted EBITDA from continuing operations reached €266 million in 2018, down 21.8% at current currency and down 16.6% at constant currency compared to 2017, a decline mainly attributable to the Connected Home segment as net components increases negatively impacted its Adjusted EBITDA by €45 million and DVD Services lower revenue impact. The Adjusted EBITDA margin amounted to 6.7%, down by 130 bps year-on-year. For more information, please refer to sections 2.2.2 "Analysis of adjusted EBITDA from continuing operation" and 2.2.9 "Adjusted indicators" of this Chapter.

Loss from continuing operations before tax and net finance costs was €119 million in 2018 compared to a profit of €40 million in 2017. For more information, please refer to section 2.2.3 "Analysis of operating expenses and profit (loss) from continuing operations before tax and net financial expense" of this Chapter.

The Group's net financial result was an expense of €51 million in 2018 compared to an expense of €96 million in 2017. For more information, please refer to section 2.2.4 "Net financial expense" of this Chapter.

The Group's total income tax charge was €54 million in 2018 compared to a charge of €112 million in 2017. For more information, please refer to section 2.2.5 "Income tax" of this Chapter.

Loss from continuing operations was €224 million in 2018 compared to a loss of €168 million in 2017. For more information, please refer to section 2.2.6 "Profit (loss) from continuing operations" of this Chapter.

The result from discontinued operations was a profit of €157 million in 2018 compared to a loss of €5 million in 2017. For more information, please refer to section 2.2.7"Profit (loss) from discontinued operations" of this Chapter.

The Group's consolidated net income was a loss of €67 million in 2018 compared to a loss of €173 million in 2017. For more information, please refer to section 2.2.8 "Net income (loss) of the Group" of this Chapter.

2.2 RESULTS OF OPERATIONS FOR 2017 AND 2018

GRI *[103-3 Economic performance] [201-1]*

The revenues, Adjusted EBITDA, operating expenses and profit (loss) from continuing operations before tax and net financial expense for the years 2017 and 2018 are presented below for each of the Group's operating segments – Entertainment Services, Connected Home and Corporate & Other.

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

2.2.1 Analysis of revenues from continuing operations

(in million euros)	FY 2018	FY 2017	Change[1]
Total revenues from continuing operations	**3,988**	**4,253**	**(2.9)%**
Production Services	785	766	5.6%
DVD Services	941	1,024	(5.1)%
Connected Home	2,218	2,419	(4.7)%
Corporate & Other	44	44	ns

(1) Change at constant currency.

Revenues from continuing operations totaled €3,988 million in 2018, down 6.2% at current currency and down 2.9% at constant currency compared to 2017, resulting mainly from lower revenues in the Connected Home segment and in DVD Services Division.

ENTERTAINMENT SERVICES

Consolidated revenues for the Entertainment Services segment amounted to €1,726 million in 2018, down 3.6% at current currency and down 0.5% at constant currency compared to 2017.

Production Services

Production Services revenues were up 5.6% year-on-year at constant rate and increased in the second half compared to the 2017 second half by 6.6% at constant rate.

Business Highlights

- **Film & TV Visual Effects ("VFX"):** record year with exceptionally strong double-digit revenue growth year-on-year, and a robust pipeline of future projects continuing into 2019 (e.g., Disney's *The Lion King and Dumbo*, Fox's *Dark Phoenix*, Universal's *The Voyage of Doctor Dolittle*, Warner Bros.'*Legendary's Godzilla: King of The Monsters*). VFX teams worked on over 40 films in 2018, including completing major studio features like Warner Bros.' *Aquaman* and Disney's *A Wrinkle in Time*; and 14 episodic projects during the year, including the latest seasons of franchises like History's *Vikings* and Netflix's *Narcos*.
- **Advertising VFX:** mid-single digit revenue growth year-on-year as The Mill and MPC received numerous industry accolades including seven Cannes Lions and nine British Arrow Awards. MPC was awarded VFX Company of the Year at both the Ciclope and Shots awards, while The Mill was recognized by Televisual as the UK's #1 Post Production Company for the 10th year in a row. The Advertising segment saw continued expansion in direct-to-brand capabilities alongside strong growth in emerging technology/experiential projects.
- **Animation & Games:** lower revenues compared to prior year due primarily to delays in signing new feature projects. Mikros in 2018 delivered three animated theatrical features (Paramount's *Sherlock Gnomes, Fun Academy's Sgt. Stubby: An American Hero* and M6's *Asterix: The Secret of the Magic Potion*) and is ramping up production on Paramount's *SpongeBob Squarepants* animated feature. Technicolor Animation continues to deliver on high-quality episodic productions for major clients while Technicolor Games worked on several of the best-selling AAA games of 2018.
- **Post Production:** revenues were down compared to 2017, mainly driven by lower volume, in particular in localization services and the exit from certain underperforming businesses.

DVD Services

DVD Services revenues totaled €941 million in 2018, down 5.1% at constant currency compared to 2017. Revenues decreased in the second half compared to the 2017 second half by 1.6% at constant rate.

Business Highlights

Total combined replication volumes reached 1,195 million discs, down 11.3% over 2017. The business benefited from ongoing growth in Blu-ray™, as well as the impact of the previously announced Sony DADC outsourcing agreement that commenced in the second quarter of 2018.

As a result of continued industry-wide pressures, DVD Services has launched structural division-wide initiatives to adapt distribution operations and related customer contract agreements. In particular, customer contract renegotiations will occur over the next several years upon specific contract renewal dates. The new contracts are expected to reflect the changing nature and scale of this business, including volume and activity-based pricing.

The division is also pursuing its efforts to grow and diversify supply chain services business outside of packaged media into other growing market verticals, including direct-to-consumer fulfillment.

VOLUME DATA FOR DVD SERVICES

(in million units)		FY 2018	FY 2017	Change
Total volumes		**1,194.9**	**1,346.6**	**(11.3)%**
By format	DVD	787.4	953.8	(17.5)%
	Blu-ray™	342.5	304.5	12.5%
	CD	65.1	88.2	(26.2)%
By segment	Theatrical/Broadcast	1,071.0	1,192.9	(10.2)%
	Games	45.9	48.8	(5.9)%
	Music & Software	78.1	104.8	(25.5)%

CONNECTED HOME

Connected Home revenues totaled €2,218 million in 2018, down 4.7% year-on-year at constant rate but increased in the second half compared to 2017 by 4.9% at constant rate. Despite continued market challenges, the business increased market share throughout the year driven by extremely strong growth in broadband and Android TV video. At the same time, Connected Home was able to significantly mitigate another year of heavy components costs increases (net €(45) million year-on-year impact and €(47) million at constant rate) and the exceptional drop in North American video sales, while continuing to reduce its fixed cost basis.

Business Highlights

- ***North America:***

Revenues with North American customers were down compared to 2017 driven by lower video demand from Charter and AT&T and the impact of severe component shortages on deliveries.

During 2018, Technicolor was the sole supplier of DOCSIS 3.1 gateways to Comcast and Syndication customers and started shipping important volumes to Charter, vaulting Technicolor to become the undisputed leader of DOCSIS 3.1 worldwide.

- ***Europe, Middle-East & Africa, Asia-Pacific and Latin America:***

High single digit revenue growth due to large orders from the 50+ customers that the Group is focusing on.

The component environment and regulatory framework was challenging in 2018. The Group reinvoiced the vast majority of identifiable cost increases to its clients in the second half of 2018.

VOLUME DATA FOR CONNECTED HOME

(in million euros)		FY 2018	FY 2017	Change[1]
Total revenues		**2,218**	**2,419**	**(4.7)%**
o/w	North America	1,033	1,364	(21.3)%
	Europe, Middle-East & Africa	460	434	6.0%
	Latin America	327	324	11.6%
	Asia-Pacific	398	297	38.7%

(1) *Change at constant currency.*

CORPORATE & OTHER

Corporate & Other includes Trademark Licensing business.

Corporate & Other recorded revenues of €44 million in 2018, related to the Trademark Licensing business and to Patent Licensing retained revenues from prior years.

2.2.2 Analysis of Adjusted EBITDA

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

(in million euros)	FY 2018	FY 2017	Change(1)
Total Adjusted EBITDA from continuing operations	**266**	**341**	**(16.6)%**
Entertainment Services	178	216	(14.8)%
Connected Home	87	128	(23.1)%
Corporate & Other	1	(3)	ns

(1) Change at constant currency.

Before taking into account the positive impact of the announced disposal of the Research & Innovation ("R&I") activity, 2018 Adjusted EBITDA amounted to €267 million at constant rate within the revised guidance communicated by Technicolor in December 2018. Adjusted EBITDA from continuing activities was €266 million compared to €341 million in 2017.

ENTERTAINMENT SERVICES

Consolidated Adjusted EBITDA for the Entertainment Services segment amounted to €178 million in 2018, down 17.6% at current currency and down 14.8% at constant currency compared to 2017.

- Production Services achieved significant profitability improvement in Film & TV Visual Effects. Capacity increases and related investments were accelerated in 2018 and are expected to continue in 2019.
- In DVD Services, Adjusted EBITDA declined due the unexpected severe reduction in the second half in DVD volumes, impact of which could not be fully offset by ongoing cost savings activities. In addition, profitability was also negatively impacted by higher than expected non-recurring operational costs resulting from an unforecasted extreme concentration of key customer volume during the peak season.

CONNECTED HOME

Adjusted EBITDA amounted to €87 million, or 3.9% of revenue, down €41 million at current rate year-on-year. The margin decline was driven by the gross margin squeeze resulting mainly from net component price cost increases (€45 million) in 2018 and the weakness of North American video. Excluding the impact of the component cost increases, Adjusted EBITDA margin would have reached €132 million.

CORPORATE & OTHER

Adjusted EBITDA amounted to €1 million, a significant improvement compared to 2017, mainly resulting from retained Patent Licensing revenues from prior years of €22 million.

2.2.3 Analysis of operating expenses and profit (loss) from continuing operations before tax and net financial expense

COST OF SALES

Cost of sales amounted to €3,521 million in 2018, or 88.3% of revenues, compared to €3,651 million in 2017, or 85.8% of revenues.

Cost of sales in absolute terms were €130 million lower in 2018 compared with 2017, mainly in the Connected Home and the DVD Services Division, reflecting the impact of lower sales and cost savings measures and despite the increase of components price in the Connected Home segment.

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

Gross margin from continuing operations amounted to €467 million in 2018, or 11.7% of revenues, compared to €602 million in 2017, or 14.2% of revenues. This lower gross margin ratio mainly reflects the negative impact from net components upcosts in the Connected Home segment and DVD Services lower sales.

SELLING & ADMINISTRATIVE EXPENSES

Selling and marketing expenses amounted to €111 million in 2018, or 2.8% of revenues, compared to €145 million in 2017, or 3.4% of revenues, mainly reflecting the positive impact of cost optimization measures.

General and administrative expenses amounted to €181 million in 2018, or 4.5% of revenues compared to €205 million in 2017, or 4.8% of revenues.

For more information, please refer to note 3.3.2 to the Group's consolidated financial statements.

NET RESEARCH AND DEVELOPMENT EXPENSES

Net research and development ("R&D") expenses amounted to €127 million in 2018, or 3.2% of revenues, compared to €149 million in 2017, or 3.5% of revenues.

For more information, please refer to note 3.3.1 to the Group's consolidated financial statements.

RESTRUCTURING COSTS

In 2018, the Group continued its efforts to reduce costs through facility closures and headcount reductions, which generated restructuring costs.

Restructuring costs for continuing operations amounted to €62 million in 2018, or 1.6% of revenues resulting principally from costs streamlining actions in the Connected Home segment as well as sites closures in the U.S. for Post Production and DVD Services.

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

NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS

In 2018, Technicolor recorded a net impairment charge of €81 million, mainly coming from a depreciation of DVD Services business goodwill, compared to a net impairment charge of €9 million in 2017 primarily related to intangible asset write-offs in the Connected Home segment.

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

OTHER INCOME (EXPENSE)

Other income (expense) was a loss of €24 million in 2018, compared to a loss of €11 million in 2017.

For further information, please refer to note 3.3.3 to the Group's consolidated financial statements.

PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND NET FINANCIAL EXPENSE

Loss from continuing operations before tax and net financial expense amounted to €119 million in 2018, or (3.0)% of revenues, compared to a profit of €40 million, or 0.9% of revenues in 2017 mostly explained by a lower gross margin of €135 million, higher net impairment losses on non-current operating assets by €72 million and higher restructuring costs by €19 million mitigated by lower selling, administrative and R&D expenses.

For further information, please refer to the Group's consolidated financial statements (please refer to note 6.1.1)

2.2.4 Net financial expense

The Group's net financial result from continuing operations was a loss of €51 million in 2018 compared to a loss of €96 million in 2017.

NET INTEREST EXPENSE

Net interest expense amounted to €40 million in 2018 compared to €43 million in 2017, reflecting mainly the positive impact of lower average interest rates.

For further information, please refer to note 8.5 to the Group's consolidated financial statements.

OTHER FINANCIAL INCOME (EXPENSE)

Other financial charges amounted to €(11) million in 2018 compared to €(53) million in 2017. First half 2017 included a €(27) million adjustment further to the early payment of former Term Debt.

2.2.5 Income tax

The Group total income tax expense from continuing operations, including both current and deferred taxes, amounted to €54 million in 2018 compared to €112 million in 2017.

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

Net deferred tax expense was €55 million in 2018 compared to €100 million in 2017. In 2018, this is mainly due to the depreciation of deferred tax assets in the United States as there is no probability anymore to use the tax losses carried forward in the next five years.

Net deferred tax assets in the United States was fully depreciated as of December 31, 2018.

2.2.6 Profit (loss) from continuing operations

Loss from continuing operations amounted to €224 million in 2018 compared to a loss of €168 million in 2017.

2.2.7 Profit (loss) from discontinued operations

The result from discontinued operations totaled a profit of €157 million in 2018 compared to a loss of €5 million in 2017, mostly related to the Patent Licensing gain on disposal for €210 million and partially offset by lower Patent Licensing activity before disposal.

2.2.8 Net income (loss) of the Group

Net loss totaled €67 million in 2018 compared to a loss of €173 million in 2017. Net income attributable to non-controlling interests amounted to a profit of €1 million in 2018 compared to a loss of €1 million in 2017. Accordingly, the net loss attributable to the shareholders of Technicolor SA amounted to €68 million in 2018 compared to €172 million in 2017.

Net losses per share, basic and diluted, were €0.16 in 2018 compared to €0.42 in 2017.

2.2.9 Adjusted indicators

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

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

These adjustments for 2018 and 2017 are directly identifiable in the Group's consolidated financial statements, with the exception of the heading "depreciation and amortization."

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

These adjustments, of an amount of €(167) million in 2018, are added back to the Profit (Loss) from continuing operations before tax and net finance costs (EBIT) to compute the Adjusted EBIT from continuing operations. The same adjustments had an impact of €(63) million in 2017.

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

(in million euros unless otherwise stated)	2018	2017*	Change[1]
Profit (Loss) from continuing operations before tax and net finance costs/EBIT (a)	**(119)**	**40**	**(159)**
Total adjustments on EBIT (b)	(167)	(63)	(104)
Of which restructuring costs, net	(62)	(43)	(19)
Of which net impairment losses on non-current operating assets	(81)	(9)	(72)
Of which other income/(expense)	(24)	(11)	(13)
Adjusted EBIT from continuing operations (a)-(b)	**48**	**103**	**(55)**
As a % of revenues	1.2%	2.4%	(120) bps
Depreciation & amortization [2]	218	238	(20)
Adjusted EBITDA from continuing operations	**266**	**341**	**(75)**
As a % of revenues	6.7%	8.0%	(130) bps

(1) Year-on-year change at current currency.
(2) Including impact of provisions for risks, litigations, warranties and others.
(*) 2017 amounts are re-presented to reflect the impacts of Discontinued Operations

(in million euros unless otherwise indicated)	2018	2017*	Change
Profit (Loss) from continuing operations before tax and net finance costs	**(119)**	**40**	**(159)**
As a % of revenues	(3.0)%	0.9%	(390) bps
of which:			
Entertainment Services	(72)	38	(110)
As a % of revenues	(4.2)%	2.1%	(630) bps
Connected Home	(39)	20	(59)
As a % of revenues	(1.8)%	0.8%	(260) bps
Corporate & Other	(8)	(18)	10
Adjusted EBIT from continuing operations	**48**	**103**	**(55)**
As a % of revenues	1.2%	2.4%	(120) bps
of which:			
Entertainment Services	48	61	(13)
As a % of revenues	2.8%	3.4%	(60) bps
Connected Home	1	52	(51)
As a % of revenues	0%	2.1%	(210) bps
Corporate & Other	(1)	(10)	9
Adjusted EBITDA from continuing operations	**266**	**341**	**(75)**
As a % of revenues	6.7%	8.0%	(130) bps
of which:			
Entertainment Services	178	216	(38)
As a % of revenues	10.3%	12.1%	(180) bps
Connected Home	87	128	(41)
As a % of revenues	3.9%	5.3%	(140) bps
Corporate & Other	1	(3)	4

(*) 2017 amounts are re-presented to reflect the impact of Discontinued Operations

(in million euros)	December 31, 2017 Published	December 31, 2017 Re-presented*	December 31, 2018
Adjusted EBITDA from continuing operations	**291**	**341**	**266**
Changes in working capital and other assets and liabilities	72	71	2
Pension cash usage of the period	(27)	(27)	(26)
Restructuring provisions – cash usage of the period	(40)	(40)	(43)
Interest paid	(46)	(46)	(42)
Interest received	2	2	3
Income tax paid	(9)	(13)	(14)
Other items	(34)	(33)	(28)
Net operating cash generated from continuing activities	**209**	**255**	**118**
Purchases of property, plant and equipment (PPE)	(52)	(51)	(68)
Proceeds from sale of PPE and intangible assets	1	1	-
Purchases of intangible assets including capitalization of development costs	(95)	(95)	(94)
Net operating cash used in discontinued activities	(39)	(85)	(4)
Free Cash Flow	**24**	**24**	**(48)**

(*) 2017 amounts are re-presented to reflect the impact of Discontinued Operations

2.3 LIQUIDITY AND CAPITAL RESOURCES

GRI *[103-2 Economic performance] [201-1]*

This section should be read in conjunction with Chapter 3: "Risk Factors", section 3.1.1.: "Market Risk" of this Registration Document and note 8 to the consolidated financial statements.

2.3.1 Overview

2.3.1.1 PRINCIPAL CASH REQUIREMENTS

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

- **working capital requirements from continuing operations:** the working capital requirements of the Group are based in particular on the level of inventories, receivables and payables;
- **losses relating to discontinued operations:** the Group must also fund the losses and cash requirements, if any, of its discontinued operations. For more information on the risks associated with the sale of these activities please refer to Chapter 3: "Risks, litigation and controls" section 3.1: "Risk factors" of this Registration Document;
- **capital expenditures:** the Group must regularly invest in capital equipment to operate its businesses;
- **repayment or refinancing of debt:** at each debt maturity date, the Group must either repay or refinance the maturing amounts;
- **dividends:** in 2018 no dividends have been paid, but the Group may have to fund future dividends.

2.3.1.2 KEY LIQUIDITY RESOURCES

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

- **cash and cash equivalents:** the amount of cash and cash equivalents was €291 million at December 31, 2018. In addition, €21 million in cash collateral and security deposits was outstanding at December 31, 2018 to secure credit facilities and other Group obligations;
- **cash generated from operating activities:** in accordance with the Group's debt documentation, the Group is required to use a portion of its excess cash to repay debt. For more information, please refer to note 8.3.3 to the Group's consolidated financial statements;
- **proceeds from sales of assets:** in accordance with the Group's debt documentation, the proceeds from the sale of assets must be used in some cases to repay debt;
- **committed credit lines:** at December 31, 2018 the Group had two confirmed credit lines with maturity greater than 1 year for a total amount of €359 million. One of the credit lines for an amount of €109 million is secured by trade receivables and the availability of this line varies depending on the amount of receivables. For more information about the Group's credit lines please refer to note 8.2.3 to the Group's consolidated financial statements.

2.3.2 Cash flow

(in million euros)	2018	2017*
Cash and cash equivalents at January 1	**319**	**371**
Net operating cash generated from continuing activities (I)	118	255
Net investing cash used in continuing activities (II)	(156)	(151)
Net financing cash used in continuing activities (III)	(96)	(29)
Net cash from discontinued activities (IV)	105	(88)
Net decrease in cash and cash equivalents (I+II+III+IV)	**(29)**	**(13)**
Exchange gains (losses) on cash and cash equivalents	1	(39)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**291**	**319**

* *2017 amounts are re-presented to reflect the impacts of discontinued operations (see note 12 to the Group's consolidated financial statements).*

NET CASH GENERATED FROM OPERATING ACTIVITIES

Continuing operations

Net Income from continuing operations was a loss of €224 million in 2018 compared to a loss of €168 million in 2017. Net operating cash generated from continuing operations amounted to €118 million in 2018, compared to €255 million generated in 2017. The variations between 2017 and 2018 are analyzed in the table below:

(in million euros)	2018	2017*	Variation	Comments on variations
Profit (Loss) from continuing operations	(224)	(168)	(56)	Mainly related to significant non recurring expenses and impairments
Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations:				Mainly related to the impairment of DVD Services goodwill.
• non-cash depreciation, amortization and impairment of assets	325	249	76	
• **profit from continuing operations before depreciation, amortization and impairment of assets**	**101**	**81**	**20**	
Cash payments of the period related to provisions	(105)	(112)	7	
Non-cash P&L impact of the provisions of the period	89	74	15	Mainly related to higher restructuring provision in 2018.
Other various adjustments	187	350	(163)	Various non-cash adjustments, including net interest expense, other non-cash items and changes in working capital
Operating Cash generated from continuing operations	**171**	**312**	**(141)**	
Net interest paid and received	(39)	(44)	5	
Income tax paid	(14)	(13)	(1)	
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES	**118**	**255**	**(137)**	

* *The 2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12 of the Group's consolidated financial statements).*

Discontinued operations

Net operating cash used in discontinued operations was €4 million in 2018 compared to €85 million generated in 2017. This variation was mainly attributable to the disposal of our Patent Licensing business presented in discontinued operations in 2017.

NET CASH USED IN INVESTING ACTIVITIES

Continuing operations

Net investing cash used in continuing activities was €156 million in 2018 compared to €151 million in 2017, and included:

- net capital expenditures, which amounted to €162 million in 2018 (compared to €145 million in 2017), due to cash expended relating to tangible and intangible capital expenditures. In 2018, net capital expenditure amounted to €81 million in the Entertainment Services segment and were mainly related to intangible asset spending and production capacity increase and €79 million in the Connected Home segment, mainly due to capitalized R&D projects;
- acquisition of businesses (net of cash acquired), which amounted to €1 million in 2018, compared to €25 million in 2017. In 2017, it corresponded mainly to the acquisition of the LG Electronics set-top-box business for €15 million.
- proceeds from sales of equity holdings, which amounted to €5 in 2018 compared to €11 million in 2017 (net of cash in companies disposed of). In 2017 and 2018, it corresponds mainly to additional payments related to the disposal of Digital Cinema in 2016.

Discontinued Operations

Net cash generated in discontinued operations was €115 million in 2018 compared to €1 million net cash used in 2017. In 2018, it was mainly related to the initial payment regarding the disposal of our Patent Lisencing business in July.

NET CASH USED IN FINANCING ACTIVITIES

Continuing operations

Net financing cash used in continuing activities was €96 million in 2018 compared to €29 million in 2017.

In 2018, the net cash used was mainly related to the prepayment of the loan from European Investment Bank ("EIB") for €90 million and normal scheduled repayments for €3 million.

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

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

Discontinued operations

Net cash used in discontinued operations was €6 million in 2018 compared to €3 million generated in 2017.

2.3.3 Financial resources

Gross financial debt totaled €1,024 million (IFRS value) at the end of 2018, compared with €1,097 million at the end of 2017. At December 31, 2018, financial debt consisted primarily of €978 million of term loans issued in 2016 and 2017. At December 31, 2017, financial debt consisted primarily of €1,058 million of term loans issued in 2016 and 2017. Financial debt due within one year amounted to €20 million at the end of both 2018 and 2017.

At December 31, 2018 the Group had €291 million of cash and deposits, compared with €319 million at December 31, 2017.

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

The table below summarizes Technicolor's net financial debt at December 31, 2018.

	Type of interest rate	Amount at December 31, 2018 *(in million euros)*	First maturity(1)	Existence of hedges
Term Loans	Floating	978	2019	Yes
Other debt	Various	46	2019	No
TOTAL DEBT		**1,024**		
Available cash and deposits	Floating	291	0 to 1 month	No
Committed credit facilities(2)	Floating	359		
TOTAL LIQUIDITY		**650**		

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

MARCH 2017 TERM LOAN DEBT ISSUANCES

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

JANUARY 2017 TERM LOAN DEBT ISSUANCE

In January 2017, a €90 million (€90 million at IFRS value) term loan from the European Investment Bank was put in place. This loan was reimbursed in full in December 2018.

DECEMBER 2016 TERM LOAN DEBT ISSUANCE

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

DESCRIPTION OF INDEBTEDNESS

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

PROVISIONS FOR PENSIONS AND ASSIMILATED BENEFITS

In addition to the debt position described above, the Group has reserves for post-employment benefits that it provides to its employees, which amounted to €346 million at December 31, 2018 (compared with €382 million at December 31, 2017). For more information on the Group's reserves for post-employment benefits, please refer to note 9.2 to the Group's consolidated financial statements.

LIQUIDITY RISK

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

RATINGS

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

In March 2019, Standard & Poor's (S&P) attributed a B rating with stable outlook to Technicolor SA (corporate rating) and the debt issued by Technicolor SA.

In January 2019, Moody's attributed a B2 rating with negative outlook to Technicolor SA (corporate rating) and to the debt issued by Technicolor SA.

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

2.4 STRATEGY UPDATE AND GUIDANCE

GRI *[102-15] [103-2 Economic performance]*

Strategy update

In 2018, Technicolor increased its investments in organic growth in Production Services and in the transformation program in Connected Home. These initiatives are expected to continue over the next few years in well-defined areas.

Specifically:

- the Group will continue to build upon its strong position as worldwide leader in Production Services by increasing capacity (in particular in India, France, Australia and Canada), while continuing to improve profitability;
- in Connected Home, the benefits from the implementation of the ongoing transformation plan and the expected improvement in components availability and pricing, will enable the Group to invest in market share gains in broadband access and Android based video solutions which will lead to improving margins over the next several years;
- in DVD Services the Group expects to start renewing contracts with its major customers on improved trading terms over the next several years to reflect structural reductions in volumes.

Guidance

The Group will no longer provide specific numerical guidance for the current or future financial years. It will continue to pursue leverage reduction through improved profitability and cash generation.

2.5 EVENTS SUBSEQUENT TO DECEMBER 31, 2018

GRI *[102-10] [102-48] [102-49] [103-1 Economic performance]*

On February 11, 2019, the Group announced being in exclusive negotiations with InterDigital for the divestiture of his Research & Innovation activity. This transaction would amend the contingent consideration to be received on the sale of the Patent Licensing business by reducing by 50% the future cash receipt and cancel the Research Cooperation Agreement as described above

In 2018 financial statements, the Research & Innovation activity is classified in the Discontinued Operations together with the Patent Licensing business, as the sale is considered highly probable according to IFRS 5. 2017 financial statements have been restated accordingly. Research & Innovation's assets and liabilities, mainly the deferred income related to the future services to be rendered, have been transferred in Assets and Liabilities held for sale in 2018.

There were no other events that have a material impact on the financial status that occurred between the Statement of the Financial Position date and February 27, 2019, the date when the Board of Directors authorized the Consolidated Financial Statements for issue.

3

RISKS, LITIGATION, AND CONTROLS

Strong risk monitoring & mitigation **efforts**

176 security audits supported in 2018

2018 Internal Control 8TIC'S campaign **2,406** self-assessments controls supported by **270** control owners

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

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

3.1 RISK FACTORS

GRI [102-15]

OPERATIONAL		
PRODUCTION SERVICES	DVD SERVICES	CONNECTED HOME
• Customer project management	• Customer concentration and contract negotiation	• Client concentration and contract negotiation
• Attract, develop & retain creative, production, and technology talents	• Labor force availability	• Dependency on client performance
• Cyber and physical content security	• Supply chain and manufacturing	• Supplier and key component dependency
• Tax credits evolution	• Raw material and other key input cost availability and volatility	• Supply Chain management
	• Physical security	• Products development and cybersecurity

GLOBAL MARKET & INDUSTRY	FINANCIAL	CORPORATE SOCIAL RESPONSIBILITY & COMPLIANCE
• Develop relevant innovation	• Indebtedness	• Environment
• Competition	• Interest rate and exchange rate fluctuations	• Health and safety
• Economics, political, and social conditions	• Liquidity	• Talent and Human Rights
	• Impairment of assets	• Legal compliance

3.1.1 Operational risks

GRI [102-15]

PRODUCTION SERVICES

Customer Project Management

Risk description

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

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

Risk management

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

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

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

Attract, develop & retain creative, production and technology talents

GRI *[103-1 Training and education] [103-2 Training and education]*

Risk description

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

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

Risk management

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

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

Cyber and physical content security

GRI *[103-1 Customer privacy] [103-2 Customer privacy]*

Risk description

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

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

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

Risk management

The security actions related to content production networks are led by internal security teams and are devoted to the mitigation of these risks. These security actions and protocols are continuously implemented, enforced, evaluated and updated as new production facilities are built, moved or acquired, and as new technologies or threats emerge. The security policies and the use of qualified providers, equipment and software, combined with regular security assessments and penetration testing, aim to mitigate the risk towards an acceptable level. For physical security risks, a dedicated team is in charge of conducting risk assessment on all critical sites and to suggest a remediation plan for local security coordinators when needed.

Technicolor security standards are continuously reviewed and updated to stay ahead of the industry. Technicolor hosts audits from various customers (including studios) and industry associations such as the Motion Picture Association of America. Overall in 2018, Technicolor supported 176 security audits, which included a combination of internal and external audits. Items identified for remediation are tracked and managed by internal teams.

Tax credits evolution

Risk description

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

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

Risk management

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

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

DVD SERVICES

Customer concentration and contract negotiation

Risk description

The DVD Services Division operates in a concentrated market with a limited number of significant customers supported by long-term contractual arrangements. The Division belongs to the Entertainment Services segment, in which the top five customers accounted for 47% of the segment's revenues and 20% of the Group's consolidated revenues in 2018.

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

Risk management

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

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

Labor force availability

GRI *[103-1 Employment] [103-2 Employment]*

Risk description

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

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

Risk management

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

Supply chain and manufacturing

GRI *[103-1 Procurement practices]*
[103-2 Procurement practices]

Risk description

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

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

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

Risk management

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

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

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

Raw material and other key input cost availability and volatility

GRI *[103-1 Procurement practices]*
[103-2 Procurement practices] [103-1 Materials]
[103-2 Materials]

Risk description

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

Risk management

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

Physical security

GRI *[103-1 Customer privacy] [103-2 Customer privacy]*

Risk description

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

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

Risk management

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

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

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

CONNECTED HOME

Client concentration and contract negotiation

Risk description

A large proportion of the revenues in Technicolor's Connected Home segment is generated from large Pay-TV Operators and Network Service Providers. In 2018, the top five customers in the Connected Home segment accounted for approximately 49% of the segment's revenues and 27% of the Group's consolidated revenues.

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

Another possible result of the concentration is the shift in the balance of power with these customers which have increasing purchasing power.

Risk Management

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

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

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

Dependency on client performance

Risk description

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

Risk management

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

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

Supplier and key component dependency

GRI *[103-1 Procurement practices] [103-2 Procurement practices]*

Risk description

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

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

The market price increases and shortages for DRAM, Flash memories and passive electronic components/MLCC (capacitors, resistors) started end of 2016 for DRAM and Flash memories, and end of H1 2017 for MLCC are an illustration of this dependency of the Connected Home business on a very limited number of strategic component suppliers. These products are used in a much broader range of products than for the Connected Home business, such as smartphones, PCs, tablets, automotive applications and the global imbalance between supply and demand has created a material price increase of their costs. The difficulty to mitigate this risk can impact significantly the profitability of Connected Home.

Risk management

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

The Company strives to foster a strong collaboration with its key suppliers to properly integrate all activities. Some longstanding suppliers have become partners with whom a strong contract management process is in place to allowe flexibility in the creation of supply. Scorecards with vendors are implemented to allow a proper monitoring of the vendor performance. Providing visibility over Connected Home's long-term forecasts is also contemplated to strengthen the partnership.

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

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

Supply Chain management

GRI *[103-1 Procurement practices] [103-2 Procurement practices]*

Risk description

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

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

Risk management

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

Products development and cybersecurity

GRI *[103-1 Customer privacy]*
[103-2 Customer privacy]

Risk description

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

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

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

Risk management

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

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

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

3.1.2 Global market and industry risks

GRI *[102-15]*

Develop relevant innovation

Risk description

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

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

Risk management

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

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

Competition

GRI *[103-1 Market presence] [103-2 Market presence]*

Risk description

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

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

Risk Management

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

Economics, political and social conditions

Risk description

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

Risk Management

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

3.1.3 Financial risks

GRI *[102-15]*

Indebtedness

Risk description

At December 31, 2018, the Group had €1,029 million of total gross nominal debt (corresponding to €1,024 million in IFRS, taking into account the fair value adjustment) comprising mainly term loan debt for a total nominal amount of €983 million (€978 million in IFRS) (see note 8.3 to the consolidated financial statements).

The Group has three committed revolving credit facilities to support its working capital needs: a €250 million revolving credit facility (the "RCF"), a €35 million bilateral committed credit line and a committed receivables facility (the "Committed Receivables Facility") under which it may borrow up to €109 million on the basis of the amount of receivables available.

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

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

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

In addition, the significant level of debt:

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

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

The financial loans documentation of the Group's Term Loan Debt as well as its credit facilities includes provisions which limit the Group's flexibility in operating its business (as further described in note 8.3.3.5), a breach of which may (in certain cases following the expiration of a grace period) constitute a default hereunder.

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

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

The Group cannot ensure that it would have sufficient liquidity to reimburse or be able to refinance all or part of the amounts that came due following an event of default or change of control.

Risk management

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

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

Interest rate and exchange rate fluctuations

Risk description

The Group is mainly exposed to interest rate risk on its deposits and indebtedness. At December 31, 2018, 62% of the Group’s debt was at floating rate after taking into account interest rate hedging operations.

Failure to manage interest rate fluctuations effectively in the future, or changes in interest rates, may have a material adverse impact on the Group’s financial charges. A 100 basis point increase in short-term interest rates would cause the Group’s net cash interest payments to increase by €2 million. See note 8.2.2.3 to the consolidated financial statements of this Registration Document for more information about this risk.

The Group incurs foreign currency translation risk because a significant part of the its consolidated revenues as well as a portion of its assets are in subsidiaries that use currencies other than the euro and in particular the U.S. dollar as their functional currency.

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

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

The Group’s largest currency exposure is to the U.S. dollar versus the euro. A 10% increase in the U.S. dollar versus the euro, assuming no hedging was in place, would cause the Group’s profit from continuing operations before tax and finance costs to decrease by €16 million. A 10% decrease in the U.S. dollar versus the euro would have a symmetrical impact in the opposite amount.

Risk management

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

Liquidity

Risk description

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

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

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

Risk management

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

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

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

For further information on liquidity risk and certain related risks, see note 8 (in particular 8.2.3) of the Group's consolidated financial statements and section 2.10 "Cash and capital".

Impairment of certain tangible and intangible assets, including goodwill

Risk description

If management's estimates change or market conditions adversely evolve, the estimate of the recoverable value of the Group's assets could decrease significantly. If the Group does not generate revenues from its businesses as anticipated, the businesses may not generate sufficient positive operating cash flows. This, or other factors, may lead to a decrease in the value of the Group's intangibles assets, including goodwill, resulting in impairment charges, which could have a material adverse effect on the Group's results of operations or financial position. At December 31, 2018, the Group's accounted for €886 million of goodwill and €705 million of intangible assets.

Of the €886 million of goodwill at December 31, 2018, €270 million relate to DVD Services, compared to €337 million in 2017. The difference mainly comes from a €77 million impairment resulting from a stronger than expected volume decline in 2018 affecting particularly the distribution activity, in the United States and to a lesser extent Australia and Europe (see note 4.4.1 to the Group´s consolidated financial statements). Indeed, worse than anticipated market conditions can result in additional impairment charges in the Group's consolidated statement of operations. The discounted cash flows of DVD Services are computed over a finite life of circa twenty years and accordingly the goodwill will be impaired over this period depending on the evolution of the fair value as determined through the discounted cash flows.

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

Risk management

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

3.1.4 Corporate Social Responsibility and compliance

GRI *[102-15]*

Environment

GRI *[102-11] [103-1 Environmental Compliance] [103-2 Environmental Compliance] [201-2]*

Risk description

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

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

Risk management

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

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

For further details of environmental actions conducted by Technicolor, see section 5.4: "Climate Change", and section 5.5: "Circular Economy" of this Registration Document.

Health and safety

GRI *[103-1 Occupational health and safety]*
[103-2 Occupational health and safety] [403-5]

Risk description

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

Risk management

Regular health & safety training are delivered to the Group's employee as well as to the agency workers and contractors working in our locations to prevent injuries and accidents as part of global injury prevention programs. Injuries and severity rates are monitored with remediation actions. Industrial sites are regularly audited to review and assess health & safety risks and implemented preventing measures. For further details on health and safety actions conducted by Technicolor, see Chapter 5, section 5.2.5: "Safety at work" of this Registration Document.

Talent and Human Rights

GRI *[103-1 Training and education]*
[103-2 Training and education]
[103-1 Diversity and equal opportunity]
[103-2 Diversity and equal opportunity]
[103-1 Non-discrimination]
[103-2 Non-discrimination]
[103-1 Human Rights assessment]
[103-2 Human Rights assessment]
[103-1 Supplier social assessment]
[103-2 Supplier social assessment]

Risk description

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

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

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

Risk Management

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

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

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

Legal compliance

GRI *[103-1 Socioeconomic compliance]*
[103-2 Socioeconomic compliance]

Risk description

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

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

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

Risk management

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

Technicolor conducts a compliance approach across the Group, building on its Code of Ethics and culture of integrity. This compliance program sets down general rules and procedures that must be respected by all employees and entities, on the basis of which a series of business specific and as applicable, local procedures is then defined. These procedures are then translated and adapted in line with local regulations and culture. In 2018, the Group updated and improved its existing Code of Ethics.

3.2 LITIGATIONS

GRI *[102-15] [103-2 Socioeconomic compliance] [103-3 Socioeconomic compliance] [419-1]*

3.2.1 Antitrust procedures

GRI *[103-2 Anti-competitive behavior]*
[103-3 Anti-competitive behavior] [206-1]

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

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

The Group is vigorously defending pending lawsuits and claims.

3.2.2 Toxic tort lawsuits in Taiwan

GRI *[103-2 Environmental compliance]*
[103-3 Environmental compliance] [307-1]

Technicolor, certain of its subsidiaries and General Electric International, Inc. are being sued by an association of former employees (or heirs of former employees) at a former manufacturing facility in Taiwan (TCETVT). They allege exposure to various contaminants while living and working at the facility, which allegedly caused them to suffer various diseases, including cancer, or caused emotional distress from fear that living and working at the facility increased their risk of contracting diseases.

After a first ruling of the Taiwan court and an appeal before the Taiwan High Court (first appeals court), the Taiwan Supreme Court, on August 16, 2018:

(i) confirmed the Taiwan High Court decision of awarding NTD 517.75 million (€14.8 million at the exchange rate as of December 31, 2018) in damages to 262 claimants; and

(ii) remanded the claims of 246 claimants for further proceedings at the High Court.

In 2016, the association brought a second lawsuit against Technicolor and certain of its subsidiaries and General Electric International, Inc. on behalf of additional former workers making virtually identical allegations as were made in the first lawsuit. See note 10 to the consolidated financial statements for more information.

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

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

3.2.3 Other litigations

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

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

Except for the litigations described in note 10 to the consolidated financial statements, there are no other governmental, judicial or arbitration proceedings of which the Group is aware, that are currently pending or threatened, which could have, or have had over the past 12 months, a material effect on the financial situation or profitability of the Group.

3.3 INTERNAL CONTROL

GRI *[102-29] [102-30] [102-33] [103-1 Socioeconomic compliance] [103-2 Socioeconomic compliance] [103-3 Socioeconomic compliance] [205-1]*

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

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

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

Following the delisting, the Group decided to maintain high standards of financial reporting discipline, capitalizing on the work undertaken previously. The program, called 8TIC'S, was launched at the beginning of 2011 with the objective to maintain and expand the internal control scope beyond financial reporting through a risk-based approach. The eighth annual campaign of the program has been successfully performed in the course of 2018, and a new campaign starts as of January 2019.

3.3.1 Objectives of internal control procedures and implementation

OBJECTIVES OF INTERNAL CONTROL PROCEDURES

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

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

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

INTERNAL CONTROL METHODOLOGY

The internal control methodology is based on three pillars:

- a risk-based approach which starts from the Group Risk Management program (see paragraph below "Risk Management") and allows internal control to deploy its methodology on the main Group risks. in 2018, the risk and control referential was revisited and updated together with the evolution of risks;
- a self-assessment on controls implementation by the most significant entities, totaling the vast majority of the Group scope according to the relevant indicators (Revenue, contribution to EBITDA and other financial and non-financial indicators function of each nature of risk). In 2018, about 270 control owners were designated to perform a self-assessment on 2,406 controls over 55 finance and non-finance processes;
- an independent testing managed by Internal Audit covering about 20% of the self-assessed controls. This testing aims at providing assurance that the Technicolor internal control framework is effective. Independent testers are composed of Internal Auditors and some internal finance experts properly trained to the testing exercise.

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

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

3.3.2 General control environment

THE ETHICAL VALUES AND PRINCIPLES OF CONDUCT FOR THE GROUP'S MANAGERS AND EMPLOYEES

GRI *[102-16] [102-17] [103-1 Anti-corruption] [103-2 Anti-corruption] [103-3 Anti-corruption] [205-1] [205-2] [412-1] [412-2]*

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

Code of Ethics

Created in 1999 and last updated in 2018, the Code of Ethics establishes the foundation of the Group's core values and requires all employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Code of Ethics details the specific rules to guide employees in their day-to-day activities. Technicolor has also adopted several additional key policies including a Whistleblower Policy, Anticorruption Policy and Manual, and Ethical Sourcing Policy. Indeed, Technicolor is committed to uncompromising integrity in all of our actions. A reputation for integrity benefits Technicolor in countless large and small ways – we are a trusted advisor and service provider to our customers, a dependable collaborator for our business partners, a valuable member of our communities, and a reliable long-term investment for our shareholders. Ethical behavior and observance of laws are two main ingredients in building our reputation for uncompromising integrity.

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

Over the last several years, the Group has deployed many ethics training programs. Several online training sessions were launched to educate employees on various ethical rules and obligations, including bribery, competition and fraud. Some dedicated training sessions were also organized on specific sites or for specific functions and *via* Webex conferencing. These training sessions involved more than 15,000 employees from 2010 through 2018.

Financial Ethics Charter

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

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

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

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

GROUP MANAGEMENT AND DECISION-MAKING PROCESSES

GRI *[102-19] [102-26]*

The Group Management is organized around 2 principal bodies:

- the Executive Committee;
- the Management Committee.

Placed under the authority of the Group's Chief Executive Officer, the Executive Committee currently comprises 11 members consisting of Senior Executive Vice-Presidents and Executive Vice-Presidents in charge of Technicolor's major businesses and of the principal corporate functions (Strategy, Finance, Human Resources, Communication). The Executive Committee meets to analyze and evaluate the financial performance (sales, operating income and cash flow) of the Group's various businesses compared with the budget, strategic developments, and major events affecting the Group (sales contracts, partnerships, investments, etc.).

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

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

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

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

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

RISK MANAGEMENT

GRI *[102-15] [102-30] [102-33] [102-34]*

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

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

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

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

3.3.3 Internal Audit

GRI *[102-33] [102-34]*

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

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

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

The Internal Audit Department consists of approximately 13 auditors who have past experience in a large range of domains like information systems, engineering, finance or marketing. The team is located in several key sites for the Group: Paris (France), Los Angeles, California (U.S.), Lawrenceville, Georgia (U.S.), Montreal (Canada), Guadalajara (Mexico) and Warsaw (Poland). The Chief Audit Officer is located in Los Angeles. She reports to the Chief Financial Officer, and functionally to the Audit Committee.

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

In 2018, 15 audit engagements were performed (both assurance and assistance types) compared to 23 audits in 2017.

3.3.4 Internal control procedures relating to the preparation and treatment of accounting and financial information

GRI *[103-2 Economic performance]*

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

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

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

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

BUDGETARY PROCESS

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

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

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

PERIODIC PERFORMANCE REVIEW

The Controlling organization reviews the Group financial performance periodically:

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

ACCOUNTING, MANAGEMENT REPORTING AND CLOSING PERIOD WORK AT THE GROUP LEVEL

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

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

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

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

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

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

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

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

PREPARATION OF FINANCIAL INFORMATION

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

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

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

3.3.5 Other internal control procedures

INFORMATION TECHNOLOGY SECURITY PROCEDURES

GRI *[103-2 Customer privacy]*

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

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

SECURITY OF PEOPLE AND ASSETS, INCLUDING CYBERSECURITY

GRI *[103-1 Customer privacy] [103-2 Customer privacy]*
[103-3 Customer privacy]

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

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

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

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

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

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

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

In 2018, over 176 site security audits were conducted across the global perimeter. These audits were performed by using a combination of internal TSO Assessment team and external audits conducted by customers, studios, MPAA and security organizations across various elements of security for physical and digital. All findings have been incorporated into the 3YP which are prioritized based upon risk. In addition, following the Schrems decision by European Court of Justice, the TSO has acted as the central coordination point for the remediation of the internal legal framework to reinforce the Security clauses applicable to our providers related to EU data privacy and ensure GDPR compliance.

Employee Awareness & Safety: For all employees, security conscious behavior is key. As such, within the GRC arm of the TSO a formal awareness program was developed to include: on-line training program (LRN) with courses selected by the security working teams annually with compliance tracking metrics, Stan Safe videos and communications sent globally on key relevant topics (such as phishing, password management, etc.). These programs are regularly reviewed as part of external audits conducted by customers. Additionally, in 2018 several email phishing awareness campaigns were launched using an industry-leading service. In 2018, a decision was made to deploy a new tool in H2 2019.

Regarding travel and employee safety, updates to the process were made and administrative responsabilities were expanded to better respond to critical incidents. A supplemental procedure exists for travel to high risk countries. An employee safety program has been established with an industry leader that enables alerts and communication to employees who are traveling or are situated near or at a location where an incident such as earthquake, fire, social disturbance, etc. has been reported.

3.4 INSURANCE

ORGANIZATION AND POLICY

The “Corporate Insurance” Department arranges global insurance programs covering the major risks related to Technicolor’s activities that are underwritten with well-known insurers *via* global brokers.

These programs, established at group level, are implemented through a “Master” insurance policy that strengthens the coverage offered by local policies and provides “difference in conditions” and “difference in limits” over these policies.

Total premiums paid to property and casualty insurance companies vary depending on the insurance contracts bought for specific large scale projects. This amount represents less than 0.1% of the Group’s total sales.

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

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

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

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

CORE INSURANCE PROGRAMS

The Group’s insurance policies are issued on an “all risks” basis, with standard market exclusions.

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

The main insurance policies contracted by Technicolor are:

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

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

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

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

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

- **liability insurance:** This program provides cover for general and professional liability in the course of business operations as well as product liability for the entire Group. Technicolor has insurance for the risks associated with the liability of its Directors and officers as well as environmental damage caused by pollution;
- **workplace accident:** Insurance policies are purchased whenever required by law or when activities or circumstances render them necessary (e.g Employer's Liability in the United Kingdom, Workers' Compensation insurance in the United States).

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

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

4

CORPORATE GOVERNANCE AND COMPENSATION

A diversified and independent Board

- **43%** of women;
- **71%** of independents

A new Vice-Chairwoman, Ms. Melinda J. Mount

A compensation policy amended to answer the shareholders' expectations

4.1 CORPORATE GOVERNANCE

GRI *[102-18] [102-22]*

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

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

The governance structure and processes are regularly reviewed to ensure that they are appropriate to the Group's strategy.

BOARD OF DIRECTORS

8 **DIRECTORS**
including **5 independents**
and **1 Director representing the employees**

6 **MEETINGS** in 2018

98% **AVERAGE PARTICIPATION RATE** in 2018

4 **EXECUTIVE SESSIONS** in 2018

NOMINATIONS & GOVERNANCE COMMITTEE

5 MEMBERS

2 MEETINGS

Participation: 100%

Independence: 80%

STRATEGY COMMITTEE

4 MEMBERS

5 MEETINGS

Participation: 100%

Independence: 75%

REMUNERATIONS COMMITTEE

3 MEMBERS

3 MEETINGS

Participation: 100%

Independence: 67%

AUDIT COMMITTEE

3 MEMBERS

6 MEETINGS

Participation: 94%

Independence: 67%

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

COMPOSITION OF THE BOARD OF DIRECTORS AS OF THE DATE OF PUBLICATION OF THIS REGITRATION DOCUMENT

Bruce Hack
🟡(P) 🔴
Independent Chairman of the Board of Directors

Frédéric Rose
🟡
Chief Executive Officer

Laura Quatela
🟡 🔴 🟣(P)
Independent Director

Maarten Wildschut
🔵 🔴
Director

71%
OF INDEPENDENT DIRECTORS (1)

43%
OF FEMALE DIRECTORS (1)

Ana Garcia Fau
🔴(P) 🔵
Independent Director

4
DIFFERENT NATIONALITIES

54 years
AVERAGE AGE OF DIRECTORS

Yann Debois
🟣 🔴
Director representing the employees

Bpifrance Participations
🟡 🔴
Represented by Thierry Sommelet Independent Director

Melinda J. Mount
🔵(P) 🟣
Vice-Chairman and Independent Director

(P) COMMITTEE'S CHAIR

🔴 NOMINATIONS & GOVERNANCE COMMITTEE 🟡 STRATEGY COMMITTEE 🟣 REMUNERATIONS COMMITTEE 🔵 AUDIT COMMITTEE

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

4.1.1 Board of Directors

4.1.1.1 CORPORATE GOVERNANCE STRUCTURE

GRI *[102-18] [102-19] [102-20] [102-22] [102-23] [102-26]*

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

The Board of Directors appointed Mr. Bruce Hack as Chairman of the Board with effect on February 27, 2017. The latter announced on February 27, 2019 his intention not to solicit the renewal of his term of office as a Director at the next General Meeting. The Board of Directors thus appointed Ms. Mindy Mount as Vice Chairman of the Board. Mr. Frédéric Rose, Company Director, has been appointed Chief Executive Officer on September 1, 2008, his term of office as Chief Executive Officer being since then continuous.

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

4.1.1.2 COMPOSITION AND EXPERTISE OF THE BOARD OF DIRECTORS

GRI *[102-22] [102-24] [102-25] [405-1]*

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

- 8 Directors, including the Chief Executive Officer and the Chairman of the Board of Directors, of which:
  - 5 Independent Directors,
  - 2 non-independent Directors, and
  - 1 Director representing employees;
- 3 women;
- 5 foreign Directors and 1 with dual Franco-American nationality.

2018 was marked by:

- the resignations from their term of office of Ms. Birgit Conix (September 14, 2018) and of Mr. Hilton Romanski (October 12, 2018) subsequent to their new professional positions respectively as CFO at TUI Group, the world number one tourism business, and Partner at Siris Capital, a major private equity firm; and
- the cooptation of Mr. Maarten Wildschut in replacement of Mr. Hilton Romanski on October 24, 2018.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS IN 2018 AND UNTIL THE DATE OF THIS REGISTRATION DOCUMENT

	Name	Gender	Nationality	Date on which term of office began	Date on which term of office ends
Directors whose term of office was renewed at the 2018 AGM*	Frédéric Rose	M	Franco-American	October 2008	2021 AGM*
	Bpifrance Participations, represented by Thierry Sommelet	M	French	January 2016	2021 AGM*
Directors who left the Board of Directors in 2018	Birgit Conix	F	Belgian	April 2016	September 2018
	Hilton Romanski	M	American	November 2015	October 2018
Directors who joined the Board of Directors in 2018	Maarten Wildschut	M	Dutch	October 2018	AGM 2019*

* *Annual General Shareholders' Meeting.*

CHANGES IN THE COMPOSITION OF THE COMMITTEES OF THE BOARD OF DIRECTORS IN 2018 AND UNTIL THE DATE OF THIS REGISTRATION DOCUMENT

	Name	Date on which appointed to the Committee	Date on which left the Committee
Audit Committee	Birgit Conix	April 2016	September 2018
	Maarten Wildschut	October 2018	N/A
Nominations & Governance Committee	Maarten Wildschut	October 2018	N/A
Remunerations Committee	Yann Debois	October 2018	N/A
Strategy Committee	Hilton Romanski	April 2016	October 2018

INFORMATION ON DIRECTORS PRESENT IN 2018

Age	Gender	Nationality	Start of term of office	Expiration of term of office	Length of service *(in years)*	Number of terms in public companies (including Technicolor)	Technicolor Share holding	Attendance rate at Board meetings	Average attendance rate at committees' meetings	Audit Committee	Nominations & Governance Committee	Remunerations Committee	Strategy Committee
										(as of December 31, 2018)			
Current members of the Board:													
Bruce Hack, Chairman of the Board of Directors													
70	M	U.S.	February 2010	2019 AGM[1]	9	2	518,000	100%	100%		Member		Chairman
Melinda J. Mount, Independent Director and Vice-Chairman													
59	F	U.S.	April 2016	2019 AGM[1]	3	1	21,000[2]	100%	100%	Chairwoman		Member	
Frédéric Rose, Chief Executive Officer and Director													
56	M	Franco-American	October 2008	2021 AGM[1]	10.5	1	660,565	100%	100%				Member
Bpifrance Participations, represented by Thierry Sommelet, Independent Director													
49	M	French	January 2016	2021 AGM[1]	3	4	21,853,869	100%	100%		Member		Member
Yann Debois, Director representing the employees													
39	M	French	July 2017	July 2020	1.5	1	127	100%	100%			Member	
Ana Garcia Fau, Independent Director													
50	F	Spanish	April 2016	2019 AGM[1]	3	4	1,000	100%	100%	Member	Chairwoman		
Laura Quatela, Independent Director													
61	F	U.S.	May 2013	2019 AGM[1]	6	1	1,000	100%	100%		Member	Chairwoman	Member
Maarten Wildschut, Director													
46	M	Dutch	October 2018	2019 AGM[1]	0.5	1	0[3]	100%	100%	Member	Member		
Former members of the Board:													
Birgit Conix, Independent Director													
53	F	Belgian	April 2016	September 2018	2.5	1	1,500	80%	75%				
Hilton Romanski, Independent Director													
46	M	U.S.	November 2015	October 2018	3	1	200	100%	100%				

(1) *Annual General Shareholders' Meeting.*
(2) *Ms. Mount holds 21,000 Technicolor American Depositary Receipts.*
(3) *RWC held, as of the date of publication of this Registration Document, 42,000,000 shares (representing 10.13% of the share capital).*

Independence of Directors

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

At their meetings of February 2019, the Nominations & Governance Committee and the Board of Directors reviewed the independence of its members according to the definition and criteria set forth in the Corporate Governance Code of Listed Companies published by the *Association française des entreprises privées (AFEP)* and the *Mouvement des entreprises de France* (MEDEF) (the "AFEP-MEDEF Corporate Governance Code"), to which the Company adheres to (see paragraph 4.1.2.1 below). According to this Code, *"a Director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or its management that may interfere with his or her freedom of judgment"*.

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

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

As of the date of publication of this Regitration Document, 5 of the 8 Directors were deemed to be independent. See below the summary of the assessment made at the Board of Directors meeting of February 27, 2019.

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

<table>
<tr><th>Name</th><th colspan="7">Discussion</th><th>Independent</th></tr>
<tr><td rowspan="3">Yann Debois</td><td colspan="7">Mr. Debois is Employee Director.</td><td rowspan="3">No</td></tr>
<tr><td>Employee/ Executive Officer over the last five years</td><td>Cross-directorships</td><td>Significant business relations</td><td>Family ties</td><td>Statutory Auditor</td><td>Term of office lasting more than 12 years</td><td>Shareholding below 10% of Technicolor share capital</td></tr>
<tr><td>✗</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td rowspan="3">Ana Garcia Fau</td><td colspan="7">Ms. Ana Garcia Fau meets all requisite criteria to be considered as Independent Director.</td><td rowspan="3">Yes</td></tr>
<tr><td>Employee/ Executive Officer over the last five years</td><td>Cross-directorships</td><td>Significant business relations</td><td>Family ties</td><td>Statutory Auditor</td><td>Term of office lasting more than 12 years</td><td>Shareholding below 10% of Technicolor share capital</td></tr>
<tr><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td rowspan="3">Laura Quatela</td><td colspan="7">Ms. Quatela is Senior Vice-President, Head of the Legal Affairs Department at Lenovo. The Board of Directors noted that there were no direct business links between Technicolor and Lenovo.</td><td rowspan="3">Yes</td></tr>
<tr><td>Employee/ Executive Officer over the last five years</td><td>Cross-directorships</td><td>Significant business relations</td><td>Family ties</td><td>Statutory Auditor</td><td>Term of office lasting more than 12 years</td><td>Shareholding below 10% of Technicolor share capital</td></tr>
<tr><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td rowspan="3">Maarten Wildschut</td><td colspan="7">RWC holds more than 10% of Technicolor share capital.</td><td rowspan="3">No</td></tr>
<tr><td>Employee/ Executive Officer over the last five years</td><td>Cross-directorships</td><td>Significant business relations</td><td>Family ties</td><td>Statutory Auditor</td><td>Term of office lasting more than 12 years</td><td>Shareholding below 10% of Technicolor share capital</td></tr>
<tr><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✗(1)</td></tr>
</table>

✓ *: condition met*

✗: *condition not met*

(1) *Maarten Wildschut is Co-Head of RWC European Focus Fund whose funds held, as of the date of publication of this Regitration Document, 42,000,000 shares (representing 10.13% of the share capital).*

Expertise of Board Members

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

Name	Skills
Bruce Hack	• Recognized Media & Entertainment and technology sector professional with a strong expertise in the videogaming industry • In-depth knowledge of the Group and its activities • Considerable experience in strategic planning and development • Managed countless mergers & acquisitions deals • International financial profile
Melinda J. Mount	• Financial skills • Good knowledge and understanding of cybersecurity matters • Specific experience in the Media & Entertainment sector • In-depth experience with mergers & acquisitions deals
Frédéric Rose	• Skills in the Media & Entertainment sector • Extensive experience in the areas of technology and research acquired by carrying out his duties in high-tech companies • Strong knowledge of the Group and its activities • Experience in being at the helm of companies in a constantly evolving environment and strategy skills • Good apprehension of external and internal development operations and especially mergers and acquisitions, due to past operations realized
Yann Debois	• Lengthy experience in the Group and especially in the field of the Connected Home • Strong knowledge of the Group and its activities • Experience in Sourcing
Ana Garcia Fau	• International financial profile • Strong strategy experience acquired as Strategy consultant at McKinsey, Strategic Planning at Telefonica and Global Chief Strategist Officer at Hibu • In-depth comprehension and apprehension of external and internal development operations
Laura Quatela	• Considerable strategic expertise in the technology and intellectual property sectors • Strategic skills developed through her past experience • Strong knowledge of the Group and its activities • Managed several billion dollars-worth of acquisitions • In-depth experience and understanding of cybersecurity matters
Thierry Sommelet	• Significant experience in the technology, Connected Home and media industries • Financial background accentuated by private-equity experience • Good strategic skills
Maarten Wildschut	• Significant financial experience acquired as analyst and in investment experiences • Understanding of strategic matters • Considerable experience with external development transactions

FIELDS OF EXPERTISE OF THE BOARD OF DIRECTORS ON THE DATE OF PUBLICATION OF THIS REGISTRATION DOCUMENT

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

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

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

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

Diversity policy within the Board of Directors and Committee

The Board of Directors has in its core values to promote diversity in its composition, especially since such diversity will ensure both a good quality and creativity of discussions and decisions.

In this regard, the Board of Directors has outlined a policy regarding its composition to achieve a balanced composition and ensure a fair and balanced representation of genders, ages, cultures, skills, experience and nationalities. The Board thus ensured during its October 24, 2018 meeting that:

- its members' skills as well as its Committee's composition are varied and in line with the long-term strategy of the Group but also matters of great importance to the Group, as cybersecurity;
- different nationalities are brought to the table so as to match to the diversity of the Group's businesses (especially with an important representation of US-citizens) and increase the diversity of cultures present in every discussion; and
- all genders are well represented at the Board and in every Committee (three Committees' Chairmen are women and 43% of the Directors are women).

At its meeting of October 2018, and in accordance with article R. 225-29 of the French Commercial Code, the Board of Directors decided to confer upon Mr. Sommelet a special mission regarding diversity and Corporate Social Responsibility matters. It was also decided that Mr. Sommelet would report to the Board of Directors on this mission, which would not give the right to any additional compensation.

4.1.1.3 OTHER INFORMATION ABOUT MEMBERS OF THE BOARD OF DIRECTORS

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Biographies, positions and directorships of Directors

This section contains the biographies and information about the directorships held by Directors in office during fiscal year 2018.

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

Main business address:
Technicolor,
8-10, rue du Renard,
75004 Paris

Nationality : American

Born February 15, 1949

Start of term of office:
February 2010

Expiration of term of office:
2019 Annual
General Meeting

Number of shares held as of the date of publication of this Registration Document:

518,000

Bruce HACK

Chairman of the Board of Directors
Main position: Company Director

Length of service: 9 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

- Finance ●
- Mergers & Acquisitions ●
- Technology ●
- Strategy ●
- Media & Entertainment ●
- Group Knowledge ●

Committees' memberships:

- Nominations & Governance Committee
- Strategy Committee (Chairman)

Biography

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

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

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

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

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

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

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

Current Directorships	
Company	**Office and directorship held**
Outside France	
MiMedx Group, Inc.(1)	Director
Overwolf	Director
Games for Change	Director

Directorships held during the past five years	
Company	**Office and directorship held**
Fusic	Director
Story 2	Director
DemeRx Inc.	Director
Gong!	Chairman

(1) Publicly traded companies.

Melinda J. MOUNT

Main business address:
Technicolor,
8-10, rue du Renard,
75004 Paris

Nationality: American

Born June 29, 1959

Start of term of office:
April 2016

Expiration of term of office:
2019 Annual
General Meeting

Number of ADR held as of the date of publication of this Registration Document:

21,000

Independent Director and Vice-Chairman

Main position: Company Director

Length of service: 3 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

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

Committees' memberships:

- Audit Committee (Chairwoman)
- Remunerations Committee

Biography

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

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

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

Ms. Mount has an MBA with distinction from Harvard and a BBA from the University of Wisconsin-Madison. She is a member of the Board of Directors for the University of Wisconsin Foundation.

Current Directorships

Company	Office and directorship held
The Learning Care Group	Director

Directorships held during the past five years

Company	Office and directorship held
None	

Frédéric ROSE

Main business address:
Technicolor,
8-10, rue du Renard,
75004 Paris

Nationalities: French and American

Born June 24, 1962

Start of term of office: October 2008

Expiration of term of office: 2021 Annual General Meeting

Number of shares held as of the date of publication of this Registration Document:

660,565

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

Length of service: 10.5 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

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

Committees' memberships:

- Strategy Committee

Biography

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

Current Directorships

Company	Office and directorship held
Outside France	
Technicolor SFG Technology Co., Ltd.(1)	Director and Vice-Chairman
Technicolor USA, Inc.(1)	President
Technicolor Limited (UK)(1)	Chairman

Directorships held during the past five years

Company	Office and directorship held
MediaNaviCo LLC(1)	Director

(1) Companies belonging to the Group.

Bpifrance Participations, represented by Thierry SOMMELET

Main business address:
Bpifrance Investissement SA,
6-8 Boulevard Haussmann,
75009 Paris

Nationality: French

Born December 10, 1969

Start of term of office:
January 2016

Expiration of term of office:
2021 Annual General Meeting

Number of shares held as of the date of publication of this Registration Document:

21,853,869

Independent Director

Main position: Managing Director Capital Development – Head of technology, media, telecom at Bpifrance Investissement

Length of service: 3 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

- Technology ●
- Media & Entertainment ●
- Finance ●
- Strategy ●
- Connected Home ●

Committees' memberships:

- Nominations & Governance Committee
- Strategy Committee

Biography

Mr. Thierry Sommelet is Managing Director within the Capital Development Department of Bpifrance Investissement, in charge of the technology, media and telecom sector.

Mr. Sommelet has sixteen years of private and public equity investment experience in the telecom and technology sectors, with Caisse des Dépots et Consignations where he was responsible for investment in telecom networks, and with Fonds Stratégique d'Investissements where he realized several transactions in the semi-conductor, technology and Internet sectors.

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

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

Directorships held as Permanent representative of Bpifrance Participations

Company	Office and directorship held
Current Directorships	
In France	
Idemia SAS	Director
Directorships held during the past five years	
In France	
Inside Secure SA(1)	Member of the Supervisory Board
Tyrol Acquisition 1 SAS	Director
Mersen SA(1)	Director

Directorships held in his own name

Company	Office and directorship held
Current Directorships	
In France	
Ingenico SA(1)	Director
Talend SA(1)	Director
Soitec SA(1)	Chairman of the Board
Greenbureau SA	Member of the Supervisory Board
Directorships held during the past five years	
In France	
Sipartech SAS	Member of the Supervisory Board
Cloudwatt SA	Member of the Supervisory Board
TDF SAS	Director

(1) *Publicly traded companies.*

Yann DEBOIS

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

Nationality: French

Born June 8, 1979

Start of term of office:
July 2017

Expiration of term of office:
July 2020

Number of shares held as of the date of publication of this Registration Document:

127

Director representing the employees
Main position: Senior Project Manager for Production Services

Length of service: 1.5 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

- Group Knowledge ●
- Sourcing expertise ●
- Connected Home ●

Committees' memberships:

- Remunerations Committee

Biography

Mr. Yann Debois is in charge of supporting cross-business units integration and communication within Production Services, with a particular focus on digital transformation projects. He joined Technicolor in 2006 and has since held a number of positions within Sourcing, especially in Hong Kong where he managed key suppliers for the Connected Home business unit.

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

Current Directorships

Company	Office and directorship held
None	

Directorships held during the past five years

Company	Office and directorship held
None	

Ana GARCIA FAU

Main business address:
Technicolor,
8-10, rue du Renard,
75004 Paris

Nationality: Spanish

Born November 3, 1968

Start of term of office:
April 2016

Expiration of term of office:
2019 Annual
General Meeting

Number of shares held as of the date of publication of this Registration Document:

1,000

Independent Director
Main position: Company Director

Length of service: 3 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

- Finance ●
- Strategy ●
- Mergers & Acquisitions ●

Committees' memberships:

- Audit Committee
- Nominations & Governance Committee (Chairwoman)

Biography

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

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

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

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

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

Current Directorships

Company	Office and directorship held
In France	
Eutelsat SA(1)	Director
Outside France	
Merlin Properties Socimi SA(1)	Director
Renovalia Energy group SL	Director
Gestamp Automocion SA(1)	Director
DLA Piper LLP	Director
Globalvia SA	Director

(1) *Publicly traded companies.*

Directorships held during the past five years

Company	Office and directorship held
Cape Harbour Advisors SL	Director
Yudonpay	Member of the Advisory Board

Main business address:
Technicolor,
8-10, rue du Renard,
75004 Paris

Nationality:
American

Born July 18, 1957

Start of term of office:
May 2013

Expiration of term of office:
2019 Annual General Meeting

Number of shares held as of the date of publication of this Registration Document:

1,000

Laura QUATELA

Independent Director
Main position: Senior Vice-President and Chief Legal Officer, Lenovo Group

Founder, Quatela Lynch Intellectual Property

Former co-COO and President, Consumer Businesses, Eastman Kodak Company

Length of service: 6 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

- Technology ●
- Group Knowledge ●
- Strategy ●
- Mergers & Acquisitions ●
- Cybersecurity ●

Committees' memberships:

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

Biography

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

Ms. Quatela is also a Co-Founder of Quatela Lynch LLC, a consulting practice helping global operating companies leverage Intellectual Property assets. In addition, she is a member of the Board of managers of Provenance Asset Group LLC. She was the President of Eastman Kodak Company from January 2012 to February 2014, and led Kodak's consumer film, photographic paper, retail photo kiosk and event imaging businesses. In January 2011, she was appointed General Counsel and Senior Vice-President. She was appointed Chief Intellectual Property Officer in January 2008, and remained in this position while managing the Company's Legal Department. In this role, she oversaw the monetization of Kodak's patent portfolio, generating more than U.S.$4.0 billion in revenue for the Company. In August 2006, she was appointed Corporate Vice-President.

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

Current Directorships

Company	Office and directorship held
Provenance Asset Group LLC	Member of the Board of managers

Directorships held during the past five years

Company	Office and directorship held
None	

Maarten WILDSCHUT

Main business address:
RWC,
Verde 4th Floor,
10 Bressenden Place,
5DH United Kingdom

Nationality: Dutch

Born September 22, 1972

Start of term of office:
October 2018

Expiration of term of office:
2019 Annual
General Meeting

Number of shares held as of the date of publication of this Registration Document:

0

Reminder:

RWC held as of the date of publication of this Registration Document 42,000,000 shares (representing 10.13% of the share capital)

Non-Independent Director
Main position: Co-Head of RWC European Focus Fund

Length of service: 0.5 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

- Finance ●
- Mergers & Acquisitions ●
- Strategy ●

Committees' memberships:

- Audit Committee
- Nominations & Governance Committee

Biography

Mr. Maarten Wildschut joined RWC as part of Hermes Focus Asset Management in October 2012. He joined the Hermes Team in August 2005 and became the lead fund manager in February 2009.

Mr. Wildschut has over 20 years of experience in value-based investing and bottom-up company analysis, and more than 13 years of experience in active ownership investing and working with companies and shareholders to create value creating change. Previously, he worked at Robeco Asset Management where he co-managed their highly rated European Small Cap funds and where he was responsible for institutional mandates. Prior to that, he worked as an analyst on U.S. and Latin American Equities. Before joining Robeco, Mr. Wildschut worked at ABN AMRO Investment Banking in Risk Management.

Mr. Wildschut is a member of the Advisory Board of Monolith Investment Management, a European small cap fund with a similar investment strategy to the RWC European Focus Fund.

Mr. Wildschut holds a M.Sc. in Business Economics from the Erasmus University in Rotterdam and is a CFA charter holder. Mr. Wildschut is a Dutch citizen and native speaker, fluent in English and speaks French and German.

Current Directorships	
Company	**Office and directorship held**
None	

Directorships held during the past five years	
Company	**Office and directorship held**
None	

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

Main business address:
TUI AG,
Karl-Wiechert-Allee 4,
30625 Hannover

Nationality: Belgian

Born June 6, 1965

Start of term of office:
April 2016

Expiration of term of office:
September 2018

Number of shares held as of the date of publication of this Registration Document:

1,500

Birgit CONIX

Independent Director, until September 2018
Main position: Chief Financial Officer of TUI Group

Length of service: 2.5 years

Attendance rate at the Board of Directors' meetings: 80%

Skills:

- Technology ●
- Finance ●
- Connected Home ●

Biography

Ms. Birgit Conix resigned on September 2018 from her position as Director of the Company subsequent to assuming new professional positions as CFO at TUI Group, the world number one tourism business.

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

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

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

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

Ms. Conix holds a Master degree in Business Economics from Tilburg University Netherlands, and an MBA from the University of Chicago, Booth School of Business.

Current Directorships	
Company	**Office and directorship held**
None	

Directorships held during the past five years	
Company	**Office and directorship held**
None	

Main business address:
Siris Capital
601 Lexington Avenue,
59th Floor New York,
NY 10022

Nationality: American

Born October 24, 1972

Start of term of office:
November 2015

Expiration of term of office:
October 2018

Number of shares held as of the date of publication of this Registration Document:

200

Hilton ROMANSKI

Independent Director until October 2018
Main position: Partner at Siris Capital

Length of service: 3 years

Attendance rate at the Board of Directors' meetings: 100%

Skills:

- Technology ●
- Mergers & Acquisitions ●
- Strategy ●
- Connected Home ●

Biography

Mr. Hilton Romanski resigned on October 2018 from his position as Director of the Company subsequent to assuming new professional position as Partner at Siris Capital, a major private equity firm.

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

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

He previously worked in J.P. Morgan's New York headquarters where he was a mergers & acquisitions specialist.

Current Directorships	
Company	**Office and directorship held**
None	

Directorships held during the past five years	
Company	**Office and directorship held**
None	

4.1.1.4 ARRANGEMENTS OR AGREEMENTS MADE WITH MAJOR SHAREHOLDERS, CUSTOMERS, SUPPLIERS OR OTHERS PURSUANT TO WHICH THE BOARD MEMBERS AND EXECUTIVE COMMITTEE MEMBERS WERE SELECTED

GRI *[102-25] [102-44]*

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

4.1.1.5 DIRECTORS' HOLDINGS IN THE COMPANY'S SHARE CAPITAL

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

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

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

To the Company's knowledge, the Directors' shareholdings in the Company's registered capital as of the date of publication of this Registration Document are as follows:

Directors present on the date of publication of this Registration Document	**Technicolor shares**
Bruce Hack	518,000
Melinda J. Mount	21,000(1)
Frédéric Rose	660,565
Bpifrance Participations	21,853,869
Yann Debois	127
Ana Garcia Fau	1,000
Laura Quatela	1,000
Maarten Wildschut	0(2)
TOTAL	**23,055,561**

(1) Ms. Mount holds 21,000 Technicolor American Depositary Receipts.
(2) RWC held, as of the date of publication of this Registration Document, 42,000,000 shares (representing 10.13% of the share capital).

The table below shows the transactions in Technicolor securities carried out during fiscal year 2018 and notified to the *Autorité des marchés financiers* in accordance with Article 19 of Regulation n° 594/2014 of April 16, 2014 on Market Abuse and Article L. 621-18-2 of the French Monetary and Financial Code:

First name and last name	Transaction date	Transaction type	Description of the financial instrument	Number of securities/ instruments	Unit price *(in euros)*	Amount of the transaction *(in euros)*
Frédéric Rose	March 5, 2018	Acquisitions	Share	70,000	1.5022	105,154
Bruce Hack	March 6, 2018	Acquisitions	Share	500,000	1.4250	712,500
Melinda J. Mount	March 8, 2018	Acquisitions	American Depositary Receipts	20,000	1.8360(1)	36,721(1)
Cisco Systems, Inc.	April 3, 2018	Disposal	Share	620,329	1.3291	824,479
Cisco Systems, Inc.	April 4, 2018	Disposal	Share	357,018	1.3249	473,013
Cisco Systems, Inc.	April 5, 2018	Disposal	Share	527,065	1.3373	704,844
Cisco Systems, Inc.	April 6, 2018	Disposal	Share	800,992	1.2864	1,030,396
Cisco Systems, Inc.	April 9, 2018	Disposal	Share	644,467	1.2771	823,049
Cisco Systems, Inc.	April 10, 2018	Disposal	Share	1,226,925	1.2732	1,562,121
Cisco Systems, Inc.	April 26, 2018	Disposal	Share	2,917,408	1.2172	3,551,069
Cisco Systems, Inc.	April 27, 2018	Disposal	Share	1,170,131	1.2268	1,435,517
Cisco Systems, Inc.	April 30, 2018	Disposal	Share	1,654,694	1.3209	2,185,685
Cisco Systems, Inc.	May 2, 2018	Disposal	Share	2,107,628	1.3826	2,914,006
Cisco Systems, Inc.	May 3, 2018	Disposal	Share	983,225	1.4123	1,388,609
Cisco Systems, Inc.	May 4, 2018	Disposal	Share	837,652	1.4204	1,189,801
Cisco Systems, Inc.	May 7, 2018	Disposal	Share	235,785	1.4189	334,555
Cisco Systems, Inc.	May 8, 2018	Disposal	Share	923,503	1.3791	1,273,603
Cisco Systems, Inc.	May 9, 2018	Disposal	Share	605,301	1.3783	834,286
Cisco Systems, Inc.	May 10, 2018	Disposal	Share	520,332	1.4052	731,170
Cisco Systems, Inc.	May 11, 2018	Disposal	Share	314,218	1.4038	441,099
Cisco Systems, Inc.	May 14, 2018	Disposal	Share	249,334	1.4155	352,932
Cisco Systems, Inc.	May 15, 2018	Disposal	Share	573,166	1.4173	812,348
Cisco Systems, Inc.	May 16, 2018	Disposal	Share	514,829	1.3801	710,515
Cisco Systems, Inc.	May 17, 2018	Disposal	Share	367,413	1.4192	521,432
Cisco Systems, Inc.	May 18, 2018	Disposal	Share	2,076,746	1.5132	3,142,532
Cisco Systems, Inc.	May 21, 2018	Disposal	Share	569,535	1.5165	863,700
Cisco Systems, Inc.	May 22, 2018	Disposal	Share	420,997	1.5285	643,494
Cisco Systems, Inc.	May 23, 2018	Disposal	Share	199,447	1.5098	301,125

(1) *For greater clarity, the amounts reported are converted into euros based on the average exchange rates for 2018, i.e. U.S.$1.18052 for €1, even though the transaction was made in U.S. dollars, for a unit price of U.S.$2.1675 and a total amount of transaction of U.S.$43,350.*

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

4.1.1.6 STATEMENT ON THE ABSENCE OF CONVICTIONS FOR FRAUD, BANKRUPTCY AND INCRIMINATION DURING THE PAST FIVE YEARS

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

4.1.1.7 SERVICE AND OTHER CONTRACTS BETWEEN BOARD MEMBERS AND THE GROUP

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

4.1.1.8 LOANS AND GUARANTEES GRANTED TO BOARD MEMBERS

None.

4.1.2 Preparation and organization of the Board of Directors' work

GRI *[102-18] [102-26] [102-31]*

4.1.2.1 COMPLIANCE WITH AFEP-MEDEF CORPORATE GOVERNANCE CODE

GRI *[102-12]*

The Company refers to the AFEP-MEDEF Corporate Governance Code, last updated on June 2018 and available on the website of both the AFEP (http://www.afep.com) and the MEDEF (http://www.medef.com/en/), for the preparation of the report required by Article L. 225-37 of the French Commercial Code.

The Company does not comply with the following recommendations of the AFEP-MEDEF Corporate Governance Code:

Recommendations of the AFEP-MEDEF Corporate Governance Code not complied with by the Company	**Explanation/Action plan**
Terms of office of Directors should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of Directors (paragraph 13.2).	The Annual General Meeting of April 29, 2016 rejected the 30th resolution which provided for the directorships to be staggered.
When a non-compete agreement is entered into, the Board must incorporate a provision that authorizes it to waive the implementation of this agreement when the Officer leaves (paragraph 23.3). The Board must make a provision to ensure no payment of the non-compete is made once the Officer claims his or her pensions rights. In any event, no benefit can be paid over the age of 65. (paragraph 23.4).	Mr. Frédéric Rose's non-compete agreement was entered into in July 23, 2008, modified in March 9, 2009, approved by the Ordinary Shareholders' Meeting on June 16, 2009 in its 8th resolution and not modified further. Protecting the interests of the Group and its stakeholders, Technicolor's Board of Directors did not believe it was necessary to amend Mr. Rose's non-compete agreement as of now, given his age, reserving the right to amend it in the future.

4.1.2.2 ORGANIZATION OF BOARD OF DIRECTORS' WORKS – INTERNAL BOARD REGULATIONS

GRI *[102-18] [102-19] [102-20] [102-21] [102-23] [102-26] [102-27] [102-31]*

The Board of Directors reviews at least once a year its membership, organization, operation and committees. In 2018, committee memberships were reviewed in October.

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

The Board of Directors

Powers vested by law

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

Additional powers arising from Internal Board Regulations

- may appoint one or two Vice-Chairmen;
- may appoint up to two Board Observers;
- approves, on a preliminary basis, the strategic plan prepared by executive management;
- authorizes the Chief Executive Officer to carry out the following strategic transactions:
  - **(i)** any material transaction outside the scope of Technicolor's stated strategy or that is likely to materially affect the operational or financial situation of the Group,
  - **(ii)** the conclusion of any material strategic partnership,
  - **(iii)** any transaction (contribution, acquisition, disposal, merger, transfer of any entity, activity or assets) by any member of the Technicolor group for an amount of more than €25 million, either per operation or per series of related operations,
  - **(iv)** the conclusion of new finance contracts increasing the Group's level of indebtedness by more than €25 million,
  - **(v)** the appointment of a Statutory Auditor who is not part of a network of international repute,
  - **(vi)** any decision, by any company of the Technicolor group, to settle litigation where such settlement would result in a payment of more than €10 million to the relevant counterparty, and
  - **(vii)** any significant changes to accounting principles applied by Technicolor or to any Company of the Technicolor group, other than changes made in application of applicable law or required by the Statutory Auditors of Technicolor or the relevant company.

Chairman of the Board of Directors
Mr. Bruce Hack

Powers vested by law

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

Additional powers arising from Internal Board Regulations

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

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

Chief Executive Officer
Mr. Frédéric Rose

Powers vested by law

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

Limits imposed by Board Internal Regulations

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

Additional powers

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

Board Committees

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

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

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

Board meetings

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

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

Directors' right to information

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

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

Directors' duties

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

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

Directors' training

Members of the Board of Directors benefit from regular business sessions that are organized with all Board Members and business unit managers in order to update them on the Company's activities and to inform them on the organization and functioning of each business unit as well as on its strategy and future development. As an example, there were 4 business sessions in 2018, focusing equally on each business unit of the Group: Production Services, DVD Services and Connected Home.

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

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

This *Vademecum*, when updated, is also given to all other Directors.

4.1.2.3 BOARD OF DIRECTORS' ACTIVITIES IN 2018

GRI *[102-18] [102-26] [102-27] [102-28] [102-31] [102-34]*

ATTENDANCE RATES TO BOARD MEETINGS HELD IN 2018

Name	Attendance rate
Mr. Bruce Hack	100%
Ms. Melinda J. Mount	100%
Mr. Frédéric Rose	100%
Bpifrance Participations	100%
Mr. Yann Debois	100%
Ms. Ana Garcia Fau	100%
Ms. Laura Quatela	100%
Mr. Maarten Wildschut (since October 2018)	100%
Ms. Birgit Conix (left the Board in September 2018)	80%
Mr. Hilton Romanski (left the Board in October 2018)	100%
AVERAGE	**98%**

Board of Directors

6 MEETINGS IN 2018

9 THEN 8 MEMBERS

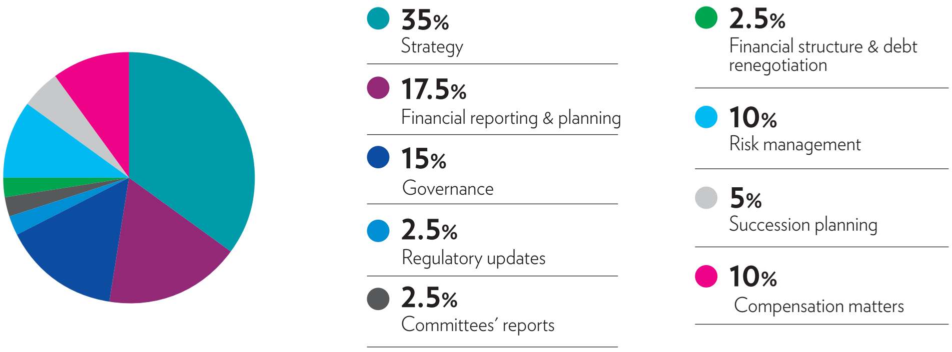
98% AVERAGE PARTICIPATION RATE

71% INDEPENDENCE RATE*

ACTIVITIES IN 2018

- **Financial issues**: reviewed the Company's quarterly, half-yearly and annual financial information and the preparation process (2018 annual budget, consolidated and statutory financial statements for 2017 and for the first half of 2018, revenues for the first and third quarters of 2018), reviewed major accounting issues (such as impairment tests of goodwill), reviewed press releases issued after Board meeting, as well as the Registration Document, after examination by the Audit Committee, the Remunerations Committee and the Nominations and Governance Committee for the sections falling under their respective areas of expertise;
- **Strategy of the Group:** monitored the Company's strategic plan and corresponding action plans;
- **Compensation and governance:** decided on the compensation of the Chairman and the Chief Executive Officer, reviewed the independence of each Board member, deliberated on Company policy regarding equal employment and wages.

* *This percentage excludes the Director representing the employees.*



MAIN BOARD DECISIONS FOR 2018 (IN ADDITION TO RECURRING ISSUES DESCRIBED ABOVE)

BOARD MEETING HELD ON JANUARY 11, 2018 **ATTENDANCE OF 100%**

- Discussed strategic transaction relating to the Patent Licensing business
- Answered to questions from Works Council
- 2018 Budget

BOARD MEETING HELD ON FEBRUARY 21, 2018 **ATTENDANCE OF 100%**

- Approved the 2017 financial statements and relevant reports
- Approved the Group's variable compensation plan structure and objectives
- Approved the terms and conditions of disposal of the Patent Licensing business
- Changed the Board's committees' composition
- Reviewed Directors' independence
- Discussed cybersecurity issues
- Reviewed the regulatory changes following the new Market Abuse Regulation
- Executive session to assess the performance of the Chief Executive Officer for the year 2017 and set the performance objectives that will impact his variable compensation for 2018 and his severance package

BOARD MEETING HELD ON APRIL 25, 2018	ATTENDANCE OF 87.5%
• Approved the grant of performance shares under a new Long-Term Incentive Plan • Discussed the implementation of the sale of the Patent Licensing business	

BOARD MEETING HELD ON JUNE 25, 2018	ATTENDANCE OF 100%
• Grant of performance shares	

BOARD MEETING HELD ON JULY 24, 2018	ATTENDANCE OF 100%
• Discussed the compliance program of the Group and legal updates • Approval of the June 30, 2018 financial statements and half-year report	

BOARD MEETING HELD ON OCTOBER 24, 2018	ATTENDANCE OF 100%
• Coopted a new Director • Changed the Board's committees' composition • Decided the transfer of the registered office of the Company • Discussed the transfer of the CEO's role from Technicolor, Inc. to Technicolor USA, Inc. (see subsection 4.2.1.2.2 below)	

EVALUATION IN 2018

Follow-up on 2017 external evaluation: Since the last assessment, the Company and the Board of Directors went through a challenging year especially from a business perspective. Two Directors left the Board due to their new professional positions which did not leave them enough time for the Board.

Procedure: External evaluation conducted in February-March 2019 by Spencer Stuart under the supervision of the Nominations & Governance Committee (online survey followed by live interviews). The Board considered that it was best practice to have the assessment conducted by the same professionals as in 2017 so as to ensure a follow-up of the previous assessment.
Themes: Board composition and structure, Board effectiveness, working methods, relationship between Board members, executive management, shareholders and stakeholders, Succession planning, Committee's activities, setting of the strategy.

Result and analysis: The assessment identified several strengths such as (i) a strong level of engagement from all Board members, (ii) a good mix of competencies and skills that allow for diversity of thought, (iii) freedom to speak and express opinions and (iv) engagement of the Chief Executive Officer in open dialog with the Board which allows constructive debate and questioning. Nonetheless, the past two challenging years showed that there is a need to review the Board composition. The decision of the Chairman to step down at the next annual shareholders' meeting and the vacant positions will offer an opportunity to review such Board composition and to address the topic of Chairman succession. This will allow to incorporate new competencies and to influence positively on the collective dynamics.

Areas for improvement:

- Board Composition: Focus on completing the current composition with new Directors whose skills would complete existing skills in the Board and take profit of this opportunity to redefine Board composition.
- Succession planning: Spend more time on the matter and build a more structured succession process for Chairperson, Chairs of Committee and Board members.
- Balance between presentation and debate: Rebalance Board agenda in order to take more time on business topics.
- Relationship building: Invest in more social activities around board meetings.
- Risk management: Conduct an in-depth review of the risk mapping.
- Executive sessions: Plan in advance the frequency and content of executive sessions.
- Pre-meetings Board information: Propose synthetic executive summaries.

4.1.2.4 CHAIRMAN OF THE BOARD'S MISSIONS AND ACHIEVEMENTS IN 2018

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

In 2018, in addition to the powers vested to him by the law and within the scope of his additional powers, the Chairman of the Board:

- effectively led the Strategy Committee's meetings as well as the other strategy discussions held during the year;
- engaged regularly in discussions with general management on various subjects at their proposal;
- engaged in interviews and discussions with major investors.

4.1.2.5 COMPOSITION AND ACTIVITIES OF THE BOARD COMMITTEES

GRI *[102-18] [102-26] [102-31] [102-34] [102-36]*

The composition of the Board committees was reviewed by the Board of Directors on October 24, 2018, further to the cooptation of Mr. Maarten Wildschut as a Director.

The Audit Committee

AMF's report on Audit Committees

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

6 MEETINGS IN 2018	3 MEMBERS	94% AVERAGE PARTICIPATION RATE	67% INDEPENDENCE RATE

Composition in 2018

Ms. Melinda J. Mount (Chairwoman, Independent)
Ms. Ana Garcia Fau (Independent)
Mr. Maarten Wildschut (Non-Independent)
Until September 2018: Ms. Birgit Conix (Independent)

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

Individual attendance rates to Audit Committee meetings held in 2018

- **Ms. Melinda J. Mount:** 100%
- **Ms. Birgit Conix:** 75%
- **Ms. Ana Garcia Fau:** 100%
- **Mr. Maarten Wildschut:** 100%

Mission

Defined by applicable law, its charter, and the Board Internal Regulations:

- assists the Board of Directors in fulfilling its responsibilities regarding financial information and its publication, internal control procedures and risk management, internal audit, and internal procedures to check compliance with applicable laws and regulations;
- in particular, examines the draft parent company financial statements and consolidated financial statements prior to their presentation to the Board of Directors;
- examines material off-balance sheet commitments;
- checks the procedures adopted ensure the accounts provide a true and fair view of the Company's financial position and are in compliance with applicable accounting standards;
- expresses its opinion and makes proposals to the Board of Directors regarding the nomination, missions, activities, compensation and dismissal of the Statutory Auditors;
- gives its authorization, or adopts procedures for authorization of non-audit services by the Statutory Auditors;
- assesses the effectiveness of internal control and risk management systems;
- reviews the work of the Ethics Committee, such as whistleblowing procedure investigations (see Chapter 3, section 3.3.2: "General control environment" above).

Organization of the Audit Committee's activities

At least four meetings per year, and whenever necessary before a Board of Directors' meeting, according to a predetermined annual workplan.

The Committee can:

- directly discuss with the Statutory Auditors in the absence of officers or individuals contributing to the preparation of the financial statements;
- upon request, directly discuss matters with the Internal Auditors in the absence of Executive Management;
- call upon the services of internal or external experts, in particular, lawyers, accountants or other advisors or independent experts.

The Statutory Auditors participate in each Audit Committee meeting.

Review process for annual and interim financial statements:

- initial meeting to review the initial closing items;
- second meeting to review the financial statements (for practical reasons due to the attendance of Directors on the Audit Committee who live abroad, such second meeting may at times take place on the day before the meeting of the Board of Directors).

Audit Committee's activities

- reviewed parent company and consolidated financial statements for 2017 and for the first half of 2018, and revenue for the first and third quarter of 2018 (the review having been the subject of presentations by the Company's Chief Financial Officer and the Statutory Auditors);
- reviewed the financial press releases and investor presentations for the closing of fiscal year 2017, the first quarter of 2018, the first half of 2018 and the third quarter of 2018;
- accounting issues related to the closing of accounts for fiscal year 2017, the first half of 2018 and fiscal year 2018;
- reviewed this Registration Document;
- in-depth review of impairment tests of goodwill and key accounting issues surrounding the closing of accounts;
- discussed the last developments of the Group's litigations;
- discussed the equity structure of the Company;
- reviewed the Company insurance policy;
- in-depth review of certain risks (Technicolor Risk Management);
- reviewed the organization of internal audit, the biannual audit plans and their results, the internal control procedures, and security procedures for the Group;
- reviewed cybersecurity matters and strategy;
- presentation of pension schemes;
- reviewed the impacts of the General Data Privacy Regulation;
- discussed compliance and especially the anti-bribery risk mapping;
- examinated the Statutory Auditors' audit plan and reviewed the matter of their independence;
- heard regularly the Chief Financial Officer, the Director of Norms and Consolidation, the Director of Treasury and Credit Management and the Director of Central Controlling;
- met in executive sessions and met with Statutory Auditors without management on a regular basis.

The Nominations & Governance Committee

2 MEETINGS IN 2018	**4 THEN 5 MEMBERS**	**100% AVERAGE PARTICIPATION RATE**	**80% INDEPENDENCE RATE**

Composition in 2018

Ms. Ana Garcia Fau (Chairwoman, Independent)
Mr. Bruce Hack (Independent)
Ms. Laura Quatela (Independent)
Mr. Thierry Sommelet (Independent)
Mr. Maarten Wildschut (Non-Independent)

4 committee members out of 5 are independents under the AFEP-MEDEF Corporate Governance Code.

Mr. Rose, Chief Executive Officer, is involved in the work of this committee.

Individual attendance rates to Nominations & Governance Committee meetings held in 2018

- **Ms. Ana Garcia Fau:** 100%
- **Mr. Bruce Hack:** 100%
- **Ms. Laura Quatela:** 100%
- **Mr. Thierry Sommelet:** 100%
- **Mr. Maarten Wildschut:** 100%

Mission

- submits proposals relating to the Company's governance, in particular, in respect of the organization and operation of the Board of Directors;
- it also makes proposals to the Board of Directors for the appointment of the Board Members, the Chairman, the Chief Executive Officer and Board committee members.

Activities of the Nominations & Governance Committee

- analyzed the composition of the committees of the Board of Directors and their new composition;
- discussed the appointment of a new Director;
- examined the Board's policy regarding new Directors and the skill set required for further appointments;
- set up a succession plan for the Chief Executive Officer, the Chairman of the Board of Directors and Executive Committee's members;
- reviewed the external assessment performed in 2017 and prepared and followed-up the self-assessment of the Board of Directors for 2018.

The Remunerations Committee

3 MEETINGS IN 2018	2 THEN 3 MEMBERS	100% AVERAGE PARTICIPATION RATE	67% INDEPENDENCE RATE

Composition in 2018

Ms. Laura Quatela (Chairwoman, Independent)
Mr. Yann Debois (Non-Independent)
Ms. Melinda J. Mount (Independent)

A majority of committee members are independent under the AFEP-MEDEF Corporate Governance Code.

Individual attendance rates to Remunerations Committee meetings held in 2018

- **Mr. Yann Debois:** no data as appointed in October 2018
- **Ms. Melinda Mount:** 100%
- **Ms. Laura Quatela:** 100%

Mission

- issues recommendations to the Board of Directors regarding the compensation of the Executive Directors and the amount of Directors' fees to be submitted to the Shareholders' Meeting;
- makes proposals regarding grants of stock options and performance shares to the Group's employees, and more generally regarding employee shareholding and employee savings programs;
- issues recommendations on the consistency of the compensation of Executive Directors as compared with that of the other managers and employees.

Activities of the Remunerations Committee

- reviewed the Group's variable compensation plan and its application;
- reviewed the Company's policy regarding equal employment and wages;
- discussed the elaboration of a new project of long-term compensation plan in the form of performance shares (LTIP 2018);
- analyzed the impacts of the sale of the Patent Licensing activity for the long-term compensation plans in place;
- studied the compensation of the Chief Executive Officer involving, in particular, setting variable compensation targets.

The Strategy Committee

5 MEETINGS IN 2018	5 THEN 4 MEMBERS	100% AVERAGE PARTICIPATION RATE	75% INDEPENDENCE RATE

Composition in 2018

Mr. Bruce Hack (Chairman, Independent)
Mr. Frédéric Rose
Ms. Laura Quatela (Independent)
Mr. Thierry Sommelet (Independent)
Until October 2018:
Mr. Hilton Romanski (Independent)

Individual attendance rates to Strategy Committee meetings held in 2018

- **Mr. Bruce Hack:** 100%
- **Mr. Frédéric Rose:** 100%
- **Ms. Laura Quatela:** 100%
- **Mr. Thierry Sommelet:** 100%
- **Mr. Hilton Romanski:** 100%

Mission

- assists the Board in monitoring the implementation of the Company's strategic plan;
- prepares the Board's decisions in relation to the monitoring of the implementation of the strategic plan under execution and, generally speaking, reviews the Company's overall strategy.

Activities of the Strategy Committee

- reviewed the Group's strategic projects and strategy;
- actively participated in the implementation of the Group strategic plan.

It is to be noted that any Board member can assist to the Strategy Committee's meetings, even if he or she is not a member of such committee.

4.1.3 Regulated agreements

4.1.3.1 REGULATED AGREEMENTS – CONFLICTS OF INTEREST

GRI *[102-25][102-44]*

French law provides specific rules for all "regulated agreements", *i.e.* all agreements which are entered into directly or through an intermediary between the Company and its Chief Executive Officer, or one of its Directors or certain shareholders (shareholders holding more than 10% of the voting rights or, in the case of a corporate shareholder, its parent company) and which do not relate to ordinary transactions concluded under normal conditions.

In accordance with Article L. 225-38 *et seq*. of the French Commercial Code, these agreements must be submitted to the Board of Directors for prior authorization, which must be substantiated. The agreements must also be examined in a special report by the Statutory Auditors and the Shareholders' Meeting must be consulted. See section 4.1.3.2: "Statutory Auditors' special report on Regulated Agreements and Commitments" below.

During the fiscal year 2018, no regulated agreement was authorized by the Board of Directors and signed by the Company. Two regulated agreements previously approved by the General Meeting were continued in 2018, without implementation during the year:

- one pertaining to Mr. Rose's severance package in the event of his dismissal from the position of CEO, which was approved by the General Meeting held on June 16, 2009, in its 9th resolution;
- the other pertaining to Mr. Rose's non-compete indemnity in the event of his dismissal from the position of CEO, which was approved by the General Meeting held on June 16, 2009, in its 8th resolution.

The Company is not aware of potential conflicts of interest between the obligations of Directors and Company managers towards Technicolor and their private interests and/or other obligations.

4.1.3.2 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

GRI *[102-56]*

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided for by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

General Meeting of shareholders held to approve the financial statements for the year ended December 31, 2018.

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on the regulated agreements and commitments.

We are required to inform you, based on information provided to us, on the principal terms, conditions and the interests of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness nor ascertaining whether any other agreement and commitments exist. It is your responsibility, pursuant to article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the benefits resulting from the conclusion of these agreements and commitments prior to their approval.

Moreover, it is our responsibility, if any, to give you the information specified in article R. 225-31 of the French Commercial Code (*Code de commerce*) relating to the implementation, during the past year, of agreements and commitments that have already been approved by previous Shareholders' Meetings.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Statutory Auditors' special report on regulated agreements and commitments

Regulated agreements and commitments authorized during the year

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by the shareholders' meeting

Regulated agreements and commitments approved during previous years

A) Agreements and commitments already approved during previous years and having continuing effect during the year

We inform you that we have not been given notice of any agreement or commitment already approved by the general meeting whose execution would have continued during the financial year.

B) Agreements and commitments already approved during previous years that were not implemented during the year

In addition, we have been informed of the continuation of the following commitments, already approved by the General Meeting in previous financial years, which did not give rise to execution during the financial year.

Severance pay in case of dismissal of the Chief Executive Officer

Person concerned: Mr. Frederic Rose.

Nature and purpose: severance pay in the event of removal from office as Chief Executive Officer, except in the case of serious misconduct.

Terms and conditions: this commitment was authorized by your Board of Directors on March 9, 2009 and approved by the Shareholders' Meeting of June 16, 2009. Mr. Frédéric ROSE would receive compensation of a maximum gross amount equal to fifteen months of his fixed and variable remuneration, based of his fixed and variable remuneration prior to the amendment of July 2013. The payment of the indemnity would be subject to compliance with performance conditions based half on the achievement of the EBITDA target and half on the achievement of the Group's consolidated Free Cash Flow objective over a period of three years, determined annually by the Board of Directors. The objectives are the same as those adopted annually for the variable portion of Mr. Frédéric ROSE's compensation.

Non-compete obligation as of the date of termination of the duties of Chief Executive Officer

Person concerned: Mr. Frederic Rose.

Nature and purpose: non-compete obligation in return for payment of compensation.

Terms and conditions: this commitment was authorized by your Board of Directors on July 23, 2008 and March 9, 2009 and approved by the Shareholders' Meeting of June 16, 2009. In the event of termination of his duties, Frédéric ROSE will be held by a commitment of 9-month period, applicable to Europe, Asia and the United States, in return for which he will receive a monthly allowance calculated on the basis of his fixed and variable remuneration, determined according to the principles applied to the determination of severance pay; this allowance will be reduced by half in case of resignation.

The Statutory Auditors

Paris - La Défense, March 25, 2019	Courbevoie, March 25, 2019
Deloitte & Associés	Mazars
French original signed by	French original signed by
Bertrand Boisselier Partner	Guillaume Devaux Partner Jean-Luc Barlet Partner

4.1.4 Internal Board regulations

GRI [102-18] [102-19] [102-21] [102-25] [102-26] [102-28] [102-29]

The Internal Board Regulations explain the functioning of the Board of Directors, the powers of the different bodies in the Company and the duties of each Director. They are regularly reviewed by the Board of Directors and were last amended on February 22, 2017.

Article 1. Membership

1.1. The Board shall be composed of at least five (5) members. Directors are elected by the General Shareholders' Meeting upon recommendation by the Board.

1.2. In the event of a vacancy due to the death, incapacity or resignation of one or more Directors, the Board may, in between General Shareholders' Meetings, nominate Directors on a provisional basis. Such nominations shall be subject to ratification by the next General Shareholders' Meeting. A Director appointed in replacement of another Director shall serve for the duration of the term of the Director being replaced.

1.3. Directors shall serve for a term of three (3) years, subject to any legal provision relating to age limitations. Save for the Employee Director, a Director's term shall expire at the close of the General Shareholders' Meeting having approved the accounts of the prior fiscal period and held in the year of the expiration of such Director's term.

Article 2. Chairman of the Board

2.1. The Board shall elect from among its members a Chairman. The Board can also elect one or two Vice-Chairmen. The Vice-Chairman can qualify as "Lead Independent Director".

2.2. The Board determines the term of office of the Chairman and Vice-Chairman, which may not in any case exceed their respective terms as Director. They may be re-elected.

2.3. Notwithstanding the provisions of the previous section, the office of the Chairman shall expire when the Chairman reaches the age of seventy-five (75) years.

2.4. In case of absence or unavailability of both the Chairman and the Vice-Chairman, the Board shall designate for each meeting a Director to chair the meeting.

2.5. In addition to the powers vested to him by applicable laws and other provisions of this Internal Board Regulations, the Chairman:

can be regularly consulted by the Chief Executive Officer on all events of significance regarding the Group's strategy, external growth projects or financial transactions;

- monitors exceptional operations (external and internal) affecting the Group's scope or structure;
- monitors the implementation of the Strategic plan Drive 2020;
- organizes his activity in such a way that he ensures his availability and shares his knowledge of the market and his deep experience with the Chief Executive Officer (at the invitation of the Chief Executive Officer, the Chairman can participate to internal meetings with managers and teams of the Company, so as to bring his opinion and experience on strategic issues);
- can meet the main executives of the Group;
- promotes the values and image of Technicolor, both internally and externally; and
- coordinates the work of the Board of Directors with its committees.

Article 3. Choice of the Board to Combine or Separate the offices of Chairman and Chief Executive Officer

When appointing or renewing the term of the Chairman or the Chief Executive Officer, the committee responsible for governance shall submit to the Board an opinion on whether the Company is best served by separating or combining the offices of Chairman and Chief Executive Officer.

Article 4. Board Observers (*censeurs*)

4.1. The Board may select up to two Board Observers (*censeurs*). The Board Observers are appointed for up to 18 (eighteen) month term, and are eligible for re-appointment, as stated in Article 11.5 of the bylaws.

4.2. Board Observers shall be convened in the same manner as Directors, and shall participate in meetings of the Board in an advisory capacity only. The Board may appoint the Board Observers as committee members.

Article 5. Secretary

Upon recommendation by the Chairman, the Board may appoint a Secretary. Each Board member can consult the secretary and benefit from his/her services. The Secretary ensures the observance of the procedures related to the Board's functioning and draws up the minutes of each meeting.

The Secretary is empowered to certify the copies or extracts of the minutes of Board.

Article 6. Duties of the Board

6.1. The Board determines the Group's strategic directions and ensures their implementation. It gives its opinion on all decisions relating to the Company's general strategic, financial and technological policies and supervises the implementation of these policies by senior management.

6.2. The strategic direction of the Group is defined in a strategic plan. The draft of the strategic plan is prepared and presented by the Chief Executive Officer and approved by the Board. The Chief Executive Officer presents an annual budget in line with the strategic plan. The Chief Executive Officer oversees the implementation of the strategic plan.

6.3. The Chief Executive Officer shall notify the Board promptly of any problem or, more generally, any event that could affect the implementation of a direction of the strategic plan.

6.4. The Board convenes the Shareholders' Meeting and sets its agenda. Subject to the authority expressly granted to Shareholders' Meetings and within the limit of the corporate purpose, it examines all questions relating to the proper functioning of the Company.

Article 7. Meetings of the Board – Agenda

7.1. The Board shall meet as often as necessary and as may be required in the interest of the Company and pursuant to applicable legal and regulatory requirements. The Board shall meet no fewer than four (4) times per year.

7.2. Each year, upon recommendation by the Chairman, the Board shall approve a calendar of regular Board meetings for the coming year. In addition to the regular Board meetings, specific meetings may be organized as needed.

7.3. Meetings of the Board shall be held at the corporate headquarters, or at any other location indicated in the convening notice. Convocations of Board meetings may be provided by any means, including by letter, facsimile, email or orally.

7.4. The Chairman is responsible for setting the agenda for each meeting in consultation with the Chairmen of the committees of the Board and the Chief Executive Officer, and communicates the agenda to the Directors in a timely manner by any appropriate means. Upon recommendation by the Chairman, the Board may deliberate on issues not on the agenda which have been brought to the attention of the Board.

7.5. Upon request by the Chairman, members of the Group's management, internal and external auditors and outside advisors may attend meetings of the Board as appropriate in light of the agenda.

7.6. Upon request by the Chairman, non-executive Directors may meet in "executive" sessions, in which the Chief Executive Officer does not participate. An executive session is scheduled once a year for the Chairman and Chief Executive Officer's performance review.

7.7. The duration of the meetings of the Board shall be sufficient to permit an in-depth review and discussion of the issues by the Board. The Chairman is responsible for guiding the discussion at Board meetings.

7.8. Meetings of the Board may be held by videoconference or other telecommunications facilities. In such case, the Board ensures that the videoconference or telecommunication facilities are compliant with applicable legal requirements and standards. First, appropriate measures shall be taken to ensure the identification of each participant and the verification of the quorum. Failing this, the meeting shall be adjourned. Second, the facilities used must permit continuous and simultaneous transmission of the discussions.

Members of the Board participating in a meeting by videoconference or other telecommunication means shall be deemed to be present for the calculation of the quorum and majority, except for meetings during which matters referred to in Articles L. 232-1 and L. 233-16 of the French Commercial Code (approval of the Company financial statements and management report and approval of the Group consolidated financial statements and management report) are addressed.

Article 8. Limitations of the powers of the Chief Executive Officer

The Chief Executive Officer must obtain prior Board approval for:

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

(ii) the conclusion of any material strategic partnership;

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

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

(v) the appointment of a statutory auditor who is not part of a network of international repute;

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

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

Article 9. Directors' and Board Observers' Right to Information

9.1. Each Director shall receive all information needed to perform his/her duties, and may request any documents he or she considers appropriate. The Chairman may deny such requests for additional documents when such request does not appear reasonably warranted by the corporate interest or useful to the Director in carrying out his or her duties. The Chairman shall inform the Board regarding the follow-up provided to each such request.

9.2. Directors shall be provided in advance with the documents necessary to cast an informed vote based on full knowledge of the facts regarding the matters on the agenda.

9.3. Other than in connection with Board meetings, Directors shall be kept informed, on a regular basis and by any mean, of the financial and liquidity situation, of the Company's commitments, as well as of any significant event and transaction relating to the Company.

9.4. Directors may request to visit a place of business of the Company, as may be required to perform their duties. Such requests shall be sent to the Chairman and to the Chief Executive Officer. Any visit of a Company place of business shall be organized so as to minimize disruptions to the functioning of the business.

9.5. Any Director shall be entitled to meet with the Group's senior management without the presence of executive Officers (*dirigeants mandataires sociaux*) of the Company, after having informed the Chairman and the Chief Executive Officer.

Article 10. Board committees

10.1. The Board shall create one or more specialized committees and shall define their composition, powers and responsibilities. Members of the committees shall be chosen among Board Members. The role of the committees shall be to examine and prepare matters to be put to the Board and to assist the Board in its work. Each committee presents its opinions, proposals and recommendations to the Board.

10.2. The following matters shall be subject to a preparatory work carried out by a specialized Board committee: (i) the examination the financial statements and internal procedures to verify compliance with applicable laws and regulations, (ii) the follow up of the Internal Audit, (iii) the review of the internal and risk management procedures, (iv) the selection of the Statutory Auditors, the control of their independence and the follow-up of their work, (v) corporate governance, (vi) nomination of the members of the Board of Directors and its committees, (vii) remuneration and (viii) the monitoring of the implementation of the strategic plan.

10.3. As of the date hereof, there are four committees of the Board, (i) the Audit Committee; (ii) the Nominations and Governance Committee, (iii) the Remunerations Committee and (iv) the Strategy Committee. The number of committees may change as decided by the Board. The matters set forth in Article 10.2 must however remain covered.

10.4. Each committee shall draw up a draft charter defining its duties and responsibilities, its powers, and its method of functioning, which shall be presented to the Board for approval. The charter of each committee shall, among other things, define the number of independent Directors who shall serve on each committee.

10.5. In the performance of their duties, and after informing the Chairman, the committees may conduct or commission, at the Company's expense, any studies or investigations that such committee deems useful in the fulfilment of its mission and which may be useful in assisting the Board in its deliberations. The committees shall report to the Board on the results of any study or investigation carried out pursuant hereto. The committees can request, under the conditions described above, the assistance of external counsels.

10.6. The committees shall also have access to Group's executives and internal and external auditors as they may deem useful in preparing their works.

10.7. The Chairman of each committee shall report to the Board on its works. The opinions, proposals and recommendations made by each committee shall, if necessary, be recorded in minutes.

Article 11. Directors' and Board Observers' Duty of Confidentiality

11.1. Directors and Observers are bound by a general duty of confidentiality with respect to the deliberations, discussions and resolutions of the Board and its committees and any information presented at Board meetings.

11.2. The Chief Executive Officer informs the Directors of the information to be disclosed to the markets as well as the text of statements or releases issued for this purpose on behalf of the Company.

11.3. The Chief Executive Officer shall take appropriate measures to ensure that employees of the Group who, by virtue of their functions, have access to material non-public information keep such information confidential.

Article 12. Directors' Duty of Independence and conflicts of interest

12.1. In the performance of their duties, each Director must make decisions in consideration of the sole interest of the Company.

12.2. Each Director is required to inform the Lead Independent Director, or in the absence of a Lead Independent Director, the Chairman of any situation that could create a conflict of interests with the Company or one of the companies of the Group, and must refrain from taking part in discussions and voting on any related resolutions. A Director must resign in the event of a permanent conflict of interests.

12.3. The Lead Independent Director, or in its absence the Chairman, must disclose to the Board any situation of conflict of interest for which he has been informed.

12.4. The Board of Directors shall review any "regulated agreements" governed by section L. 225-38 of the French Commercial Code to ensure that the interest of the Company is protected in all respects in the event of a possible conflict of interest between the Company and persons covered by Article L. 225-38 of the French Commercial Code. If there is any doubt regarding the application of section L. 225-39 of the French Commercial Code to a particular transaction, the Board shall assume that such provision applies.

Article 13. Directors' Duty of Diligence

13.1. The Board collectively represents all shareholders and shall act in the interests of the Company in all circumstances.

13.2. Prior to accepting an appointment as Director, each Director is responsible for familiarizing himself or herself with the laws, regulations and duties relating to their office, the Company's by-laws, these Internal Board Regulations, the Group's Code of Ethics and Financial Ethics Charter, the Insider Trading Policy, as well as the charter of any committee on which such Director is intended to serve.

13.3. Each Director undertakes to discharge fully the duties and responsibilities of his/her office, including:

devoting the necessary time, care and attention to his/her duties and to analyze the issues brought before the Board and any committee on which such Director serves;

- ensuring that these Internal Regulations are meticulously followed;
- attending all meetings of the Board and of committees on which such Director serves, and all Shareholders' Meetings;
- requesting any additional information he/she may deem necessary to perform his/her duties and to form an opinion on matters on the agenda of any meeting of the Board or any committee on which he/she serves;
- working continually to improve the effectiveness of the Board and any committees on which such Director serves and to advance the interests of the Company and the shareholders.

13.4. Each Director undertakes to resign his/her position on the Board when such Director believes in good faith that he/she is no longer capable of faithfully executing the duties and obigations of the position.

Article 14. Company Shares held by Directors

14.1. Directors must hold at a minimum the number of shares stipulated in the Company's by-laws as soon as they become Directors.

14.2. The Board also considers that for the purpose of aligning the Directors' interests with those of shareholders, it is desirable that each Director personally holds a substantial number of shares. Consequently, each Director must acquire 1,000 Technicolor shares within the end of the first three-year term of his directorship. The 200 shares whose holding is imposed by the Company's by-laws are taken into account for the purpose of this paragraph.

14.3. The Directors shall hold any shares they hold in the Company in registered form.

14.4. Directors must declare to the *Autorité des marchés financiers* and to the Board any transactions in the Company's securities pursuant to and in compliance with the terms of Article L. 621-18-2 of the French Monetary and Financial Code and the General Regulations of the *Autorité des marchés financiers*. The Company may, upon request, declare those transactions on behalf and in the name of the Directors.

14.5. Directors shall refrain from:

- engaging in any transaction involving securities of the Company or the Group while in possession of material, non-public information regarding the Group;
- directly or indirectly conducting short sales involving the Company's shares.

As a general rule, the Directors shall comply with the provisions of the Company's Insider Trading Policy.

Article 15. Remuneration of Directors

15.1 Directors shall receive an annual amount of attendance fees (*jetons de présence*), the maximum amount of which is determined by the Shareholders' Meeting. The committee in charge of remuneration proposes to the Board the global amount of Directors' fees to be submitted for approval to the Shareholders' Meeting, as well as the allocation of such amount amongst the Directors.

15.2 The annual allocation of the attendance fees is determined by the Board according to the effective attendance of the Directors at meetings of the Board and its committees.

15.3 As permitted by law, the Directors may be entitled to compensation for the execution of a mandate or a specific mission. The amount of this compensation is determined by the Board upon recommendation of the committee in charge of remuneration matters.

15.4 Board Observers may be entitled to compensation. The amount of this compensation is determined by the Board upon recommendation of the committee in charge of the remuneration matters, using the same principles as those applicable to the Directors' compensation.

15.5 Directors shall be entitled to reimbursement for any reasonable expenses incurred in connection with their attendance of meetings of the Board or any committee on which they serve.

15.6 As a general matter, the remuneration of Directors must be determined in such a manner as for their independence to be preserved.

Article 16. Performance Evaluation

16.1 The Board shall conduct an evaluation of its composition, organization and that of its committees on a regular basis, the objective being once a year. The Board dedicates one of the points on its agenda to a debate concerning its operation once a year and performs a formal evaluation at least once every three years. The purposes of the formal evaluation shall be notably to assess the way the Board operates, to check that the important matters are addressed and efficiently prepared and discussed, and to assess the contribution of the Directors to the Board's activities.

16.2 The Board may require the assistance of an external Company for the conduct of such evaluation.

16.3 The Board shall consider the opportunity to review those Internal Board Regulations according to the results of the evaluation.

16.4 The results of the evaluation carried out are reported in the Company's Annual report communicated to the shareholders.

4.1.5 Executive Commitee

4.1.5.1 MEMBERS OF THE EXECUTIVE COMMITTEE

GRI *[102-32] [405-1]*

As of the date hereof, the Executive Committee comprises 11 members. The following table shows their responsibilities and year of appointment.

Name of Executive Committee Member	Age	Responsibility	Appointed
Frédéric Rose	56	Chief Executive Officer	2008
Luis Martinez-Amago	56	Deputy CEO, Connected Home	2016
Tim Sarnoff	59	Deputy CEO, Production Services	2014
Fabienne Brunet	63	Human Resources & Corporate Social Responsibility	2014
Adrien Cadieux	49	Group General Counsel and Company Secretary	2018
Laurent Carozzi	54	Chief Financial Officer	2018
Ginny Davis	51	Chief Information Officer, Chief Security Officer	2018
Cristina Gomila	45	Research & Innovation, Chief Technology Officer	2016
Simon Hibbins	55	International Operations, Home Entertainment Services	2016
Quentin Lilly	57	Home Entertainment Services	2014
Nathan Wappet	51	Chief Operating Officer, Production Services	2016

4.1.5.2 BIOGRAPHIES OF EXECUTIVE COMMITTEE MEMBERS

Mr. Frédéric Rose has assumed the position of Chief Executive Officer since September 1, 2008. For more information about his biography, please refer to paragraph 4.1.3.1 above.

Mr. Luis Martinez-Amago is President of the Connected Home Division since January 2018 and Deputy CEO since March 2019. He joined Technicolor in October 2015 as Head of Connected Home North America and has been a member of the Executive Committee since January 2016. Coming to Technicolor from Alcatel-Lucent, Mr. Martinez-Amago has carried out multiple roles and responsibilities during his 27 years with Alcatel. Most recently he was the CEO of Alcatel-Lucent Shanghai Bell in China. Prior to this, he spent several years as President of the Europe, CIS, Middle East and Africa region. Prior to that, he held the responsibility of several worldwide business Divisions as its President, from Fixed Broadband Networks Division, to Applications Business Division, to Wireless Transmission Division. Before this he was COO of the Integration and Services Division of the Company. Mr. Martinez-Amago holds a Technical degree in Telecommunications Engineering from the University La Salle, Barcelona; as well as PDD in General Management from IESE Business School.

Mr. Tim Sarnoff is Head of the Production Services Division. As a Deputy CEO since February 2015, he also manages the marketing function and the development of closeness with Technicolor's key entertainment customers. Mr. Sarnoff joined Technicolor in 2009 as President of Technicolor Digital Production. Prior to joining Technicolor, Mr. Sarnoff was President of Sony Pictures ImageWorks for 12 years, and previously created Warner Digital Studios as a Division of Warner Bros, and shepherded the start-up and growth of Warner Bros. Animation. Mr. Sarnoff holds Bachelor's Degrees in Psychology and in Journalism from Stanford University.

Ms. Fabienne Brunet is Head of Human Resources & Corporate Social Responsibility and a member of the Executive Committee since June 2014. She joined Technicolor in 2009 as Senior Vice-President Corporate Human Resources. Prior to joining Technicolor, Ms. Brunet was Vice-President Human Resources of Alcatel-Lucent's Services group. She began her career at Thomson-CSF before joining Alcatel-Alstom where she held the positions of General Secretary at Occidentale Medias and Human Resources Director at Express group, and subsequently of Vice-President group Internal Communications. Ms. Fabienne Brunet holds a Master of Law degree and a Master of Science in Human Resources degree from Paris University.

Mr. Adrien Cadieux is the Group General Counsel and Company Secretary. In such capacity, he is in charge of legal, compliance and insurance matters for the Group and assists the Board of Directors in their works. He was appointed to the Executive Committee in July 2018. Adrien Cadieux joined Technicolor in 2012. Prior to that, he was a partner at De Pardieu Brocas Maffei, a leading French law firm where he spent 8 years. He also held different positions in the legal department of AXA, a global insurance group, and in the capital markets division of CACIB, the investment bank of the Crédit Agricole group. He began his career in New York, working for Crédit Lyonnais, a global investment bank.

Mr. Laurent Carozzi is Chief Financial Officer and a member of the Executive Committee since he joined the Group in March 2018. Previously, he was deputy of the CFO at Publicis from early 2017. Prior to this, he spent 12 years at Lagardère Group, where he held the positions of Head of Investor Relations, then of Head of Group Financial Control. From 2011, he focused on the turnaround of the Sports & Entertainment Business Unit as Chief of Operations and Chief Financial Officer. As part of his responsibilities he was a member of the Executive Committee of Lagardère Sports & Entertainment.

Ms. Ginny Davis is Group Chief Information Officer since 2008 and in 2015 was appointed to the additional role of group Chief Security Officer. Prior to these appointments, she held a number of leadership positions within the global Information Technology organization including Vice-President of Supply Chain Systems and Divisional Chief Information Officer. Before joining Technicolor in 1996, she spent 5 years in the Pharmaceutical industry at McKesson leading the deployment and management of various technologies. Ms. Davis holds a degree in Computer Information Systems from the University of Michigan and in 2005 completed the Executive Management program at London Business School. Ms. Davis is an active member of the following organizations, Kudelski Security Advisory Board, Convergence Technology Council for Media & Entertainment, Women in Technology (WITI) and the CIO/CISO Academy at UC Berkeley.

Ms. Cristina Gomila is Head of Research & Innovation since 2014, and Chief Technology Officer and member of the Executive Committee since 2016. She joined Technicolor in 2002 and has spent most of her career in the USA moving into different positions for strategy and management of R&D engineering teams with focus on Consumer Electronics and Media & Entertainment markets. Ms. Gomila holds an MS degree in Telecom Engineering from the UPC (Spain) and a PhD degree from Mines ParisTech (France). She has authored more than 60 granted patents and a large number of standard contributions and publications.

Mr. Simon Hibbins joined Technicolor in 2000 and since then has held various positions across Australia and Asia Pacific of increasing responsibility and in 2012 was appointed Senior Vice-President of Technicolor Home Entertainment Services (HES) International Operations. Prior to joining Technicolor Mr. Hibbins worked in various roles in the publishing and printing industry for News Corporation and for Price Waterhouse in Corporate Finance. He holds a Bachelor of Commerce degree from the University of Melbourne in Australia, and in 2008 completed the Advanced Management program at INSEAD.

Mr. Quentin Lilly is Head of the Home Entertainment Services Division and a member of the Executive Committee since June 2014. He has been President of Technicolor Home Entertainment Services (HES) since 1999. Prior to this appointment, he held a number of positions of increasing responsibility within HES including Senior Vice-President of Corporate Development as well as Chief Operating Officer. Before joining Technicolor in 1994, Mr. Lilly spent approximately 10 years in the corporate finance sector as a member of the Investment Banking/Capital Markets groups at Smith Barney and Crowell, Weedon & Co. Mr. Quentin Lilly holds a Bachelor of Science degree in Business Administration, with a concentration in Finance, from California Polytechnic University.

Mr. Nathan Wappet joined Technicolor in 2013 in the role of Chief Operating Officer (COO) for its Creative Services Division and became COO of the Production Services Division in 2014. Mr. Wappet has some 25 years' experience in the IT&T industries with multinational companies such as Alcatel-Lucent and HP, as well Australia's largest carrier, Telstra. He has significant operational experience, particularly in implementing large-scale integrations as well as bringing value to an organization through a Services-based model. Mr. Wappet holds an Honors degree in Electrical & Communications Engineering from Swinburne University of Technology in Australia and an Executive Master's Degree in Business Administration (EMBA) from the Australian Graduate School of Management (AGSM).

4.1.5.3 ROLE OF THE EXECUTIVE COMMITTEE

The Executive Committee meets every month under the direction of the Chief Executive Officer, with an agenda determined collectively by its members. It examines questions relating to the activities of the Group. In this regard, it deals primarily with business activities, specific projects, following up on transactions and financial results, and the identification and assessment of risks.

Please refer to section 3.3.2: "General control environment – Group management and decision-making processes" of this Registration Document.

4.2 COMPENSATION

4.2.1 Compensation and benefits of Corporate Officers

4.2.1.1 COMPENSATION POLICY FOR CORPORATE OFFICERS

GRI *[102-35] [102-36] [102-37]*

This report on the compensation policy for Corporate Officers *(mandataires sociaux)* was adopted on February 27, 2019 by the Board of Directors upon recommendation by the Remunerations Committee. It describes, in accordance with Article L. 225-37-2 of the French Commercial Code, the principles and criteria for the determination, allocation and distribution of the fixed, variable and exceptional elements of the total remuneration and the benefits of all kinds that may be granted to Corporate Officers.

The compensation policy is applicable for the Chairman of the Board of Directors and the Chief Executive Officer.

The Board of Directors took note of the approval ratings for the resolutions related to the compensation of Mr. Frédéric Rose at the Shareholders' meeting of April 26, 2018 and of comments expressed by shareholders at the time of this meeting. Consequently, the Remunerations Committee and the Board reviewed the compensation policy for the Chief Executive Officer and considered the concerns expressed by shareholders. Upon recommendation of the Remunerations Committee, the Board approved the following changes:

(i) For the purpose of enhancing transparency, the amount of the fixed compensation will be set forth in the compensation policy,

(ii) With the aim of aligning the qualitative part of the variable compensation to key strategic performance, the qualitative criterion would be reviewed to include Corporate Social Responsibility and compliance criteria,

(iii) In order to reduce the overall compensation level:
  - the cap of long-term instruments (valued in accordance with IFRS standards) that the Chief Executive Officer might be awarded will be 150% of fixed and targeted variable compensations, and
  - should the Chief Executive Officer leave the Company and by exception keep his rights to long-term instruments previously granted, the number of instruments to be delivered would remain subject to performance conditions and would be strictly pro-rata to the number of days elapsed from the date of the grant to his severance date, as compared to the total duration of the plan.

The Board believes that these adjustments address the concerns raised by shareholders last year. The Board remains fully committed to the alignment of shareholders' and executive officer's interests.

This report will be submitted to shareholders' approval during the Annual General Meeting to be held to approve the financial statements for the fiscal year ending December 31, 2018.

4.2.1.1.1 Compensation policy for the Chairman of the Board of Directors

The office of Chairman being separated from that of Chief Executive Officer, the compensation of the Chairman will consist of the following items:

Fixed compensation

Attendance fees

(in compliance with the rules applicable
to all Directors of the Company except the CEO
and the Employee Director)

Benefit in kind

The Board of Directors has chosen to compensate its Chairman solely *via* the grant of a fixed compensation and Directors' fees, in order to guarantee his total independence in the exercise of his duties. The Chairman of the Board will not be awarded any annual or multi-annual variable compensation and stock options or performance shares, nor will he benefit from any commitment in the event of termination of his duties.

- **The fixed compensation** will aim at adequately remunerating his specific involvement as Chairman of the Board. Upon recommendation by the Remunerations Committee, the Board of Directors decided to set the fixed compensation at €150,000 in consideration of the extended scope of his responsibilities which can justify a higher compensation (see article 2.5 of the Internal Board Regulations, available on sub-section 4.1.4 "Internal Board Regulations" above).
- **Directors' fees** will be due as for all other Directors. As a reminder, the rules governing the allotment of the Directors' fees include a significant variable portion in line with the AFEP-MEDEF Corporate Governance Code (see sub-section 4.2.1.3. "Directors' fees and other compensation" hereafter).

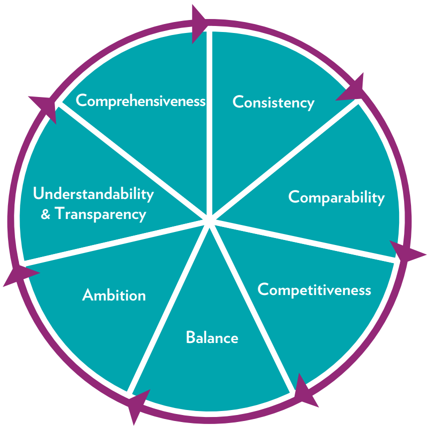
These two items were determined after benchmarking the proposed compensation policy with those of the non-executive independent Chairmen of the peer group detailed below in point 4.2.1.1.2 "Compensation policy for the Chief Executive Officer".

The Board of Directors can decide to grant the Chairman of the Board a benefit in kind, which could for example be given through a car allowance or any other kind of benefit

4.2.1.1.2 Compensation policy for the Chief Executive Officer

General principles

The compensation policy for the Chief Executive Officer was determined by the Board of Directors and the Remunerations Committee based on the following principles:



- **Consistency:** The policy applicable to the compensation of the Chief Executive Officer is entirely consistent with the general compensation policy that applies to group executives and employees:
  - the components of the compensation package are the same as those provided to senior executives (fixed compensation, variable compensation and long-term plans),
  - none of the compensation plans of which the Chief Executive Officer is a beneficiary is specific to him (the variable compensation plan applies to more than 2,000 employees),
  - the quantifiable performance criteria applicable to the Chief Executive Officer's variable and long-term compensation are the same for the Chief Executive Officer and for other executives;

The only components which are specific to the Chief Executive Officer are his severance package and his non-compete indemnity.

- **Comparability:** The general policy for the compensation of the Chief Executive Officer has been developed in light of market practices. To that effect, the Remunerations Committee established with the assistance of outside advisors a peer group of public companies which are comparable to Technicolor by size, industry and geographical presence. The peer group's composition is reviewed every year by the Remunerations Committee. It reflects in particular:
  - the Group's strong presence in the United States: the Group generates more than half of its revenues in the United States, 6 out of the 11 Executive Committee members and the Group's main competitors are U.S. based,
  - the business diversity of the Group: Technicolor being a worldwide Technology leader operating in the Media & Entertainment industry, the peer group is made up of direct competitors or clients in its key operating segments and of other companies in the broader Technology, Media & Entertainment industries.

The peer group thus determined is made up of the following companies [1]: • Arris International plc • Criteo SA • Daily Mail and General Trust plc • Dassault Systèmes SE • Hexagon AB • Ingenico Group SA • ITV plc • JCDecaux SA • Lagardère SCA • Pearson plc • Publicis Groupe SA • Telenet Group Holding NV • Télévision Française 1 SA • Vivendi SA • Wolters Kluwer NV.

- **Competitiveness:** Competitiveness of the compensation attributed to Corporate Officers is key in attracting, retaining and motivating the talents necessary to the Group's success and the protection of shareholders' interest. As such, it is considered by the Board of Directors when setting the compensation.
- **Balance:** The Board of Directors and the Remunerations Committee ensure that there is a proper balance between (i) fixed and variable components of the compensation, (ii) short and long-term components and (iii) cash and equity-based components. The Chief Executive Officer's compensation is made up of 3 main components: fixed, short-term variable and long-term variable compensation. These components aim to remunerate the work done by the Chief Executive Officer, tie compensation to the results achieved, and partly align the Chief Executive Officer's interest with that of shareholders.
- **Ambition:** All variable compensation plans are subject to challenging performance conditions for all beneficiaries which are more than 2,000 around the world. The quantifiable objectives used are the performance indicators set out by the Group in its financial communication. These quantifiable objectives are also the objectives used for determining the variable compensation of all Group employees who receive such variable compensation.

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(1) *Upon recommendation from the Remunerations Committee of February 26, 2019, the Board of Directors decided to amend the peer group's composition to add Hexagon AB following its selection in 2018 by ISS, this choice seeming relevant.*

Moreover, the stock options and performance shares awarded to management are subject to a continued presence condition in the Group and, as laid down in the Corporate Policy on the Purchase and Sale of Company Shares, Insider Trading and Protection of Inside Information, Corporate Officers who have been awarded stock options and/or performance shares (i) are not allowed to carry out risk hedging transactions pursuant to the AFEP-MEDEF Corporate Governance Code and (ii) are subject to black-out periods during which they must not exercise their options.

- **Understandability of the rules and Transparency:** The variable compensation and long-term compensation plans are linked to stringent and transparent criteria of quantifiable and qualitative performance for which targets are clearly defined and set out in advance.
- **Comprehensiveness:** The Board of Directors and the Remunerations Committee take into consideration all components of the Corporate Officer's compensation in their overall appraisal of the compensation.

Compensation items of the Chief Executive Officer during his term of office

Fixed compensation

The Chief Executive Officer benefits from a fixed annual compensation which is determined by taking into account the level and complexity of his responsibilities, his experience in the position, seniority in the Group and market practices for comparable companies.

This fixed compensation can be paid in part in different currencies.

The Board can review the fixed compensation's distribution key between the different currencies depending on the time dedicated by the Chief Executive Officer to the terms of office he holds within the Group.

The Board of Directors reviews the amount of the fixed compensation at relatively long intervals. However, should it be decided to revise the fixed compensation, the rationale for such revision would be clearly disclosed to shareholders.

For 2019, the Board of Directors decided to leave unchanged the fixed compensation of his Chief Executive Officer which will be as follows:

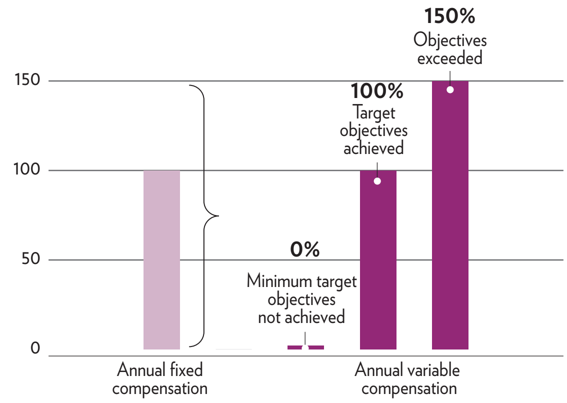
	Euro	Pounds sterling	U.S. dollar
For his role in	Technicolor SA	Technicolor Limited (UK)	Technicolor USA, Inc.*
Distribution key	20%	40%	40%
Amounts paid in currency	€200,000	£317,000	U.S.$516,800

* *Following the merger of Technicolor, Inc. into Technicolor USA, Inc. on December 31, 2018, Mr. Frédéric Rose is President of Technicolor USA, Inc.*

Annual variable compensation

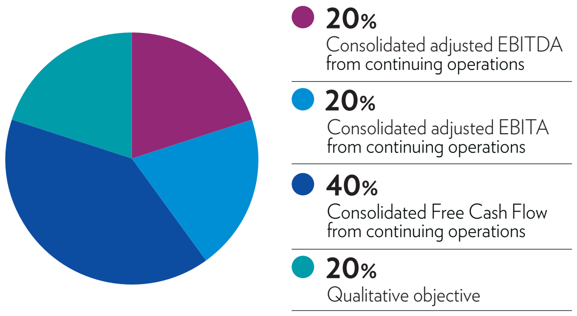
The Chief Executive Officer is entitled to an annual variable compensation for which the Board of Directors, upon recommendation by the Remunerations Committee, defines each year performance criteria that are diverse and challenging, precise and pre-set, allowing for a comprehensive performance analysis, aligned with shareholders' interests.

The variable compensation amounts to 100% of the annual gross fixed compensation if the objectives are achieved, and up to 150% if the objectives are exceeded. It may be paid in different currencies as for the fixed compensation.



The variable compensation is subject to the achievement of minimum targets with respect to the financial objectives set by the Board each year, which must be above 80% of the target objectives. The same minimum targets are applicable to all Group employees benefiting from the variable compensation plan.

The Board of Directors defined the performance objectives for the Chief Executive Officer's 2019 variable compensation as follow:



The quantifiable objectives are the performance indicators used by the Group in its financial communication. The Board of Directors thus made several changes for the choice of the indicators:

- introduction of a new criterion of EBITA particularly relevant to measure the operational performance of the Company which has high capital expenditures; and
- the qualitative objective which shall be clearly defined every year by the Board of Directors, will notably include Corporate Social Responsibility.

These quantitative objectives are also those used for determining the variable compensation of all Group employees who receive such compensation.

Payment to the Chief Executive Officer of his variable compensation will be subject to approval of his compensation package by the shareholders at the Annual General Meeting, in accordance with Article L. 225-100 of the French Commercial Code.

Benefits in kind

The Chief Executive Officer is entitled to a benefit in kind for his transportation which could be given either through a car allowance or any other kind of benefit.

Long-term incentive compensation

As other senior executives of the Group, the Chief Executive Officer is entitled to benefit from a Long-Term Management Incentive Plan aimed at involving employees in the Group's performance and development, within the framework of the Group strategic plan. Such plan allows to ensure the competitiveness of the compensation offered by the Group, in dynamic and competitive international markets, and in sectors where the ability to attract talents is a key factor to success.

This Long-Term Management Incentive Plan could be based on the grant of performance shares or stock options or other equity instruments. Such plan would be consistent with the following principles:

- the instrument would be subject to challenging vesting conditions (the Board of Directors should acknowledge that the performance conditions determined upon grant have been achieved);
- these performance conditions should be assessed over a minimum period of three years; and
- the vesting of such instrument should be subject to the beneficiary's continued employment in the Group (the beneficiary must not leave the Group before the expiration of the vesting period, except in certain early exit situations provided for by law and other customary exceptions approved by the Board).

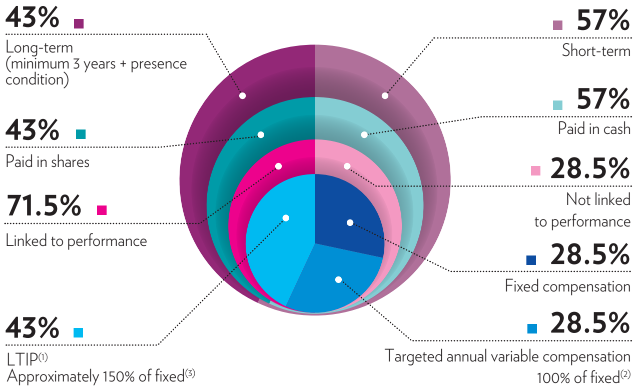
In addition to these principles, the Board of Directors decided that:

- the long-term instruments, valued in accordance with IFRS standards, should not represent a disproportionate percentage of the Chief Executive Officer's overall compensation (not more than 150% of both fixed and targeted variable compensations);
- the award to the Chief Executive Officer should also not represent an excessive portion of the total Plan (maximum 15% of the total allocation);
- the Chief Executive Officer should formally undertake not to use hedging instruments for the duration of the lock-up period. The sale of the shares definitively vested to the Chief Executive Officer is not possible during black-out periods, in accordance with applicable legal and regulatory provisions and Group procedures;
- should the Chief Executive Officer leave the Company and by exception keep his rights to long-term instruments previously granted, the number of instruments to be delivered would remain subject to performance conditions and would be strictly pro-rata to the number of days elapsed from the date of the grant to his severance date, as compared to the total duration of the plan;
- in accordance with applicable law and Group procedures, the Chief Executive Officer must hold a significant and increasing number of shares and is required to hold in registered form and for as long as he remains in office, 20% of the shares that he acquires under such plans at the end of the vesting period.

Directors' fees

Executive Corporate Officers do not receive Directors' fees in their capacity as Directors. Consequently, the Chief Executive Officer does not receive Directors' fees in his capacity as a Director.

Summary of the main compensation items of the Chief Executive Officer



(1) *Long-Term Incentive Plan.*

(2) *Between 0% to 150%.*

(3) *Based upon the two latest performance share plans (LTIP 2016 and LTIP 2017).*

Compensation items of the Chief Executive Officer upon leaving office

Severance indemnity and non-compete indemnity

The Chief Executive Officer benefits from a severance indemnity and a non-compete indemnity in the event of his dismissal, already approved by the Ordinary Shareholders' Meeting on June 16, 2009 in its 8th and 9th resolutions, which are described below.

Impact of the Chief Executive Officer's departure on long-term compensation

A beneficiary of the Long-Term Management Incentive Plans who would leave the Group before the expiration of the vesting period of at least three years would forfeit his rights.

By exception, the participant will keep his rights to part of the shares granted in the event of death, disability, leaving on retirement and termination of office at the initiative of the Company without cause. In these events, subject to the achievement of the performance conditions, the number of shares to be delivered will be pro-rated by the number of days elapsed from the date of the plan to the date of such event, as compared to the total duration of the plan.

Supplementary pension plan

The Chief Executive Officer does not benefit from any supplementary pension plan.

Compensation items of the Chief Executive Officer on taking up of his office

Should a new outside Chief Executive Officer be hired, the Board of Directors may decide, upon recommendation from the Remunerations Committee, to compensate the appointee for some or all of the benefits he may have forfeited on leaving his previous employer. In that case, the terms on which the Chief Executive Officer would be hired would aim at replicating the compensation that was forfeited, with a comparable level of risk (variable portion, medium-term equity-based or cash compensation). The new Chief Executive Officer would then be paid in accordance with the compensation policy set forth above.

In this case, Technicolor would release, at the time it is set, the amount and information relating to such indemnity.

4.2.1.2 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS

GRI *[102-35] [102-37] [201-3]*

4.2.1.2.1 Compensation and benefits of Mr. Bruce Hack, Chairman

Mr. Bruce Hack who was appointed Chairman of the Board of Directors with effect on February 27, 2017, is also Chairman of the Strategy Committee and a member of the Nominations & Governance Committee.

Mr. Hack's compensation as Chairman of the Board was set by the Board of Directors on April 26, 2017 and was composed of a fixed compensation and Directors' fees.

Pursuant to a decision of the Board of Directors on October 24, 2013, the Chairman is bound by a minimum investment requirement in Technicolor shares. This requirement is for a number of shares equal to investing one year's average Directors' fees over a three-year term of office, or around €90,000 as of the date of the Board's decision. This number of shares is doubled in the event of a renewal of his term. As of the date hereof, Mr. Hack holds 518,000 shares, thus meeting the minimum investment requirement.

In accordance with Article L. 225-100 of the French Commercial Code, the Company will submit to the shareholders' vote the following compensation items paid or granted to Mr. Bruce Hack for the last fiscal year (resolution to be approved by the shareholders at the Annual General Meeting to be held to approve the financial statements for the fiscal year ending December 31, 2018).

Compensation items paid or granted to Mr. Bruce Hack for fiscal year 2018

	Gross amounts	Comments
FIXED COMPENSATION	€150,000	Mr. Hack's fixed compensation, set at €150,000, adequately remunerates his involvement as Chairman of the Board and takes into consideration the extended scope of his responsibilities.
DIRECTORS' FEES	€89,000	Mr. Hack received Directors' fees as for all other Directors for a total of €89,000, following the same allocation rules as any other Director, *i.e.:* • a fixed amount of €30,000; • a fixed amount of €10,000 for the Chairmanship of the Strategy Committee; • a variable amount depending on his attendance at Board and Committee meetings, set at €4,000 per Board meeting and €2,000 per meeting of the Nominations & Governance Committee and of the Strategy Committee, in a total amount of €39,000; and • an exceptional Directors' fee of €10,000 for participation to strategy meetings.

For 2018, Mr. Bruce Hack was not awarded nor did he benefit from the following: annual or multi-annual variable compensation, exceptional compensation, stock options, performance shares or other long-term instrument, welcome bonus, severance pay, non-compete indemnity, supplemental retirement plan or benefit in kind.

He is not linked to the Company, nor to any other Company of the Group, by an employment contract, nor is he an Officer of any other Company of the Group.

TABLE SUMMARIZING THE COMPENSATION, STOCK OPTIONS AND SHARES AWARDED TO MR. BRUCE HACK (TABLE NO. 1 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

(in euros)	2017	2018
Compensation due	228,000	239,000
Value of options granted	N/A	N/A
Value of performance shares granted	N/A	N/A
Value of other long-term compensation plans	N/A	N/A
TOTAL	**228,000**	**239,000**

TABLE SUMMARIZING THE COMPENSATION OF MR. BRUCE HACK (TABLE NO. 2 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

	2017		2018	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	125,000(1)	N/A	150,000	125,000(1)
Variable	N/A	N/A	N/A	N/A
Directors' fees	103,000(2)	110,000(3)	89,000(4)	103,000(2)
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	**228,000**	**110,000**	**239,000**	**228,000**

(1) *For the year 2017, the fixed compensation of €150,000 was pro-rated to €125,000 to take into account the fact that he was appointed in the course of the year.*
(2) *Amount of Directors' fees due paid in 2018 for 2017.*
(3) *Amount of Directors' fees paid in 2017 for 2016.*
(4) *Amount of Directors' fees paid in 2019 for 2018.*

TABLE SUMMARIZING THE BENEFITS AWARDED TO MR. BRUCE HACK (TABLE 11 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

Employment Contract		Supplementary pension plan		Indemnifications or benefits due or likely to be due as a result of termination or change of position		Indemnifications relating to a non-compete clause	
Yes	No	Yes	No	Yes	No	Yes	No
	X		X		X		X

4.2.1.2.2 Compensation and benefits of Mr. Frédéric Rose, Chief Executive Officer

Mr. Frédéric Rose is Chief Executive Officer of the Company since September 1, 2008. In agreement with the Board of Directors, the Chief Executive Officer has been performing, since 2015, a large part of his duties in the United States and the United Kingdom. Thus, in addition to his position as Chief Executive Officer of the Company, Mr. Rose holds the following positions:

- President of Technicolor USA, Inc., the Group's holding company in the United States; and
- Chairman of Technicolor Limited (UK), holding Company for the Group in the UK.

These positions are positions of leadership and supervision of the Group's operations in the United States and in the United Kingdom. They are tied to his term of office as Chief Executive Officer and shall cease with such term. He does not receive any Directors' fees for his terms held in Group companies.

Pursuant to a decision by the Board of Directors on October 24, 2013, Mr. Rose is bound by a minimum investment requirement in Technicolor shares. This obligation is for a number of shares equal to investing one year's average Directors' fees over a three-year term of office, or around €90,000 as of the date of the Board's decision, which is doubled in the event of a renewal of his term. As of the date hereof, Mr. Rose holds 660,565 shares, thus meeting the minimum investment requirement.

In accordance with Article L. 225-100 of the French Commercial Code, the Company will submit to the shareholders' vote the following compensation items paid or granted to Mr. Frédéric Rose for the last fiscal year (resolution to be approved by the shareholders at the Annual General Meeting to be held to approve the financial statements for the fiscal year ending December 31, 2018).

Compensation items paid or granted to Mr. Frédéric Rose for fiscal year 2018

<table>
<tr><th></th><th>Gross amounts</th><th>Comments</th></tr>
<tr><td>FIXED COMPENSATION</td><td>€995,214[1]
(not changed)</td><td>Mr. Rose's total fixed compensation for his position as Chief Executive Officer, initially determined by a decision of the Board on March 9, 2009, was revised by the Board of Directors on July 25, 2013. It has not been reviewed since.
At its meeting of April 22, 2015, the Board of Directors resolved to proceed with a partial conversion of this compensation into U.S. dollars and pounds sterling, due to the relocation of Mr. Rose's activities, on the basis of the average exchange rates over the second half of 2014. Since July 1, 2015, the fixed compensation of Mr. Rose has thus been paid in part in each one of the following currencies, <i>prorata</i> to the time dedicated to each one of his offices within the Group's companies: euros, U.S. dollars and pounds sterling.
<table>
<tr><th></th><th>Euro</th><th>Pounds sterling</th><th>U.S. dollar</th></tr>
<tr><td>For his role in</td><td>Technicolor SA</td><td>Technicolor Limited (UK.)</td><td>Technicolor USA, Inc.*</td></tr>
<tr><td>Distribution key</td><td>20%</td><td>40%</td><td>40%</td></tr>
<tr><td>Amounts paid in currency</td><td>€200,000</td><td>£317,000</td><td>U.S.$516,800</td></tr>
</table>
<i>* Following the merger of Technicolor, Inc. and Technicolor USA, Inc. on December 31, 2018, Mr. Frédéric Rose is President of Technicolor USA, Inc.</i></td></tr>
<tr><td>ANNUAL VARIABLE COMPENSATION</td><td>€372 210[1]
(for reference, €418,851[2] in 2017)</td><td>The variable compensation of the CEO depends upon the achievement of objectives which are precisely defined and determined according to the results of the Group after the close of the fiscal year. The variable compensation amounts to 100% of the annual gross fixed compensation if the target objectives are achieved, and up to 150% if the target objectives are exceeded. It is paid in euros, U.S. dollars and pounds sterling according to the same distribution key as the fixed compensation.
The variable portion of Mr. Rose's compensation for 2018 was subject to the following performance objectives:

a consolidated adjusted EBITDA target accounting for 40% of the target bonus:

if the consolidated adjusted EBITDA does not amount to at least €250 million, no compensation would be paid in respect of that objective;
if the consolidated adjusted EBITDA amounts to €280 million, 100% of the compensation would be paid in respect of that objective;
if the consolidated adjusted EBITDA exceeds €300 million, the compensation paid in respect of that objective could be up to 150% of the compensation.

a consolidated Free Cash Flow objective accounting for 40% of the amount of the target bonus:

if the consolidated Free Cash Flow does not amount to at least €40 million, no compensation would be paid in respect of that objective;
if the consolidated Free Cash Flow amounts to €50 million, 100% of the compensation would be paid in respect of that objective;
if the consolidated Free Cash Flow exceeds €65 million, the compensation paid in respect of that objective could be up to 150% of the compensation.

a qualitative objective accounting for 20% of the amount of the target bonus, the fulfillment of which was assessed by the Board of Directors, relating to Technicolor's continued transformation and, in particular, to the strengthening of Production Services.

The quantifiable objectives are the performance indicators set out by the Group in its financial communication. They are also those used for determining the variable compensation of all Group employees who receive this type of compensation.
On February 27, 2019, the Board of Directors reviewed the performance of Mr. Rose for 2018:

as the consolidated adjusted EBITDA amounted to €270 million, the consolidated adjusted EBITDA objective was partially achieved with a grade of 0.66 (on a scale of 0 to 1.5);
as the consolidated Free Cash Flow amounted to €(47.9) million, the consolidated Free Cash Flow objective was not achieved;
with regard to the qualitative objective, the Board, considered <i>inter alia</i> the completion of the disposal of Patent Licensing and the successful launch of The Mill Film in Canada and Australia. Mr. Rose requested the Board to limit the achievement at 0.55 (on a scale of 0 to 1.5) in light of the overall performance of the Company experienced in 2018. The Board agreed to this request.

The overall achievement rate of Mr. Rose's objectives for 2018 is thus 37.40% and his variable compensation amounts to €372,210 (after conversion into euros at the reference exchange rates), a 11% decrease compared to 2017.
Payment to the CEO of the variable compensation is subject to approval by the shareholders at the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2018 of his compensation package, in accordance with Article L. 225-100 of the French Commercial Code.</td></tr>
</table>

	Gross amounts	Comments
ANNUAL VARIABLE COMPENSATION		**Annual variable compensation of Mr. Frédéric Rose (2018 fiscal year)**(1)

	2018						
	Rules set at the beginning of the fiscal year				**Appraisal by the Board**		**Reminder: 2017**
	Target amount		**Maximum amount**				
	As % of fixed compensation	**Target amount** *(in euros)*	**As % of fixed compensation**	**Maximum amount** *(in euros)*	**Achieved**	**Corresponding amount** *(in euros)*	**Achieved**
EBITDA objective	40%	€398,086	60%	€597,128	26.40%	€262,737	0.00%
Free Cash Flow objective	40%	€398,086	60%	€597,128	0.00%	€0	22.09%
Qualitative objective	20%	€199,043	30%	€298,564	11.00%	€109,474	20.00%
Total variable	**100%**	**€995,214**	**150%**	**€1,492,821**	**37.40%**	**€372,210**	**42.09%**
Annual variable compensation, in €						€372,210	€418,851(2)

(1) *The amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2018, i.e. £0.88686 for €1 and U.S.$1.18052 for €1.*

(2) *Restated at the exchange rate used for the conversion of the 2017 and 2018 compensation: average exchange rates for 2018.*

	Gross amounts	Comments
PERFORMANCE SHARES	**€0** **No shares** (for reference, **€1,436,020** **380,000 shares** in 2017)	Mr. Rose was not awarded any performance share or stock option in 2018. For more details on all Long Term Incentive Plans, see sub-section 4.2.3 "Stock Option Plans and Performance or Restricted Share Plans" of this Registration Document.
SEVERANCE PACKAGE	**No payment**	In the event of his dismissal from the position of Chief Executive Officer, except in cases of serious or gross misconduct, Mr. Rose shall receive an indemnity which is compliant with the AFEP-MEDEF Corporate Governance Code and the provisions of Article L. 225-42-1 of the French Commercial Code, according to the following principles. • The indemnity would amount to a maximum of 15 months of his fixed and variable compensation, determined on the basis of a fixed compensation of €800,000 and variable compensation of €800,000 (corresponding to his fixed and variable compensation prior to the amendment of July 2013). The compensation elements other than the annual fixed and variable compensation, and in particular, the Long-Term Incentive Plans, will not be taken into account in the determination of the indemnity. • The indemnity will be determined and paid in euros, according to the principles determined by the Board of Directors on July 23, 2008 and March 9, 2009, without taking into account the splitting into currencies in effect after. • The payment of the indemnity shall be subject to compliance with the performance conditions over a three-year period as determined annually by the Board of Directors which are the same as those used for Mr. Rose's annual variable compensation: – half of the indemnity payment is subject to the achievement of a consolidated EBITDA target; and – the remaining half is subject to the achievement of a consolidated Free Cash Flow target. • The achievement of operational consolidated EBITDA and Free Cash Flow targets is measured, on the basis of a constant scope of consolidation, by comparison to the average EBITDA and Free Cash Flow targets determined for the three fiscal years prior to the dismissal date: – if at least 80% of either the EBITDA or Free Cash Flow performance target is not achieved, no indemnity will be due; – should the percentage of achievement of either target fall between 80% and 100%, the indemnity would be reduced accordingly. This commitment was authorized by the Board of Directors meeting of March 9, 2009 and approved by the Ordinary Shareholders' Meeting on June 16, 2009, in its 9th resolution.
NON-COMPETITION INDEMNITY	**No payment**	In the event of termination from his duties, Mr. Rose will be required, for a period of nine months following termination, not to work, in whatever manner it may be, for the benefit of any entity carrying on operations which are in competition with Technicolor in Europe and/or in the United States, and/or in Asia, in exchange for a monthly indemnity calculated on the basis of his fixed and variable compensation, determined according to the principles applied to the determination of the severance pay. This commitment was authorized by the Board of Directors meeting of July 23, 2008 and modified on March 9, 2009 and was approved by the Ordinary Shareholders' Meeting on June 16, 2009 in its 8th resolution.
BENEFITS IN KIND	**€11,840**(1) (for reference, **€11,840**(2) in 2017)	Mr. Rose benefited from a car allowance in the amount of £10,500 for 2018, corresponding to €11,840 on the basis of the reference exchange rate.

(1) *The amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2018, i.e. £0.88686 for €1 and U.S.$1.18052 for €1.*

(2) *Restated at the exchange rate used for the conversion of the 2017 and 2018 compensation: average exchange rate for 2018.*

For 2018, Mr. Frédéric Rose was not awarded nor did he benefit from multi-annual variable compensation, exceptional compensation, performance shares, stock options, welcome bonus, supplemental retirement plan or Directors' fees.

Employer contributions paid by the Group's companies in respect of Mr. Frédéric Rose's compensation amounted to €212,338 in 2018.

TABLE SUMMARIZING THE COMPENSATION, STOCK OPTIONS AND SHARES AWARDED TO MR. FRÉDÉRIC ROSE (TABLE NO. 1 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

Gross amounts *(in euros, at comparable exchange rates)*(1)	**2017** *(restated data)*(2)	**2018**
Compensation due	1,425,905	1,379,264
Value of options granted	N/A	N/A
Value of performance shares granted	1,436,020	N/A
Value of other long-term compensation plans	N/A	N/A
TOTAL	**2,861,925**	**1,379,264**

(1) The amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2018, i.e. £0.88686 for €1 and U.S.$1.18052 for €1.

(2) Restated at the exchange rate used for the conversion of the 2017 and 2018 compensation: average exchange rates for 2018,

TABLE SUMMARIZING THE COMPENSATION OF MR. FRÉDÉRIC ROSE (TABLE NO. 2 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

Gross amounts *(in euros, at comparable exchange rates)*(1)	**2017** *(restated data)*(2)		**2018**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed	995,214	995,214	995,214	995,214
Annual variable	418,851(3)	586,273(4)	372,210(5)	418,851(3)
Multi-annual variable	N/A	N/A	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	11,840(6)	11,840(6)	11,840(6)	11,840(6)
TOTAL	**1,425,905**	**1,593,327**	**1,379,264**	**1,425,905**

(1) The amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2018, i.e. £0.88686 for €1 and U.S.$1.18052 for €1.

(2) Restated at the exchange rate used for the conversion of the 2017 and 2018 compensation: average exchange rates for 2018.

(3) Variable compensation for 2017, paid in 2018.

(4) Variable compensation for 2016, paid in 2017.

(5) Variable compensation for 2018, to be paid in 2019 after approval by the Annual General Meeting to be held to approve the financial statements for the fiscal year ending December 31, 2018.

(6) Car allowance in the amount of £10,500, corresponding to €11,840 on the basis of the average exchange rate of fiscal year 2018.

REMINDER:

IN THE 2017 REGISTRATION DOCUMENT, THIS DATA WAS PRESENTED AS FOLLOWS (P. 124):

	2017	
Gross amounts *(in euros, at comparable exchange rates)*(1)	**Amounts due**	**Amounts paid**
Fixed	1,017,378	1,017,378
Annual variable	428,179(2)	599,330(3)
Multi-annual variable	-	-
Directors' fees	N/A	N/A
Benefits in kind	12,002(4)	12,002(4)
TOTAL	**1,457,559**	**1,628,709**

(1) *For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2017, i.e. £0.87485 for €1 and U.S.$1.13575 for €1.*

(2) *Variable compensation for 2017, paid in 2018.*

(3) *Variable compensation for 2016, paid in 2017.*

(4) *Car allowance in the amount of £10,500 for 2017, corresponding to €12,002 on the basis of the average exchange rate of fiscal year 2017.*

SUMMARY OF THE COMPENSATION OF MR. FRÉDÉRIC ROSE

	2017(1)(2)	2018(1)
	Amounts due	**Amounts due**
Fixed	995,214	995,214
Variable	418,851	372,210
Directors' fees	N/A	N/A
Benefits in kind	11,840	11,840
Multi-annual variable	N/A	N/A
TOTAL	**1,425,905**	**1,379,264**
Performance shares (LTIP): number of performance shares granted	380,000	N/A
Value of the shares on the grant date(3)	1,436,020	N/A

(1) *The amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2018, i.e. £0.88686 for €1 and U.S.$1.18052 for €1.*

(2) *Restated at the exchange rate used for the conversion of the 2017 and 2018 compensation: average exchange rates for 2018.*

(3) *According to IFRS 2, this valuation is re-estimated at the end of each fiscal year depending on the level of achievement of the performance conditions of the plan.*

STOCK OPTIONS GRANTED TO MR. FRÉDÉRIC ROSE DURING 2018 (TABLE NO. 4 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

No. and date of the plan	Nature of options	Valuation of the options	Number of options	Exercise price	Exercise period
None	None	None	None	None	None

Mr. Rose was not granted any stock options during the course of the 2018 fiscal year.

STOCK OPTIONS EXERCISED BY MR. FRÉDÉRIC ROSE DURING 2018 (TABLE NO. 4 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

No. and date of the Plan	Number of options exercised during the fiscal year	Exercise price
May 23, 2013 Plan	None	€3.19

PERFORMANCE SHARES GRANTED TO MR. FRÉDÉRIC ROSE DURING 2018 (TABLE NO. 6 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

No. and date of the Plan	Number of shares granted during the year	Valuation of the shares	Acquisition date	Availability date	Performance conditions
None	None	None	None	None	None

PERFORMANCE SHARES GRANTED TO MR. FRÉDÉRIC ROSE THAT HAVE BECOME AVAILABLE IN 2018 (TABLE NO. 7 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

Performance shares that became available in 2018	Number of performance shares
LTIP 2016	0

The Board of Directors also reviewed the performance conditions (three-year EBITDA and Free cash flow averages) for the Long Term Incentive Plan (LTIP 2016) approved by the Board on April 29, 2016. The performance conditions were not achieved and therefore no share will be acquired by Mr. Rose under that plan (for more details see sub-section 4.2.3 "Stock Option Plans and Performance or Restricted Share Plans" of this Registration Document).

Tables 8 and 9 of the Annex 4 to the AFEP-MEDEF Corporate Governance Code are included in sub-section 4.2.3 "Stock Option Plans and Performance or Restricted Share Plans" of this Registration Document.

SUMMARY OF THE BENEFITS AWARDED TO MR. FRÉDÉRIC ROSE (TABLE NO. 11 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

Employment Contract		Supplementary pension plan		Indemnifications or benefits due or likely to be due as a result of termination or change of position		Indemnifications relating to a non-compete clause	
Yes	No	Yes	No	Yes	No	Yes	No
	X		X	X		X	

4.2.1.3 DIRECTORS' FEES AND OTHER COMPENSATION

GRI *[102-35] [102-37]*

In accordance with Article L. 225-37 of the French Commercial Code, the principles and rules defined by the Board of Directors to determine Directors' fees granted to Board Members are set out below.

The Remunerations Committee recommends to the Board of Directors the total amount of Directors' fees to be submitted for shareholders' approval at the Annual General Meeting, and their allocation among the Directors. The maximum annual amount of Directors' fees that can be paid to the Directors was set at €850,000 by the Annual General Meeting held on April 29, 2016. The rules governing the allotment of the Directors' fees payable for 2018 are the following:

- a fixed fee of €30,000 for each Director;
- a fee of €4,000 for each meeting of the Board of Directors and an additional Director's fee of €2,500 for each meeting that requires overseas or U.S. Coast to Coast travel;
- a fixed fee of €10,000 for each committee Chairman;
- a fee of €3,000 for each meeting of the Audit Committee and €2,000 for other committees; and
- an exceptional Directors' fees set at €10,000 per Director present within the Board of Directors as of December 31, 2018 for Directors' participation to strategy meetings.

It is to be noted that there is no payment of fees for teleconference meetings or meetings lasting under one hour, nor any fees paid to the current Director representing employees or Mr. Maarten Wildschut in accordance with RWC's policy.

Except for Mr. Frédéric Rose and Mr. Bruce Hack, the Directors received no compensation other than Directors' fees for fiscal year 2018. Except for Mr. Frédéric Rose, the Directors held no offices in other Group companies.

DIRECTORS' FEES AND OTHER COMPENSATION PAID TO DIRECTORS IN 2018 AND 2019 (TABLE NO. 3 OF THE ANNEX 4 OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

	Gross amounts due in respect of fiscal year 2017 and paid in 2018		Gross amounts due in respect of fiscal year 2018 and paid in 2019	
Name *(in euros)*	**Directors' fees**	**Other compensation items**	**Directors' fees**	**Other compensation items**
Bpifrance Participations	86,000	-	81,500	-
Birgit Conix(1)	74,000	-	28,500	-
Yann Debois(2)	-	-	-	-
Ana Garcia Fau	102,000	-	91,000	-
Nicolas Grelier(3)	25,000	-	N/A	-
Bruce Hack	103,000	125,000(4)	89,000	150,000(5)
Didier Lombard(6)	36,000	-	-	-
Melinda Mount	104,000	-	98,500	-
Laura Quatela	101,500	-	93,000	-
Hilton Romanski(7)	77,500	-	54,000	-
Maarten Wildschut(8)	N/A	-	-	
TOTAL	**709,000**	**125,000**	**535,500**	**150,000**

(1) *Ms. Birgit Conix resigned from his office in September 2018.*
(2) *Mr. Yann Debois is Employee Director since July 2017.*
(3) *Mr. Nicolas Grelier's term of office as Employee Director ended in July 2017.*
(4) *In compliance with the Compensation policy applicable to the Chairman of the Board, Mr. Bruce Hack receives a fixed compensation of €150,000. For the year 2017, this fixed compensation as pro-rated to €125,000 to take into account the fact that he was appointed in the course of the year.*
(6) *Mr. Didier Lombard's term of office ended in April 2017.*
(7) *Mr. Hilton Romanski resigned from his office in October 2018.*
(8) *In compliance with RWC's policy, Mr. Marteen Wildschut does not receive any directors' fees.*

4.2.2 Executive Committee compensation

GRI [102-35]

4.2.2.1 EXECUTIVE COMMITTEE COMPENSATION

In 2018, the total compensation paid by the Company and/or companies of the Group to Members of the Executive Committee (including that paid to the CEO) amounted to €8 million for a total of 11 members (excluding charges and including variable components – short-term plans – of €2.5 million, calculated on the basis of the 2017 Group financial results).

In 2017, the total compensation paid by the Company and/or other companies of the Group to the Members of the Executive Committee, including the CEO, was €9.4 million (excluding charges and including a variable component of €2.6 million calculated on the basis of the 2016 Group financial results).

The total amount provided for pensions and retirement and other similar benefits granted to the Members of the Executive Committee amounted to €0.35 million in 2018.

4.2.2.2 LOANS AND GUARANTEES GRANTED OR ESTABLISHED FOR THE MEMBERS OF THE EXECUTIVE COMMITTEE

None.

4.2.3 Stock options plans and performance or restricted shares plans

GRI [102-35] [201-3] [401-2]

4.2.3.1 STOCK OPTION PLANS

This section constitutes the Board of Directors' report to shareholders made in accordance with Article L. 225-184 of the French Commercial Code, describing the allocations of the Board of Directors of share subscription or purchase options under Articles L. 225-177 to L. 225-186 of the French Commercial Code during fiscal year 2018.

The Shareholders' Meeting of May 23, 2013, in its 15th resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization was given for a 38-month period and was valid until July 23, 2016. Options granted under this authorization would not give right to a total number of shares greater than 26,843,507 representing 8% of the share capital at the date of the Shareholders' Meeting held on May 23, 2013 and 6.5% of the share capital as of December 31, 2018.

STOCK OPTION PLANS IN EXISTENCE AS OF DECEMBER 31, 2018 (TABLE NO. 8 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

	Plan MIP 2015	**Plan MIP 2016**	**Plan MIP June 2017**	**Plan MIP October 2017**
Date of Shareholders' Meeting	**05/23/2013**	**05/23/2013**	**05/23/2013**	**05/23/2013**
Date of Board of Directors' meeting	05/23/2013 06/07/2013 10/24/2013 12/18/2013 03/26/2014	06/20/2014 10/21/2014 04/09/2015	06/26/2015	10/19/2015
Type of options	Subscription			
Number of options initially granted, including:	17,188,000	5,145,000	250,000	1,710,000
Number of options granted to Directors and Officers(1):				
Frédéric Rose				
• before adjustments and performance condition review	2,685,000	-	-	-
• after 2015 adjustments(2)	2,786,864			-
Number of options granted to the first ten employee beneficiaries – before adjustments and performance condition review when applicable	*4,345,000*	*1,790,000*	*250,000*	*1,310,000*
• after adjustments and performance condition review(2)	4,490,875	1,857,913	259,485	1,310,000
Beginning of the exercise period	05/23/2015	06/20/2016 10/21/2016	06/26/2017	10/19/2017
Plan life	8 years	8 years	8 years	8 years
Expiration date	05/23/2021	06/20/2022 10/21/2022	06/26/2023	10/19/2023
Exercise price at grant time	05/23: €3.31 06/07: €3.31 10/24: €4.07 12/18: €3.81 03/26: €4.70	06/20: €6.00 10/21: €5.10 04/09: €6.05	06/26: €6.10	10/19: €7.11
Exercise period	50%: 05/23/2015	50%: 06/20/2016 10/21/2016	50%: 06/26/2017	50%: 10/19/2017
	75%: 05/23/2016	75%: 06/20/2017 10/21/2017	75%: 06/26/2018	75%: 10/19/2018
	100%: 05/23/2017	100%: 06/20/2018 10/21/2018	100%: 06/26/2019	100%: 10/19/2019
Number of shares subscribed as of December 31, 2018	7,084,221	41,517	-	-
Number of options cancelled since the beginning of the plan	4,339,190	1,816,672	155,691	855,000
Number of options cancelled during the 2018 exercise	422,616	487,835	0	195,000
Number of outstanding options at the end of the exercise (after adjustment)(2)	6,231,678	3,461,541	103,794	855,000
Exercise price (after adjustments)(2)	05/23: €3.19 06/07: €3.19 10/24: €3.93 12/18: N/A(3) 03/26: €4.53	06/20: €5.79 10/21: €4.92 04/09: €5.83	06/26: €5.88	10/19: €7.11

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(1) Information provided pursuant to Article L. 225-184 of the French Commercial Code.

(2) November 2015 capital share increase adjustment coefficient: 1,037937866.

(3) All beneficiaries of this attribution have left the Company.

As of December 31, 2018, the total outstanding options under the plans amounted to 10,652,013 subscription options to the benefit of 76 beneficiaries. If all subscription options under the Stock Option Plans mentioned above were exercised, Technicolor's share capital would be composed of 425,113,191 ordinary shares, *i.e.* a 2.57% increase in the number of shares from December 31, 2018.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that no option was exercised in 2018.

Management Incentive Plans 2017 – MIP June 2017 and MIP October 2017

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its 15th resolution, granted stock options on June 26, 2015 (MIP June 2017) and October 19, 2015 (MIP October 2017). The table below summarizes the characteristics of both plans (MIP June 2017 and MIP October 2017).

Management Incentive Plans 2017 – MIP June 2017 and MIP October 2017

Shareholders' Meeting authorizing the grants	May 23, 2013 (15th resolution)	
Plan	**MIP June 2017**	**MIP October 2017**
Remunerations Committee recommending the grants	June 26, 2015	October 19, 2015
Board of Directors approving the grants	June 26, 2015	October 19, 2015
Beneficiaries	Additional key contributors promoted or hired since autumn 2014 or coming from the newly acquired companies	
Number of beneficiaries (as of December 31, 2018)	11	
Number of outstanding stock options (as of December 31, 2018)	958 794 representing 0.23% of the share capital(1)	
Exercise price	No discount (€5.88 for MIP June 2017 and €7.11 for MIP October 2017)	
Conditions for exercise	• Performance condition (consolidated Free Cash Flow) • Condition of presence (loss of the right to exercise the option if departure from the Group before the exercise date of the options)	

(1) *after the November 17, 2015 share capital increase adjustment.*

Characteristics of the MIP

		1st tranche	**2nd tranche**	**3rd tranche**
Performance condition		Generation of consolidated Free Cash Flow		
	MIP June 2017	for fiscal year 2016 equal or greater than €100 million	for fiscal year 2017 equal or greater than €75 million	for fiscal year 2018 equal or greater than €100 million
	MIP October 2017	for fiscal year 2016 equal or greater than €240 million	for fiscal year 2017 equal or greater than €260 million	for fiscal year 2018 equal or greater than €320 million
Options becoming exercisable		50% of the options awarded	25% of the options awarded If performance objective for 2016 not achieved: 75% of the options	25% of the options awarded If performance objective for 2016 and/or 2017 not achieved: options that had not become exercisable in 2017 and/or 2018
Review of the level of achievement of the performance condition		Board of Directors of February 22, 2017	Board of Directors of February 21, 2018	Board of Directors of February 27, 2019
Number of options acquired at Board date	**MIP June 2017**	51,897	25,948	0
	MIP October 2017	740,000	0	0
Period of exercise	**MIP June 2017**	From June 26, 2017 to June 26, 2023, subject to fulfillment of the presence condition	From June 26, 2018 to June 26, 2023, subject to fulfillment of the presence condition	N/A
	MIP October 2017	From October 19, 2017 to October 19, 2023, subject to fulfillment of the presence condition	N/A	N/A

Management Incentive Plan 2016 – MIP 2016

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its 15th resolution, granted stock options on June 20, 2014, October 21, 2014 and April 9, 2015. The table below summarizes the characteristics of these plans.

Management Incentive Plans 2016 – MIP 2016

Shareholders' Meeting authorizing the grants	May 23, 2013 (15th resolution)		
Plan	**MIP June 2016**	**MIP October 2016**	**MIP April 2016**
Remunerations Committee recommending the grants	June 20, 2014	October 21, 2014	April 9, 2015
Board of Directors approving the grants	June 20, 2014	October 21, 2014	April 9, 2015
Beneficiaries	Additional key contributors who were promoted or hired since spring 2013		
Number of beneficiaries (as of December 31, 2018)	51		
Number of outstanding stock options (as of December 31, 2018)	3,461,541 representing 0.84% of the share capital(1)		
Exercise price	No discount (€5.79 for MIP June 2016, €4.92 for MIP October 2016 and €5.83 for MIP April 2016)		
Conditions for exercise	• Performance condition (consolidated Free Cash Flow) • Condition of presence (loss of the right to exercise the option if departure from the Group before the exercise date of the options)		

(1) *after the November 17, 2015 share capital increase adjustment.*

Characteristics of the MIP		**1st tranche**	**2nd tranche**	**3rd tranche**
Performance condition		Generation of consolidated Free Cash Flow		
		For fiscal year 2015 equal or greater than €100 million	For fiscal year 2016 equal or greater than €100 million	For fiscal year 2017 equal or greater than €75 million
Options becoming exercisable		50% of the options awarded	25% of the options awarded If performance objective for 2015 not achieved: 75% of the options	25% of the options awarded If performance objective for 2015 and/or 2016 not achieved: options that had not become exercisable in 2016 and/or 2017
Review of the level of achievement of the performance condition		Board of Directors of February 18, 2016	Board of Directors of February 22, 2017	Board of Directors of February 21, 2018
Number of options acquired at Board date	**MIP June 2016**	1,318,199	625,358	521,577
	MIP October 2016	718,783	346,410	333,449
	MIP April 2016	207,588	103,794	103,794
Period of exercise	**MIP June 2016**	From June 20, 2016 to June 20, 2022, subject to fulfillment of the presence condition	From June 20, 2017 to June 20, 2022, subject to fulfillment of the presence condition	From June 20, 2018 to June 20, 2022, subject to fulfillment of the presence condition
	MIP October 2016 **MIP April 2016**	From October 21, 2016 to October 21, 2022 subject to fulfillment of the presence condition	From October 21, 2017 to October 21, 2022 subject to fulfillment of the presence condition	From October 21, 2018 to October 21, 2022 subject to fulfillment of the presence condition

4.2.3.2 PERFORMANCE OR RESTRICTED SHARE PLANS

This section constitutes the Board of Directors' report to shareholders made in accordance with Article L. 225-197-4 of the French Commercial Code, describing the allocations by the Board of Directors of performance shares under Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code during fiscal year 2018.

The Shareholders' Meeting of April 29, 2016, in its 28th 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 was valid until June 29, 2018. The shares to be issued pursuant to this authorization shall not represent more than 2% of the share capital on February 29, 2016 (*i.e.* 8,239,744 shares).

Upon recommendation of the Remunerations Committee, on April 29, 2016, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its 28th resolution, approved the establishment of a Long-Term Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders (the 2016 Long-Term Incentive Plan).

The Board of Directors made other uses of this same authorization, upon recommendation of the Remunerations Committee, on January 6, 2017 to establish the 2017 Long-Term Incentive Plan and April 25, 2018 to establish the 2018 Long-Term Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders.

These plans allow Technicolor to ensure the competitiveness of the compensation offered by the Group, in dynamic and competitive international markets, and in sectors where the ability to attract talent is a key factor to success.

PERFORMANCE AND RESTRICTED SHARE PLANS IN EXISTENCE AS OF DECEMBER 31, 2018 (TABLE NO. 9 OF ANNEX 4 TO THE AFEP-MEDEF CORPORATE GOVERNANCE CODE)

	LTIP 2016	**LTIP 2017**	**LTIP 2018**
Date of Shareholders' Meeting	**Apr. 29, 2016**	**Apr. 29, 2016**	**Apr. 29, 2016**
Date of Board of Directors' meeting	Apr. 29, 2016 Jul. 27, 2016 Oct. 20, 2016	Jan 6, 2017 March 9, 2017 Apr. 26, 2017 Jul. 26, 2017	Apr. 25, 2018 June 25, 2018
Number of shares initially granted, including:	3,040,500	4,507,500	637,000
Number of shares granted to Directors and Officers(1):			
Frédéric Rose	270,000	380,000	0
Number of shares granted to the top ten employee beneficiaries	*840,000*	*1,509,000*	*575,000*
Acquisition date	Apr. 30, 2019	Apr. 30, 2020	Apr. 30, 2021
End of the holding period	N/A	N/A	N/A
Performance conditions	Yes	Yes	Yes
Number of shares acquired as of December 31, 2018	-	-	-
Number of forfeited shares since the beginning of the plan	702,222	968,957	30,000
Number of forfeited shares cancelled during the 2018 exercise	266,909	724,502	30,000
Number of shares susceptible to be acquired on December 31, 2018	2,338,278	3,538,543	607,000

(1) *Information provided pursuant to Article L. 225-184 of the French Commercial Code.*

As of December 31, 2018, the total outstanding shares under the plans amounted to 6,483,821 shares, *i.e.* 1.56% of the share capital as of December 31, 2018. However, in the framework of the Long-Term Incentive Plan (LTIP 2016) implemented by the Board of Directors on April 29, 2016 and, following the determination made by the Board of Directors on February 27, 2019 that the non-achievement of the performance conditions, no share will be definitively acquired on April 29, 2019.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that no share was acquired in 2018 under those plans.

Long-Term Incentive Plan – LTIP 2018

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its 28th resolution, granted Performance Shares. The table below summarizes the characteristics of these grants.

Long-Term Incentive Plans 2018 – LTIP 2018

Shareholders' Meeting authorizing the attributions	April 29, 2016 (28th resolution)	
Remunerations Committee recommending the grants	-	June 21, 2018
Board of Directors approving grants	April 25, 2018	June 25, 2018
Number of beneficiaries (as of December 31, 2018)	13	
Number of outstanding shares (as of December 31, 2018)	607,000 representing 0.15% of the share capital	
Vesting period	3 years	
Holding Period	None except for the members of the Executive Committee who should retain, until the term of their contracts, at least 10% of the vested Performance Shares	
Delivery Date	April 30, 2021 or as promptly as possible thereafter (subject to presence condition on that date)	

Characteristics of the LTIP – Performance conditions

<table>
<tr><td>Performance conditions</td><td colspan="5">2 complementary financial objectives reflecting the key indicators tracked by investors and analysts</td></tr>
<tr><td></td><td colspan="3">Adjusted EBITDA objective assessed over a three-year period:
• if the sum of the annual adjusted EBITDA realized over a three-year period were greater or equal to the sum of the objectives of the annual adjusted EBITDA for the same period, 50% of the Performance Shares would be definitively earned
• in the opposite case, no Performance Shares would be earned</td><td colspan="2">Group Free Cash Flow objective assessed over a three-year period:
• if the sum of the Group's yearly Free Cash Flow realized over three years were greater than or equal to the sum of the annual Free Cash Flow objectives for the Group over the same period, 50% of the Performance Shares would be definitively earned
• in the opposite case, no Performance Shares would be earned</td></tr>
<tr><td>Detailed objectives</td><td colspan="3">2018</td><td>2019</td><td>2020</td></tr>
<tr><td></td><td>Set objectives for the plan</td><td>Objective</td><td>Achieved</td><td>Determined objective by the Board of Directors</td><td>Determined objective by the Board of Directors</td></tr>
<tr><td></td><td>Adjusted EBITDA</td><td>€250 million</td><td>€270 million</td><td rowspan="2">The objectives determined in February 2019 will be disclosed in February 2020</td><td rowspan="2">The objectives will be determined in February 2020 and will be disclosed in February 2021</td></tr>
<tr><td></td><td>Group Free Cash Flow</td><td>€40 million</td><td>€(47.9) million</td></tr>
<tr><td>Review of the level of achievement of the performance condition</td><td colspan="5">Review of this achievement shall be realized in 2021 by the Board</td></tr>
</table>

Characteristics of the LTIP – Presence condition

Cases of forfeiture	Beneficiary of Performance Shares who would leave the Group before the expiration of the vesting period of at least three years.
Exceptions	Case of legal premature exit (including cases of death, disability, retirement, termination without cause) and other customary exceptions decided upon by the Board of Directors.

The plan prevents beneficiaries who are members of the Executive Committee from using hedging instruments for the performance shares and requires that they retain a significant number of shares up until the termination of their positions within the Group.

Long-Term Incentive Plan – LTIP 2017

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its 28th resolution, granted Performance Shares. The table below summarizes the characteristics of these grants.

Long-Term Incentive Plans 2017 – LTIP 2017

Shareholders' Meeting authorizing the attributions	April 29, 2016 (28th resolution)			
Remunerations Committee recommending the grants	January 6, 2017	February 22, 2017	April 25, 2017	July 25, 2017
Board of Directors approving grants	January 6, 2017	March 9, 2017	April 26, 2017	July 26, 2017
Number of beneficiaries (as of December 31, 2018)	194			
Number of outstanding shares (as of December 31, 2018)	3,538,543 representing 0.85% of the share capital			
Vesting period	3 years			
Holding Period	None except for: • the members of the Executive Committee who should retain, until the term of their contracts, at least 10% of the vested Performance Shares • the CEO who should retain in registered form, until the end of his term of office, 20% of the vested Performance Shares			
Delivery Date	April 30, 2020 or as promptly as possible thereafter (subject to presence condition on that date)			

Characteristics of the LTIP – Performance conditions

Performance conditions	2 complementary financial objectives reflecting the key indicators tracked by investors and analysts	
	Adjusted EBITDA objective assessed over a three-year period: • if the sum of the annual adjusted EBITDA realized over a three-year period were greater or equal to the sum of the objectives of the annual adjusted EBITDA for the same period, 50% of the Performance Shares would be definitively earned • in the opposite case, no Performance Shares would be earned	Group Free Cash Flow objective assessed over a three-year period: • if the sum of the Group's yearly Free Cash Flow realized over three years were greater than or equal to the sum of the annual Free Cash Flow objectives for the Group over the same period, 50% of the Performance Shares would be definitively earned • in the opposite case, no Performance Shares would be earned

Detailed objectives		2017		2018		2019
	Set objectives for the plan	**Objective**	**Achieved**	**Objective**	**Achieved**	**Determined objective by the Board of Directors**
	Adjusted EBITDA	€326 million	€306 million	€250 million	€270 million	The objectives will be determined in February 2019 and will be disclosed in February 2020
	Group Free Cash Flow	€32 million	€66 million	€40 million	€(47.9) million	
Review of the level of achievement of the performance condition	Review of this achievement shall be realized in 2020 by the Board					

Characteristics of the LTIP – Presence condition

Cases of forfeiture	Beneficiary of Performance Shares who would leave the Group before the expiration of the vesting period of at least three years
Exceptions	Case of legal premature exit (including cases of death, disability, retirement, termination without cause) and other customary exceptions decided upon by the Board of Directors

The plan prevents beneficiaries who are members of the Executive Committee from using hedging instruments for the performance shares and requires that they retain a significant number of shares up until the termination of their positions within the Group.

Long-Term Incentive Plan – LTIP 2016

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its 28th resolution, granted Performance Shares. The table below summarizes the characteristics of these grants.

Long-Term Incentive Plans 2016 – LTIP 2016

Shareholders' Meeting authorizing the attributions	April 29, 2016 (28th resolution)		
Remunerations Committee recommending the grants	April 27, 2016	July 26, 2016	October 11, 2016
Board of Directors approving grants	April 29, 2016	July 27, 2016	October 20, 2016
Number of beneficiaries (as of December 31, 2018)	177		
Number of outstanding shares (as of December 31, 2018)	2,338,278 representing 0.56% of the share capital		
Vesting period	3 years		
Holding Period	None except for: • the members of the Executive Committee who should retain, until the term of their contracts, at least 10% of the vested Performance Shares • the CEO who should retain in registered form, until the end of his term of office, 20% of the vested Performance Shares		
Delivery Date	April 30, 2019 or as promptly as possible thereafter (subject to presence condition on that date)		
Number of shares to be delivered at the Delivery Date	0		

Characteristics of the LTIP – Performance conditions

Performance conditions	2 complementary financial objectives reflecting the key indicators tracked by investors and analysts	
	Adjusted EBITDA objective assessed over a three-year period: • if the sum of the annual adjusted EBITDA realized over a three-year period were greater or equal to the sum of the objectives of the annual adjusted EBITDA determined by the Board of Directors for the same period, 50% of the Performance Shares would be definitively earned • in the opposite case, no Performance Shares would be earned	Group Free Cash Flow objective assessed over a three-year period: • if the sum of the Group's yearly Free Cash Flow realized over three years were greater than or equal to the sum of the annual Free Cash Flow objectives for the Group determined by the Board of Directors for the same period, 50% of the Performance Shares would be definitively earned • in the opposite case, no Performance Shares would be earned

Detailed objectives		2016		2017		2018		Total	
	Set objectives for the plan	**Announced objective**	**Achieved**	**Objective**	**Achieved**	**Objective**	**Achieved**	**Cumulative objective**	**Achieved**
	Adjusted EBITDA	€600 million	€565 million	€326 million	€306 million	€250 million	€270 million	€1,176 million	€1,141 million
	Group Free Cash Flow	€240 million	€248 million	€32 million	€66 million	€40 million	€(47.9) million	€312 million	€266.1 million

The Board of Directors of February 27, 2019 reviewed the level of achievement of the performance conditions set by the plan and noted that they weren't met. As a consequence, no share was definitively acquired and none will be delivered on April 30, 2019

Characteristics of the LTIP – Presence condition

Cases of forfeiture	Beneficiary of Performance Shares who would leave the Group before the expiration of the vesting period of at least three years
Exceptions	Case of legal premature exit (including cases of death, disability, retirement, termination without cause) and other customary exceptions decided upon by the Board of Directors

The plan prevents beneficiaries who are members of the Executive Committee from using hedging instruments for the performance shares and requires that they retain a significant number of shares up until the termination of their positions within the Group.

5

DISCLOSURE ON EXTRA-FINANCIAL PERFORMANCE

Ambitious Talent **Acquisition** and **Development** Programs

A policy of **continuous improvement** of the energy efficiency of products

Recognition of CSR performance by rating agencies (Gold rating by EcoVadis, C+ Prime rating by Oekom-Research, Vigeo-Eiris, Gaia-Ethifinance)

This Chapter aims at presenting the set of Corporate Social Responsibility initiatives of the Group. It includes the Declaration on Extra-Financial Performance (DPEF) pursuing article L. 225-102-1 of the French Commercial Code and the Vigilance Plan, pursuing article L. 225-102-4 of the French Commercial Code.

GRI SUSTAINABILITY REPORTING STANDARDS (GRI STANDARDS) AND DISCLOSURES

GRI *[102-12] [102-54]*

Since 2014, Technicolor has been following the Global Reporting Initiative (GRI), a worldwide reporting framework on sustainability, to structure its economic, environmental and social reporting.

The Group prepares its Sustainability Report in accordance with the **GRI Standards: Comprehensive option**, thereby demonstrating that its non-financial information and disclosures are exhaustive. The Sustainability Report includes a GRI Content Index, which lists all GRI Standards and Disclosures reported. Technicolor Sustainability Reports are available on theTechnicolor website in the CSR section:

https://www.Technicolor.com/corporate-social-responsibility

GRI Disclosure labels are included in both the Registration Document and in the Sustainability Report. Disclosure labels (for example GRI [102-1], GRI [302-3]) help readers locate the information that they are looking for as indicated in the GRI Content Index. They contribute to give more control over the transparency, comparability, quality and accountability of the Group's sustainability data.

5.1 CORPORATE SOCIAL RESPONSIBILITY'S CHALLENGES OF THE GROUP

GRI *[102-32] [103-1 Economic performance] [103-1 Market presence] [103-1 Indirect economic impacts] [103-1 Procurement practices] [103-1 Anti-corruption] [103-1 Anti-competitive behavior] [103-1 Materials] [103-1 Energy] [103-1 Water and effluents] [103-1 Emissions] [103-1 Effluents and waste] [103-1 Environmental compliance] [103-1 Supplier environmental assessment] [103-1 Employment] [103-1 Labor/Management relations] [103-1 Occupational health and safety] [103-1 Training and education] [103-1 Diversity and equal opportunity] [103-1 Non-discrimination] [103-1 Freedom of association and collective bargaining] [103-1 Child labor] [103-1 Forced or compulsory labor] [103-1 Human Rights assessment] [103-1 Local communities] [103-1 Supplier social assessment] [103-1 Public policy] [103-1 Customer health and safety] [103-1 Customer privacy] [103-1 Socioeconomic performance]*

Within the Group, the Corporate Social Responsibility department supervises the CSR (Corporate Social Responsibility) processes in relation with the Business divisions. CSR is backed by the Human Resources network and the Environment Health and Safety network, each network with responsible local members located in the main sites. CSR reports to the Human Resources and Corporate Social Responsibility EVP, who is a member of the Executive Committee of the Group, and who defines HR & CSR strategic priorities in-line with Technicolor's strategic plan, and drives initiatives across the Group's activities.

5.1.1 Business models

Technicolor's activities, as well as their business models, are presented in sections 1.2 (Organization and business overview) and 1.3 (Strategy).

5.1.2 The CSR risks

GRI *[102-11] [102-15] [102-44] [102-46] [102-47]*

Beyond the global risk factors of the Group's businesses presented in section 3.1, and regarding the implementation of articles L. 225-102-1 and L. 225-102-4 of the French Commercial Code, the Group has identified 6 macro risks resulting in 22 CSR issues. Policies and results regarding these issues are detailed throughout this chapter.

	Macro risk		**CSR Challenges at stake relating to macro risk**
1	Human capital	1	**Management and development of talents (acquisition, retention and training)*** (see section 5.2.1)
	In a context of on-going and rapid transformation of our business, and while the profile of talents may vary according to our business, in all cases, the diversity, availability, and development of talent is at the core of our production and competitive capabilities, in creative activities, in research and development and in distribution.	2	Management of business cycles – fixed-term/temporary staff (see section 5.2.2)
		3	**Diversity and inclusiveness – creative industries – gender equality and access for women to positions of responsibility*** (see section 5.2.3)
		4	Business transformation and social dialogue (see section 5.2.4)
		5	Safety at work (injuries, illnesses and severity) (see section 5.2.5)
		6	Community impact and regional development (see section 5.2.7)
		7	Absenteeism (see section 5.2.6)
2	Human Rights and working conditions	8	**Human Rights and working conditions, including suppliers and sub-contractors*** (see section 5.3.1)
	The global organization and performance of our supply chain with multiple contributors requires strong and consistent attention while national legislations related to human rights are increasing	9	Fight against discriminations (see section 5.3.2)
3	Climate change	10	Carbon emissions generated by production, supply chain (logistics and purchasing) and data centers (see section 5.4.1)
	Climate change requires improvement of efficiency at every step of the life cycle of our products and services.	11	**Energy efficiency: carbon emissions generated by products' use*** (see section 5.4.2)
		12	Renewable energy (see section 5.4.3)
4	Circular economy	13	Recycling of waste and optimization of raw material consumption (see section 5.5.1)
	Depletion of raw material and of water resources creates a risk for both our business and the communities in which we operate. Resources must be saved or reused or recycled.	14	Environmental footprint of products – eco-design (see section 5.5.2)
		15	Environmental responsible procurement (see section 5.3.1)
		16	Sustainable water management (see section 5.5.3)
5	Fairness of practices	17	Anti-bribery (see section 5.7.1)
	In an internationalized and competitive business environment with increasing business ethics requirements, any non-compliance generates major risks	18	Compliance with competition rules – business ethics (see section 5.7.1)
		19	Fight against tax evasion (see section 5.7.2)
6	Safety of customers and protection of customers' content	20	Product compliance and ban of hazardous materials (see section 5.6.1)
	Physical safety of end customers is vital to sustainable relationships with our customers. Intellectual Property rights of our customers are critical assets and must be highly protected in content production and physical and digital content distribution	21	**Content security and respect of Intellectual Property*** (see section 5.6.2 and 3.3.5)
		22	**Cyber risks – protection of networks and of data*** (see section 5.6.2 and 3.3.5)

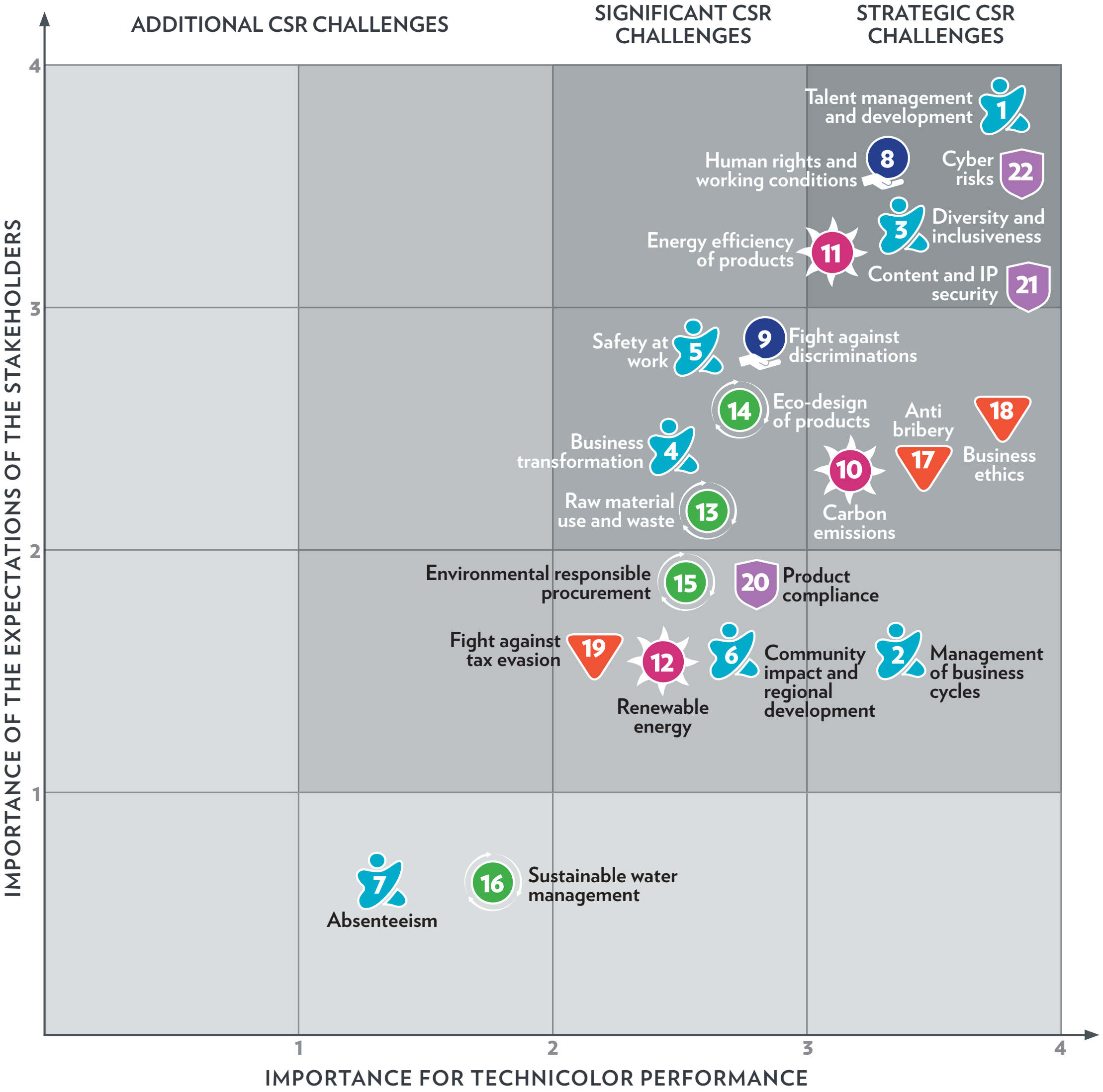
* *Strategic CSR challenges.*

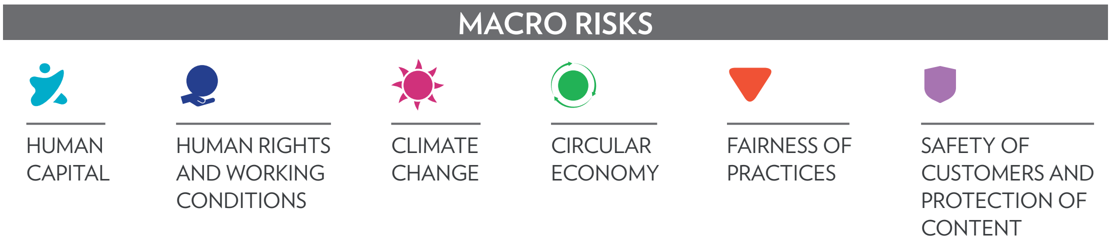
This challenges list is derived from the materiality matrix which prioritizes the 22 CSR challenges.

Identification of the CSR challenges is based on the CSR requests from customers and rating agencies, on peer evaluation, and on internal analysis of key levers to anticipate evolution of customers and markets and of regulations. It was updated in 2018.

5.1.3 The materiality matrix

GRI *[102-42] [102-44] [102-46] [102-47]*





The importance of each CSR challenge for the Group was determined by assessment and dialogue based on:

- The operational, business, and reputational impact on the Group (the most important across the 3 business divisions, as the impact of any single CSR challenge on a business division may differ widely from one issue to the next);
- The likelihood of occurrence;
- The likelihood of generation of risk by the Supply Chain (suppliers and subcontractors).

The importance for the Stakeholders was determined based on:

- The focus of customers' requests per CSR issue;
- The feedback from employees;
- The focus of questions and alignment with subjects judged important by CSR rating agencies.

5.1.4 The approach to sustainability

Technicolor's approach to sustainability relies on 3 pillars:

- **Attracting and developing a diverse talent pool of creative individuals.**

  Creative industries require significant diversity of imagination, of experience, of culture, and of profiles to stimulate innovative ideas and visual creations in order to bring to life the ideas of project directors (film, series, games…) or advertising agencies. Developing the skills of talented creatives on a continuous basis to keep them at the state of the art is another permanent challenge.

- **Enabling sustainable content distribution.**

  Content distribution requires energy in all cases:

  - energy consumption based on the raw materials used within and by manufacturing and distribution operations of physical media;
  - energy consumption of products (set-top box and modems) used for digital distribution and raw material of these products during production and the associated waste at end of life.

  At the same time, video content resolution increases regularly, leading to associated increases in the volume of data to deliver and the energy required to do it.

  Innovation in electronic product design and in video technologies must support energy efficiency of set-top box together with improved video performances and resolution.

  The improvement of physical distribution networks, of logistic resources, the reduction in volume of packaging, and improvements in recyclable waste must provide a reduction of the environmental footprint of physical media.

- **Ensuring a safe and healthy work environment throughout the supply chain.**

  All workers, our employees but also the employees of our suppliers, must be able to work freely in a safe, secure, and healthy environment, with decent wages and working hours, without discrimination and harassment. Recurrent activity cycles and project management principles in our business require significant flexibility from employees but also recruitment of temporary employees to offset peak production periods while maintaining quality. In a competitive labor market, long-term relationships and commitment from employees are key to worker retention and satisfaction, and a safe and healthy work environment is a driver.

5.2 HUMAN CAPITAL

5.2.1 Management and development of talent

GRI *[103-1 Employment] [103-2 Employment] [103-3 Employment] [103-1 Training and Education] [103-2 Training and Education] [103-3 Training and Education]*

5.2.1.1 A GLOBAL ORGANIZATION

Except for administration and support functions, most profiles of Technicolor's employees are business division specific:

- Production Services: creative digital talent combining media and technology skills with artistic skills for visual effects, animation and post-production: artists, supervisors, producers. This activity, as in any creative industry, is project driven, with an important quantity of artists hired using a fixed-term contract tied to the project, and is subject to significant turnover and recruitment rates: artists move easily worldwide from one company to another, to join a more technically challenging project in order to improve their track record and experience, their employability and their remuneration, leading to the creation of some tensions on the labor market. Diversity of employees is a critical success factor for this creative industry. Therefore, volume recruitment is significant and permanent and is managed on a worldwide basis, making critical Technicolor's attraction and retention policies.
- DVD Services: line operators, warehouse and material handling workers, content security specialists, facilities and equipment maintenance technicians, health and safety specialists, supervisors and managers. Activity is seasonal and regularly requires large staffing variations using temporary recruitment (employees and agency workers), in addition to overtime, to offset peak production requirements. Recruitment is local.
- Connected Home: mainly engineer's skills, with R&D hardware and software engineers, quality engineers, technical customer support, sourcing and manufacturing engineers, sales engineers, and a limited percentage of production workers. Turnover is limited and recruitment is pan-European or continental, allowing a relative level of diversity complemented by the diversity of site locations and the internal movement of employees.

Therefore, the management and the development of talent require a flexible organization to match with these different requirements. The operating model of Technicolor's Human Resources & Corporate Social Responsibility (HR&CSR) organization has three dimensions:

- strong partnership with Business Divisions;
- global Centers of Expertise (CoE);
- regional Human Resources Competence Centers (HRCC), reinforced with HR leaders at the main sites.

The integration of business strategy within the HR processes has been reinforced through the HR Business Partner (HRBP) function. HR Business Partners work closely with each business leader to analyze and plan the evolution of Technicolor's workforce skills and competencies, and to ensure they are in line with their development goals. They leverage the Company's HR Global Centers of Expertise and Regional Competence Centers to deliver high quality and cost-efficient services.

The HR Global Centers of Expertise ensure consistency and delivery of key Group HR projects and provide specialized advice and expertise across the whole organization in the following areas:

- Compensation & Benefits focusing on rewards, incentive programs, international mobility programs, pension schemes, medical care and other benefits;
- Talent and Development focusing on people development, organizational development practices, career and performance management;
- HR Information Systems, HR Processes and KPIs focusing on implementing coherent and sustainable tools supported with adequate processes;
- Resources Management focusing on Technicolor resource plan definition and tracking;
- Corporate Social Responsibility (CSR) focusing on all areas pertaining to Sustainable Responsibility: Human rights, Health and Safety, Environmental care, Ethics, and Social Responsibility;
- Labor Relations, focusing on keeping a consistent set of relationships and interactions with all European union's representatives.

Under a unique HR leader, the Regional HR Competence Centers, built on a shared service model, ensure a consistent HR approach across sites and functions within each geographical region, and guarantee that Technicolor remains compliant with local employment laws and practices. The Group has two main Regional HR Competence Centers:

- Europe, India, Asia-Pacific: including India, China, Malaysia, Hong Kong, Japan, Singapore, Taiwan, Korea, Australia, France, Belgium, Germany, the United Kingdom, the Netherlands, Sweden, Norway, Italy, Spain and Poland;
- Americas: including Brazil, Chile, Mexico, Canada and the USA.

HR Leaders, reporting to the Regional Competence Centers, are appointed in each of the sites to better support business activities which have common processes and regulations at the site level by delivering all necessary HR transactional activities. HR Site Leaders also contribute to the implementation of Corporate HR programs and facilitate coherent local communications. HR Sites Leaders report to their respective Regional HR Competence Centers.

The Head of HR&CSR, a Member of Technicolor's Executive Committee, defines HR&CSR strategic priorities in line with Technicolor's strategic plan, implements and adapts the HR&CSR model, identifies organizational needs and related resources, and pilots HR&CSR initiatives across all of the Group's activities.

In order to better support business developments, Technicolor's management and talent development efforts essentially rest on HR division business partners (HRBPs) – in collaboration with local HR – who not only have the most detailed knowledge of strategy and jobs development within their business division but are also closer to the needs of managers and employees.

On the basis of the Resource & Development Plans drawn up each year by the divisions, the HRBPs define and lead hand-in-hand with the management of their organization a HR strategy for their scope which is based on 3 pillars: Talent acquisition, Performance, recognition and retention, and Talent development.

5.2.1.2 TALENT ACQUISITION

Within each division, managers and HR generally identify the types of profiles and skills needed to ensure the success of current and future projects and initiatives. When the profiles or skills identified are not available in the Company, the entire HR team (HRBP and HRCC and CoE) is mobilized to recruit the best talents for our businesses, our projects and our culture.

In the case of studios, the project driven nature of the activities requires the launching of massive recruitment campaigns several times a year – several hundred highly qualified jobs – and sometimes multi-country campaigns to accompany the swift launching of large projects (film, series, games,...).

In the case of individual recruitments (replacements, job creations, creation of teams), the need is initially qualified by the manager with the help of the local HR who will then ensure appropriate research, contact, and recruitment of candidates.

To address these different situations, the Group has invested heavily in the development of its recruitment organization and teams and accompanied the professionalization of their practices.

In that respect, we created in 2018 *The Focus* as being our new in-house recruitment agency, hiring for Technicolor's award-winning VFX studios – MPC Film, Mr X, Mikros, Technicolor Academy and the newly launched Mill Film.

3,000 people were hired in 2018 through *The Focus*, due to the demand for the world's best VFX artists being greater than ever. *The Focus* as a brand has developed its own unique website to make it easy for artists/candidates to find the right opportunity (whether they're a recent graduate or already established in the industry) while ensuring the brands are effectively utilizing the resources among themselves and within the industry.

With more than 50 major movies and TV projects in our portfolio, candidates working within the setup of *The Focus* are able to receive better service to their career aspirations and personal affiliations since we can attract and retain talent across our multiple locations and brands.

The Focus leverages experienced Recruiters to represent the Brands and their proposition/values, but also takes care to create harmonization in hiring practices and to manage the price point for the most economical values across the businesses – these recruiters are partnered with Sourcers to ensure each brand has the best access to the talent in the industry.

In 2019, the Group will be looking to develop *The Focus* further with the creation of a Social Recruitment Platform, pioneering the way in which talent is engaged, managed and acquired within the VFX industry.

For all other businesses, since 2016, 30 recruiters in all organizations and regions covered by our businesses have had access to and benefitted from support in their professional use of online recruitment tools (such as *LinkedIn*). This on-going practice allows Technicolor to extend its scope of research and to reach candidates traditionally invisible to the Group.

Lastly, the Group worked in 2015 and has since capitalized on the local deployment of an attractive employer brand that allows candidates to better identify the pillars of Technicolor's culture and values.

5.2.1.3 PERFORMANCE, RECOGNITION AND RETENTION

GRI *[102-36] [401-2] [403-6] [404-3]*

Since 2010, Technicolor has been evaluating the individual performance of all employees as part of an annual plan called STEP. This system is built around 2 key moments in the year (January: setting of objectives – November/December: assessment of individual performance based on interviews between employees and managers to assess the achievement of objectives).

However, determined to offer the best support possible in alignment with the constant evolution of businesses (project mode, constant technological changes, continuous improvement,...) and the needs of employees (purpose, transparency, feedback in real time,...), the Group launched in March 2018 a pilot for a project to overhaul the system of performance evaluation and employee development. This tool called "TEAM" is based on 4 fundamental principles:

- contribution replaces the notion of performance: the contribution is defined in this tool as the global appreciation of the concrete contribution of an individual to the results and successes of the collective;
- observed behaviors (the "how") are taken into account in the evaluation of the contribution as well as the results obtained (the "what");
- "continuous" conversations aim at ensuring frequent exchanges between employees and their managers: setting or modifying objectives or missions, feedback loops on obtained results and observed behaviors;
- And finally, for those who wish to do so, integration into the contribution assessment of the justified and formalized opinions of relevant third parties who collaborated with the person evaluated (360 ° feedback).

In a competitive environment, the compensation and benefits policies, including the total remuneration policy, are a key pillar of retention of acquired talent.

The remuneration policy is tailored to acknowledge and fairly recognize an employee's contribution to the short and longer-term success of the Group.

Technicolor continues to incorporate a classification structure based upon Towers Watson methodology, with grades and bands that ultimately emphasize and reinforce the strong link between contribution and remuneration. Technicolor is steadily reviewing its job definitions and levels and reflects the evolutions of the Group. Such classification allows the Group to ensure the internal equity of remuneration packages. Moreover, Technicolor participates to relevant salary surveys to assess the competitiveness of remuneration in the proper marketplaces. This provides Technicolor with sustainable, objective and equitable means of remunerating employees while closely controlling its wage bill.

In 2018, this job architecture has been rebuilt for Production Services jobs, to cope with the evolution of this domain, of its work organization and of its skills. It will be rolled out in 2019.

The remuneration policy is structured around flexible and competitive fixed and variable compensation elements driven by market best practices and the Group's objectives for long-term value creation appropriate to circumstances and goals:

- **competitiveness:** appropriate market benchmarks of total compensation against comparable companies allow Technicolor to offer competitive compensation packages to employees in accordance with competitive pressures in the marketplace. This ensures that Technicolor continues to attract, motivate and retain high potentials and key contributors for which Technicolor competes in an international market place, while controlling cost structures;
- **equitable approach:** Technicolor believes that it remunerates its employees on an equitable basis in each of its geographical locations in a way that aligns with both local market standards and proposed corporate programs. The remuneration policy is set according to the Group's "broadbanding policy" which allows consistent assessment of responsibility, contribution and levels of expertise on an international business basis across all businesses and functions. In addition, the remuneration policy of top executives is managed by Corporate Human Resources to facilitate consistency of various remuneration components and ease international and cross-business mobility;
- **business and skills focus:** the remuneration of professionals, engineers and managers is a sound, market-driven policy and ultimately administered to stimulate business performance. A substantial part of the total remuneration package is composed of variable elements which drive a performance culture and support the Company's strategy. These variable elements are meant to stimulate, recognize and reward not only individual contribution, especially innovation and risk-taking, but also and in particular, solid and consistent Group and Division performances.

In accordance with the principles and rules established by the Group, any Group or Division entity is entitled to recognize the potential and encourage the development of its employees by means of various remuneration factors defined by the Group.

Evolution of remuneration is measured at constant currency rate exchange (end of year) and at constant population of employees (all employees present both in the reporting year and the past year), and on the evolution of the base salary payroll mass (without variable elements and social contributions paid by the employer).

	2018	2017	2016
Evolution of remuneration	4.50%	4.12%	4.08%

As part of this total remuneration policy, Technicolor expands regularly its benefits policy with the double objective of fairness and equity between employees of the different countries and divisions and of attractiveness.

In 2018, the following extensions were implemented:

Area of action	Type of action	Description of the extension	Country
Wellness	Benefit enhancement	Implementation of an Employee Wellbeing and Assistance Program to address distress situations at work or in their personal life.	India
Life & Accident	Harmonization	Extension of Group Personal Accident and Group Term Life policies to Trace VFX Solutions India Pvt Ltd (Mumbai).	India
Health	Benefit enhancement	Improve existing medical coverage.	Poland
Life	Benefit enhancement	Provide a Sponsored Life and Accident coverage to all employees and enhanced conditions for voluntary coverage. Urgent care campaigns to educate employees about their options to save time and money to get care fast.	Poland
Health	Wellness & Preventive	10 Onsite Biometric Screenings ("mini preventive check-ups"); Personalized telephonic health coaching; Preventive Care campaigns; Telemedicine campaigns "See a doctor online 24/7" (virtual visits that give direct access to a licensed doctor 24/7/365); Urgent care campaigns to educate employees about their options to save time and money to get care fast.	US
Disability	Long-Term Disability (LTD)	Long-Term Disability benefits to all exempt employees and select groups of hourly employees at no cost to employees, with an income replacement protection program covering extended periods of disability, illness, or accident.	US
Health	Medical, Dental and Vision	Medical, Dental and Vision plan enhancement. Benefits of DVD Services employees aligned and enhanced with Flex Plan and RSSP of Production Services employees, within the two legal entities.	Canada
Health	Harmonization	Waiting period of the fixed-term employees reduced from 9 months to 3 months and aligned with the permanent employees; Benefits of DVD Services employees aligned and enhanced with Flex Plan and RSSP of Production Services employees, within the two legal entities.	Canada
Health	Harmonization	Inclusion of Mikros and MPC Creative employees to the French Group scheme.	France

As explained in this chapter, the retention of our talents is key. Therefore, beyond the processes and initiatives described above, we strive to detect any significant trend that may hamper this objective. In that respect, worldwide employee engagement surveys have been conducted for film visual effects and advertising visual effects businesses concerning 5,150 employees. Employee satisfaction surveys were also conducted on selected sites for DVD services in Poland, Mexico and the United Kingdom concerning a total of 1,960 employees.

5.2.1.4 TRAINING AND DEVELOPMENT

GRI *[203-1] [203-2] [404-1] [404-2] [404-3]*

In order to guarantee a constant match between expectations of our customers and skills of our employees, the Group has set up a training and pragmatic development approach that is as aligned as possible to the business challenges.

5.2.1.4.1 Training

Training priorities are set, based on the evolution of existing jobs and technologies, on the identification of new capabilities to develop and on the individual needs of employees in terms of job performance and/or of professional evolution. The creation of specific learning tracks per job has been encouraged in each division, resulting in an optimization of training resources and in an increased number of training opportunities. In order to ensure the same quality level as well as alignment and consistency, development programs regarding Leadership, Management and Technical or Functional skills are coordinated at the corporate level.

In addition, the Talent Development Center of Expertise advises operational managers and HR Business Partners on all aspects of training and development, particularly on leadership and management aspects. HR Business Partners coordinate the construction and monitoring of development plans at division or function level. Trainings are organized at the local level by the HR Competence Centers who are responsible for ensuring that training initiatives are optimized across divisions and that they comply with local regulations.

Overall, training initiatives offered in 2018 encompassed 312,367 hours of training for both employees and external persons working under the Group supervision, of which 296,137 hours were delivered to 14,718 Technicolor employees. This represents 20.1 hours of training per employee on an annualized basis.

	Women	Men	Total
Number of hours of training delivered	71,786	224,351	296,137
Number of employees trained	4,350	10,368	14,718
Number of hours of training per employee trained	16.5	21.6	20.1

Focus on divisions

Based on an in-depth analysis of training and development needs, and in line with the strategy, many divisional programs identify and develop essential skills, technical and non-technical, to be promoted in the coming years.

The results of these programs establish the foundation of the global training and skills development strategy.

Production Services

The Technicolor Academy

- The core training initiative of Production services is the Technicolor Academy. It supports globally the efforts to develop excellence in leading-edge VFX skills. This program can be defined as an endeavor to bring in raw talent freshly graduated from University and to provide training to prepare them to work on shots; it targets graduate level artists who are recognized as high potential but have yet to show a full level of competency. Participants benefit from 6 to 12 weeks of training while being paid, followed by 12 months of employment. This program impacted 488 artists in five locations in 2018 (Bangalore, Vancouver, Montreal, London and Adelaide) – representing 152,668 hours of training. An Academy location will be opened in Paris in 2019. More details are provided in section 5.2.7.

The MPC University

- The MPC University supplements the Academy by delivering online courses to our visual effects talent to improve and maintain their skills on a regular basis.

An updated definition of Skills

- In 2018, MPC Film went through a change management program which transformed how artists are categorized (job architecture) but more importantly defined the competencies and skills within the levels. The competencies have been developed into learning pathways for a Learning Management System (LMS) which will be launched in first quarter of 2019.

Formal upskilling/creative programs in MPC

- In 2018, Technicolor Academy helped support 211 employees going through creative programs (*i.e.* formal up-skilling) in Bangalore. These are a combination of 4-8 weeks of formal training (218 hours in average).

A New Learning Management System (LMS) for MPC

- In 2018, a new online LMS system (GEM – Grow, Evolve, Master) was developed, which has been initially launched by harmonising the orientation program for all employees within MPC Film. In alignment with this, we have also been developing learning pathways which are specific e-learning and upskilling programs for each discipline, which are specifically linked to the new competency framework as described above. It was originally launched with one discipline and the remaining disciplines will be rolled out during 2019 while extended to the Film and TV service line.

Apprenticeship Scheme (inclusion)

- In 2018, an apprenticeship scheme pilot in London was set up to focus on working with local schools in less advantaged areas to support our campaign around diversity and to have a program to support our entry level talent. We have partnered with a provider to set up the program over 12 months where 20% of participants' time is on learning. The program is designed to take participants through business-based learning modules. We are looking to expand and develop this scheme further in 2019 and it supports our campaign around diversity. In 2019 we will be looking at setting up a grad scheme to help support the next generation leaders and producers.

Mikros

- A global development program of 792 hours is delivered to leaders & creative officers to support the implementation of the new organisation and to help the new Service Lines directors in their new role. Training topics include the acquisition of a leadership posture, the development of leadership, the release of energy of their teams, the management of profit and loss account and the understanding of human resources and legal aspects.

Connected Home

Training plans have been developed to match the resource development plans with dedicated programs targeting :

- product managers, with training on pre-sales, bid, sales. In 2018, we ran internally 9 webex sales enablement presentations with a total of 644 attendees;
- product unit engineers, with in-house training on processes, were given access to the e-learning platform *Pluralsight*, which includes live mentoring to provide software development training, technology and business learning.

5.2.1.4.2 Talent Review and Leadership Development

A yearly Leadership Talent Review process is conducted in all divisions. The process involves managers at all levels of the organization as well as the members of the Executive Committee and of the Management Committee. All these stakeholders participate in the identification of employees with the right level of potential and performance to feed the pool of future managers at the division or Group level. The members of this talent pool are eligible to benefit from dedicated leadership development trainings, activities and events during the year.

Several programs are managed at the Group level :

- **the Leadership Talent Pool**

  There are 184 High Potential and Group High Potential within the leadership talent pool. Members of the Leadership talent pool assessed their competencies through a 360° evaluation based on the brand-new leadership profile that was collaboratively designed for the Company during the year 2017. Individual Development Plans were drawn and executed from the conclusions of this assessment and implemented in the divisions.
- **the Leadership Development Program**

  In 2017, based on the new leadership competencies model, a training course was also developed to reinforce the personal development capabilities of HR Team Members so that they may support the development of employee skills aligned with Technicolor's vision, values and strategy. This initiative resulted in the creation of a pool of 30 fully trained HR professionals, who can act as internal coaches for Group High Potentials (analysis and feedback of 360° assessments, definition of individual development plans, as well as employee individual coaching during the deployment of development plans).
- **the Management Academy**

  In addition to the so-called "business" training programs (technical or non-technical) offered within the divisions, the Management Academy plays an important role in the support provided by the Group to managers in all business lines and divisions/functions. Created in 2014, this program defines the common base of management skills expected at Technicolor and maintains a sense of belonging to the Group within the community of 220 managers who already participated in this program.

  After a 2014 pilot period during which Management Academy sessions were organized, both internally and externally, in the United States, the United Kingdom, France and Belgium, the program evolved periodically in order to create a true reference program dedicated to the management of skills across the Group in 2015, 2016 and 2017. In 2018, 3 sessions of the new program were created and are planned to take place between January and March 2019: 3 days of collaborative training sessions organized in France, the United States and India, impacting 60 managers from all divisions and functions. Participants will also be offered to participate in a complementary session *via* Webex to reinforce their learning and give them an opportunity to keep working on certain topics that were covered during the sessions.

  A total of 5,500 hours of training were given to managers worldwide to improve the attitude and management skills of our employees.

Focus on divisions

A Leadership program in the Production Services division

2018 LEAP (Lead, Energize, Accelerate, Performance) has been piloted within MPC Film. This is a management development program designed to equip and up-skill anyone with management responsibilities. In 2019 this program will be extended to the other brands within Technicolor Film and TV. Coaching is offered to all those in senior management and can be requested throughout the business.

Implementing Progression and Succession

As talent mobility is higher in the visual effects domain, MPC Film reviews succession and progression plans on a quarterly basis, and on average promotes 10-15% of the population into new roles on an annual basis.

In 2018, MPC developed a talent evaluation system in order to leverage the contribution and other performance data we have within our production systems, so that a more objective means of identifying and assessing talent is routinely used to equip managers to make more consistent and objective decision making about staff movements and developments while providing fair and accurate feedback to the workforce.

In 2019, we will be introducing a new feedback tool combined with a talent evaluation system to support the notion of talent development and transparent feedback.

Job transformation in the Connected Home segment

In 2018, as part of its transformation journey, the Connected Home segment initiated a review of all jobs based on 2 axes: "impact in winning deals" and "impact in generating cash". As a first step, a specific project ("competency quadrant") was launched in June 2018 for 9 critical jobs. The scope is the following:

- review of current scope of work, RACI matrix, social map;
- definition of "target profile";
- assessment of all relevant population according to technical and professional competences defined as part of the "target profile";
- analyze gaps and put action plan in place.

5.2.1.5 EMPLOYEE PROFIT-SHARING

GRI *[401-2]*

The Holding Company and eight French subsidiaries of the Company offer employees incentive plans based on the related subsidiary's results.

The total annual bonuses distributed to employees in connection with these incentive plans over the three most recent years amount to the following:

- amounts distributed in 2016 for year 2015: €2,198,531;
- amounts distributed in 2017 for year 2016: €2,140,252; and
- amounts distributed in 2018 for year 2017: €1,751,839.

In addition, several of our locations offer their employees profit-sharing plans based on Company results and/or achievement of objectives.

5.2.1.6 SHARES HELD BY EMPLOYEES

GRI *[401-2]*

As of December 31, 2018, the number of shares held by the Group's employees in the Group Saving Plan (*Plan d'épargne entreprise*), by employees and former employees through Technicolor's Savings Plan (*Fonds communs de placement d'entreprise*) was 280,000 shares, representing 0.07% of the share capital.

5.2.1.7 EMPLOYMENT FIGURES

GRI *[102-7] [102-8] [401-1] [405-1]*

On December 31, 2018, the Group employed 17,745 employees (71% male and 29% female), compared to 16,307 employees on December 31, 2017, an increase of 8.8%.

The highly competitive and rapidly-changing Media & Entertainment sector in which the Group provides its products, technology and services requires continuing adjustment to the workforce.

The table below shows Technicolor's total workforce as of December 31, 2018, 2017, and 2016, as well as the distribution of personnel across geographical regions.

	2018	**2017**	**2016**
Europe	3,886	3,853	3,990
North America	6,745	6,767	7,678
Asia$^{(1)}$	5,361	3,955	3,651
Latin America$^{(2)}$	1,753	1,732	1,698
TOTAL NUMBER OF EMPLOYEES	**17,745**	**16,307**	**17,017**
Number of employees in entities accounted for under the equity method	45	46	45
Permanent contracts	*14,225*	*2113,712*	*14208*
Fixed-term contracts	*3,520*	*2,595*	*2,809*
(1) Including India.	*4,687*	*3,247*	*2,862*
(2) Including Mexico.	*1,425*	*1,334*	*1,313*

Total workforce figures above account for executives, non-executives and workers. Agency workers, trainees and apprentices are excluded.

French "Intermittent" contracts are not part of the above table. They represent the equivalent of 272 full time jobs over 2018 while their number decreased from 413 in December 2017 to 235 in December 2018. Over the year, 775 "intermittent" persons have worked for Technicolor.

	2018	**2017**	**2016**
Number of Intermittents having worked in December	235	413	388
Full time equivalent over the year	272	347	164

The following table indicates the number of Group employees by segment as of December 31, 2018. French "Intermittent" contracts are not part of the table.

Segment	Number of employees	Percentage
Entertainment Services	14,778	83%
Connected Home	1,602	9%
Corporate and Other	1,365	8%
TOTAL	**17,745**	**100%**

Split by gender and age

At the end of December 2018, the Group employed 5,139 women (representing 29% of Technicolor headcount) and 12,606 men (representing 71% of Technicolor headcount), "intermittents" excluded. The breakdown per age is a follows:

Age	Women	Men	Total
< 20	13	31	44
20 to 29	1,430	3,623	5,053
30 to 39	1,657	4,670	6,327
40 to 49	1,095	2,475	3,570
50 to 59	744	1,414	2,158
60+	200	393	593
TOTAL	**5,139**	**12,606**	**17,745**

Hiring and Termination

During 2018, 8,504 employees have been hired of which 3,088 were retained as permanent employees and 1,199 were made redundant, "intermittents" excluded.

	2018
Hiring of permanent employees	3,088
Hiring of fixed-term contracts	5,415
Acquisitions	0
Divestitures	253
End and resignations of fixed-term contracts	3,464
Dismissals	1,199
Resignations of permanent employees	2,080
Other (retirement,.)	69

Methodology

Employees and workforce figures are extracted from the Technicolor worldwide HR repository system currently implemented in all Technicolor.

5.2.2 Management of business cycles

GRI *[102-8] [103-1 Employment] [103-2 Employment] [103-3 Employment]*

Working time is managed according to the needs of Technicolor's various business activities in both the parent company and its subsidiaries. The Group complies with regulatory obligations and contractual commitments in terms of working time in each country in which it operates. Through various working time management tools, the Group ensures employees do not exceed legal thresholds and are appropriately compensated for any overtime according to their employment agreement. However, a large part of Technicolor's workforce is exempt and paid a flat rate for a number of days worked per year: worked days are then monitored.

Part-time and remote working are authorized on a case-by-case basis according to the Group policies and depending on the occupational requirements. During 2018, Technicolor had in average 205 employees working less than 5 days per week. Over the year, part time employees working at least half time represent 96% of part time employees and part time employees working at least the equivalent of 4 days per week (80% of a full-time worker's time) represent 63% of part time employees. French "intermittent" contracts are not considered as part time employees.

Some activities of Technicolor experience seasonal peak workloads (such as DVD Services) and require significant interim (agency workers) and temporary (fixed-term) workers to support client requirements, mainly in the distribution and warehouse sites, in addition to overtime. These seasonal workers are typically directly hired over a period of a few months (temporary) or contracted through a third-party labor services Company (interim), while overtime is more achievement-related and is used to complete very time-limited peak activity (manufacturing or project development achievement). Interim workers are not included in the year-end Group headcount figures as they are not employees of the Group. The main countries employing seasonal workers are the United States, Mexico, Poland and to a lesser extent Canada and Australia.

Production Services activities such as Visual Effects, Animation and Post-production are mainly project-driven activities and project staffing relies for a significant part on fixed-term contracts (including "Intermittents" contracts) to be able to adapt team skills mix, experience and size to the requirement and the timeline of the productions, as this is the common rule in this industry. Although we are fully dependent on the timeline of our customers, we strive to reduce the percentage of the fixed-term contracts in our workforce and to increase proportionally the percentage of permanent employees.

Overall, seasonal interim workers represent about 5,414 full time equivalent jobs while at the peak they may more than double the number of workers present on the relevant sites.

Fixed-term contracts and "intermittents" represent about 2,720 full time equivalent jobs across the Group activities.

Across Technicolor, total overtime represents about 598 full time equivalent jobs.

Working time is managed in the Group's various sites *via* software such as ProTime, ADP, Punchout, Kronos, Sisnom and Casnet. There are also some additional manufacturing related tools that track working time such as ScheduAll, Laserbase and CETA.

	2018	2017	2016
Average number of part time employees	205	285	350
% of part time employees working at least half time	96%	97%	97%
% of part time employees working at least 4 days per week	63%	57%	50%
Full time equivalent number of fixed term contract (including "intermittents")	2,723	2,890	2,600
Full time equivalent number of agency workers	5,414	5,960	6,250
Full time equivalent of overtime (including "intermittents")	598	580	700

Full time equivalent worker generally means 2080 hours worked in the calendar year.

5.2.3 Diversity and inclusiveness

GRI *[103-1 Diversity and equal opportunity] [103-2 Diversity and equal opportunity] [103-3 Diversity and equal opportunity] [103-1 Non-discrimination] [103-2 Non-discrimination] [103-3 Non-discrimination] [405-1] [406-1]*

DIVERSITY & INCLUSION IN THE WORKPLACE

End of 2015, a global plan for Diversity and Inclusion was launched. The objective of this plan is to improve globally our processes to ensure that practices are not discriminatory at any stage in the Group, but also to promote a mindset of openness and inclusiveness globally and a willingness to bring support and assistance to persons or groups who may be under-represented compared to their regional demographics. The 4 key areas of the plan are gender diversity, disability, aging, and ethnicity.

During 2018, at the Group level, work continued to focus on action planning and internal communication and awareness building, while several business units launched programs and networks related to diversity and inclusion in alignment with their workforce requirements. More specifically, in Production Services, a pledge was developed to ensure all groups of people are fairly represented within each brand, to use the Technicolor Academies to actively change diversity in the short-term, and to work long-term with education and industry event to improve the awareness of VFX as a career option for all groups.

GENDER DIVERSITY

A first program was launched in 2014 under the sponsorship of the Executive Committee (EXCOM), in order to better balance gender diversity and increase the ratio of women in business roles, management levels and leadership pipeline. Actions were put in place through a full range of processes and progress continued during 2018:

- three women are members of the EXCOM, representing 25% of the total number of members on December 31, 2018. At Management Committee (MCOM) level, five women are members, reaching 33% of the total number of members including EXCOM members;
- a recruitment policy was adopted to encourage gender diversity in senior management positions: Technicolor requires recruitment and personnel search professionals worldwide to ensure that the curriculum vitae of at least one qualified woman is included in every list of finalists submitted for open senior management positions within the Company;
- leadership talent criteria are adapted to secure equity between men and women in leadership positions; gender diversity is integrated in Division's Talent reviews, which outcomes are presented to EXCOM, including dedicated action plans as needed.

In addition, initiatives to promote gender diversity are encouraged locally as in India, France, the UK, Poland and Australia:

- in India, the local Women's Network continued to build momentum and several specific events were held during the year 2018 such as one week of Women's Day celebration, a keynote speech by eminent Women leader Ms. Shanthi Menon, and Women's Discussion Circle sessions. Technicolor India also developed Service line specific employee referral programs which help in attracting more Women talent to have a balance in gender diversity. Women participation in all the training initiatives across Services lines has been ensured to prevent creation of skill gap. Also, women are actively encouraged to participate in all initiatives like Employee engagement activities, health and wellness programs and training sessions for overall personal and career development;
- in France, an agreement was reached in 2016 about "Gender Equity." It includes compensation alignment between men and women, with a dedicated budget, training for managers to appreciate gender diversity, training to support women in developing their leadership and promoting their career. During 2018, about 43 changes in compensation for women and 13 changes for men were introduced as part of the Gender Equity program actions. Technicolor ranked 11 in 2018 in the yearly ranking for gender diversity in the governance bodies of French companies (SBF120);
- in the UK, The Mill hosted a panel and training event on International Women's Day that involved schools and Talk Radio's 'Badass Women's Hour', with workshops focusing on freelancing, leadership, and empowerment. The Balance program, a global initiative focusing on improving gender diversity within operations, continued and currently at Film and Television VFX (FTV) service line (MPC Film, MrX, MillFilm). At least half of the Senior Management Team in each location is female and slightly more in the overall leadership team. All FTV locations continued work with local Balance (diversity) committees during 2018 representing gender, LGBTQ, culture and ethnicity. Committees meet on a bi-monthly basis to discuss initiatives, with regular interviews, video updates and events promoted on our company Intranet to help reinforce our messaging and celebrate our diversity. The hiring target for Technicolor Academy remained at 40 percent women. A 50-50 gender split was achieved during 2018 for entry-level staff hiring at MPC Advertising. As part of FTV, Mill Film achieved an overall 43% women talent hiring target during its first year. A Diversity and Inclusion component was added to MPC's periodic engagement survey, and gender-neutral washrooms were facilitated worldwide;

- in Poland, women candidates make up at least 50% of the short list for any open permanent position, and the industrial operation actively manages lifestyle expectation concerning shift duration, physical capability, on-site restaurant offerings, and social events. Women are represented in the same proportion as employment for the site's stakeholder representatives Committee, which reviews operational changes and provides input to management;
- In Australia, Women in Leadership workshop was held to stimulate women in leadership roles.

EMPLOYMENT AND INTEGRATION OF DISABLED PEOPLE

Depending on national legislations, legal requirements to integrate disabled persons or to hire a specified number or percentage of disabled employees, and thus the definition of a disabled employee, may strongly vary, or may not even exist. Also, labeling, categorizing, or making a record of an employee as disabled may be legally prevented in certain countries or subject to the individual authorization by each concerned employee who may refuse. Therefore, statistics cannot reflect the reality with accuracy.

However, beyond the legal requirements when they exist, Technicolor strives to adapt our working places, including factories, to provide equal employment opportunities with no discrimination against disabled people with regard to hiring, training, allocation of work, promotion, or reward, and seeks to eliminate employment barriers and to accommodate disabled employees. In that regard, employment of disabled is part of our non-discrimination policy, and Technicolor has been and continues to be willing to integrate different needs including modified duties, adapted hours, and adapted workspaces:

- in France, agreements were signed during 2016 with labor representatives in support of Technicolor's "Mission Handicap – France" program, which was launched during the second half 2016 and focuses on four critical aspects: increase recruitment of persons with disabilities, provided their competence is in line with the position requirements; encourage job retention and career development of employees with disabilities; develop knowledge and expertise on disability within Technicolor through training and coaching; and increase the use of disabled people from service providers. End of 2018 confirmed 5 persons recruited;
- in Canada, Technicolor policy recognizes and promotes the hiring of persons with disability, and all staff participate in awareness sessions or periodic refresher training;
- in Australia, Technicolor partnered with a disability employment agency to hire employees with disabilities, and placements are on-going;
- in the UK, a joint industry network continued under the name of Access: VFX, with the guiding principle of promoting diversity and inclusion in the VFX industry. The Mill and MPC are both key correspondents in the Access: VFX launch, including hosting seminars and workshops on-site for small groups of targeted individuals. The Mill also participated in two 'Industry Connect' speed networking and skills-based events that targeted BAME (Black Asian Minority Ethnic) and talent who are disabled;
- in Poland, Technicolor extended efforts into families of workers who care for children with disability, providing increased benefits to the family *via* the worker in these cases.

5.2.4 Business transformation and social dialogue

GRI *[103-1 Labor/Management relations] [103-2 Labor/Management relations] [103-3 Labor/Management relations] [103-1 Freedom of association and collective bargaining] [103-2 Freedom of association and collective bargaining] [103-3 Freedom of association and collective bargaining]*

TRANSFORMATION PLANS

GRI *[404-2] [413-2]*

Due to the continuous changes in the Media & Entertainment industry and its associated Technicolor business divisions (e.g., cinema distribution, dubbing), Technicolor divested in the past years from several domains with the objective to sell such businesses to an external party. When such sale of the impacted activities was not achievable, the Group committed significant resources and support, according to its existing policies, in order to mitigate the impact for the concerned stakeholders.

Several activities of the Group are subject to fast changing competitive environments requiring regular adaptation of their organization and of the production tool.

A transformation plan of the Connected Home segment has been launched to adapt globally this activity and to match with the drastic industry and market changes (see section 1.2.1.3). This plan was implemented worldwide and strives to minimize the impact on the employees. A dialog was engaged with the employees' representatives, where present, about the transformation plan and its accompanying measures in order to promote a contractual approach.

The DVD Services division strives to anticipate the evolution of the DVD markets and to optimize progressively its operation footprint (see section 1.2.1.2).

LABOR RELATIONS

GRI *[102-41]*

Labor relations with Technicolor employees are the responsibility of Site managers in each country with the support of Human Resources.

With respect to its European operations, Technicolor entered into a labor agreement with a European council of employee representatives (the "European Council") confirming the Group's labor practices. This council, which meets several times each year, comprises union representatives or Members of local works councils in European countries.

The European Works Council is composed with:

Country	Number of European Works Council seats
Belgium	1
France	3
Poland	1
United Kingdom	3

Technicolor's European Works Council is a supranational body, the purpose of which is to address topics of a transnational nature. The European Works Council is informed of Technicolor's European operations in respect of personnel, finance, production, sales, and research and development, and their impacts upon employment and working conditions. It is also informed of major structural, industrial and commercial changes as well as organizational transformations within the Group. It met one time in 2018.

In accordance with applicable law in the European Union, Technicolor's managers of each European country meet annually with labor organizations to discuss remuneration and working conditions.

In accordance with domestic laws, data regarding the level of unionization is not available in most European countries (the laws in these countries do not allow this type of statistic to be published). In 2018, Technicolor entered into 26 collective bargaining agreements: 1 in Australia, 1 in Belgium, 2 in Brazil, 2 in Canada, 15 in France, 3 in Mexico, 1 in the United Kingdom and 1 in the United States of America.

In several countries, collective bargaining agreements are negotiated on a pluriannual basis (three years or more), and therefore agreements may not have to be renewed in 2018 in certain countries, due to this calendar.

5.2.5 Safety at work

GRI *[102-44] [103-1 Occupational health and safety] [103-2 Occupational health and safety] [103-3 Occupational health and safety] [103-1 Training and education] [103-2 Training and education] [103-3 Training and education] [403-1] [403-2] [403-3] [403-4] [403-5] [403-6] [403-8] [403-9] [403-10] [404-1]*

An effective occupational Health and Safety (H&S) program, as defined by Technicolor, looks beyond specific requirements of law to address all hazards. The aim of the occupational health and safety program is to prevent injuries and illnesses, whether or not compliance is an issue. The Group believes that the necessary elements of an effective program include, at a minimum, provisions for systematic identification, evaluation, and prevention or control of general workplace hazards, specific job hazards, and potential hazards that may arise from foreseeable conditions.

Technicolor's health and safety programs are designed to identify potential risks and take appropriate prevention and severity reduction measures. Accident and injury prevention programs include active local Safety Committees and specialized task forces, job safety analysis, written plans and procedures, employee training, monitoring for potential chemical, physical, biological, and ergonomic risks, inspections and audits, incident investigations and the implementation of appropriate corrective actions.

CHARTER, POLICIES AND GUIDELINES

Standards and direction begin with Technicolor's Code of Ethics and then flow to the EHS Charter, authorized by top management. After that comes a library of more than 50 EH&S Policies and Guidelines, beginning with the Health and Safety policy, supported by numerous topical guidelines such as hazard communication, personal protective equipment, or emergency preparedness.

The EH&S Charter has been translated in six languages and is available on the Group's Intranet, along with all the EH&S policies and guidelines.

TRAINING

Technicolor understands that each employee has the ability to impact Environment, Health and Safety (EH&S) efforts and performance, thus it is critical that they are provided with the appropriate tools, resources and knowledge. EH&S training programs develop awareness and skills that allow employees and contractors to perform their jobs in such a manner that will not only ensure compliance with appropriate laws, regulations and policies, but also so that they may prevent accidents which may lead to injuries or harm to the environment. Training programs are evaluated during the EH&S Audit process and are a core requirement in the EH&S performance measurement process. In 2018, 42,712 hours of EHS documented training reported through the EHS reporting system (*Enablon*) on a wide variety of environmental and safety compliance and protection, injury prevention, emergency preparation and response, and occupational health topics were provided to employees and contractors throughout Technicolor.

GOALS AND OBJECTIVES 2015-2018

Related to safety at work, Technicolor established the following EH&S goals and objectives for the Group, to be met by its worldwide operations by the end of 2018:

- 5% annual reduction in incident rate;
- reporting to satisfy GRI (Global Reporting Initiative) Sustainability Reporting Standards.

SAFETY PERFORMANCE

What follows are results of key safety metrics that were tracked in 2018.

In 2018, Technicolor experienced a 13% decrease in work-related injury and illness incident rate(1) from 1.14 in 2017 to 0.99 in 2018. The work-related lost workday incident rate(2), increased 9% to 0.58 from 0.53 in 2017.

Technicolor records all days lost due to work-related injuries or illnesses as calendar days, beginning on the day after the injury or illness occurs. Severity is viewed using a variety of definitions, from French regulatory definition which equals average number of days lost per 1,000 hours worked (0.061), to average lost days per incident (12.4), to average lost days per equivalent full-time worker (0.121).

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(1) *Work-related injury and illness incident rate is calculated as number of injuries and occupational illnesses per 200,000 hours worked.*
(2) *Work-related lost workday incident rate is calculated as number of lost workday injuries and occupational illnesses per 200,000 hours worked.*

WORK-RELATED INCIDENT RATES FOR 200,000 HOURS WORKED

	Injury and Occupational Illness		Lost workday incident for Injury and Occupational Illness	
	Number of Incidents	Rate(1)	Number of Incidents	Rate(2)
2016	215	0.96	102	0.46
2017	243	1.14	114	0.53
2018	225	0.99	132	0.58

(1) Work-related injury and illness incident rate is calculated as number of injuries and occupational illnesses per 200,000 hours worked.
(2) Work-related lost workday incident rate is calculated as number of lost workday injuries and occupational illnesses per 200,000 hours worked.

2018 INCIDENT RATE AND LOST WORKDAY INCIDENT RATES FOR 200,000 HOURS WORKED

	Injury and Occupational Illness		Lost workday incident for Injury and Occupational Illness	
	Number of Incidents	Rate(1)	Number of Incidents	Rate(2)
Connected Home	3	0.17	3	0.17
Entertainment Services	220	1.08	127	0.63
Corporate & Other	2	0.30	2	0.30

(1) Work-related injury and illness incident rate is calculated as number of injuries and occupational illnesses per 200,000 hours worked.
(2) Work-related lost workday incident rate is calculated as number of lost workday injuries and occupational illnesses per 200,000 hours worked.

LOCAL INITIATIVES

There were many notable H&S achievements during 2018 and several of them are summarized below. In industrial locations, the prevention of physical injury remains the focal point when reducing hazards around the operational areas and warehouses. At non-industrial sites, many initiatives and programs were implemented to improve working condition, to address specific risks, and to develop well-being while ensuring the safety of the workplace.

Successful programs to improve health and safety have continued with the Mexicali site awarded the certificate of “Empresa Segura” by the government for the third year in a row. In Tultitlan, the site continued to relay national health campaigns to the workers. Physical security was improved in Melbourne with new railings and walkways to prevent fall from heights in a mezzanine. In Piaseczno, a new safety shower was installed near the battery charging room. In Rugby, a new “Health Scheme” is proposed to employees whereby counselling is offered on a variety of topics to reduce work-related and non-work-related stress, such as legal, financial and family counselling along with health and well-being advice on nutrition, addictions, all available through a 24-hours service.

In non-industrial sites, of particular note, a PoSH (Prevention of Sexual Harassment) project was launched in Bangalore to foster awareness on health and safety issues across all Indian sites. Office ergonomics assessments and action plans were conducted in many locations with purchase of a few additional sit-stand desks such as in The Mill in Los Angeles. The Chennai site put in place a series of health events such as yoga workshops, eye and dental camps, and Friday fitness sessions. In Montreal Mikros as well as in the Paris new site, snacks and soda dispensers were removed and fruit and healthy foods introduced.

Technicolor sites facilitated a variety of community outreach and employee protection initiatives in 2018, including medical exams, vaccinations, flu shots, blood drives, wellness programs, massage, yoga, ergonomic evaluations, first aid training, holiday adoptions, collections for food, clothing, and eyewear, and other cash, product, and time donations.

5.2.6 Absenteeism

Absences are generally defined on an annual basis in terms of holidays, vacations, personal and family medical leave or other possible unplanned absence such as jury duty, or as may be specifically described by bargaining unit contract, employment contract, or regulation. Throughout the year, each employee categorizes any absence according to its definition, and all absences are subsequently reviewed and approved inside the applicable working time tracking software solution.

The average rate of employee absenteeism for sickness and unauthorized absence at the Group level in 2018 was 3.2%.

	2018	2017	2016
Absenteeism rate (%)	3.2%	2.8%	2.6%

ABSENTEEISM METHODOLOGY

Population coverage: 99% of the employees are covered for the calculation. All employees with an active and not terminated working contract with Technicolor are included in the scope (interns, apprentices, contracted workers, employees under a notice period are excluded).

Absence reported: paid and unpaid medical leave up to 12 continuous week of absence, work accidents absence, short-term and long-term disability if employment working contract is not suspended, unauthorized absences – Unpaid leave/absence – other unjustified unpaid absence. All other categories of absence are not included.

Absenteeism rate divides volume of recorded absence (days) by the product of theoretical number of days worked during the year and the monthly full-time equivalent average headcount of the covered population.

5.2.7 Community impact and regional development

GRI *[102-40] [102-42] [102-43] [102-44] [103-1 Indirect economic impacts] [103-2 Indirect economic impacts] [103-3 Indirect economic impacts] [103-1 Training and education] [103-2 Training and education] [103-3 Training and education] [103-1 Local communities] [103-2 Local communities] [103-3 Local communities] [202-2] [203-1] [203-2] [404-2]*

Technicolor strives to hire locally most of its employees in order to sustain local employment. Technicolor's locations are usually in very large cities and surrounding metropolitan areas and, as a result, Technicolor holds a minority employer position in most employment areas where it is located and has limited direct local economic influence. However, Technicolor employment may sometimes represent, at the regional level, a significant percentage of the related industry, due to its leadership position and the specific skills required for its business.

Therefore, where there is a local talent shortage requiring the hiring of employees from abroad, in addition to its internal Academy training initiative, Technicolor supports the regional development or expansion of education bodies targeting the required skills. Technicolor also contributes actively and dedicates time and resources to industry associations and to cooperative initiatives aiming at developing education and employment at the regional level (Canada, France, UK, India). As part of these cooperative actions, Technicolor representatives chair France and Québec film industry associations, and one Film school.

Technicolor focuses its involvement in community initiatives on digital artist education. In addition to its support to the Training Academies (see section 5.2.7.1), and to the close and sustained relationships established by our studios with the major visual effects and animation schools and universities, the Group supports broader educational initiatives to give opportunities to young talent to access studios and to develop their skills: training students in schools, Master classes, Educator's week, consulting of curriculum design, online tests for potential trainees, and supporting third-party digital artists schools. Pilots have been launched to target less favored communities to recruit and train talents.

In 2018, an apprenticeship scheme pilot in London was set up to focus on working with local schools in less advantaged areas to support our campaign around diversity and to have a program to support our entry level talent. We have partnered with a provider to set up the program over 12 months where 20% of participant's time is on learning. The program is designed to take participants through business-based learning modules. We are looking to expand and develop this scheme further in 2019 and it supports our campaign around diversity. In 2019, we will be looking at setting up a grad scheme to help support the next generation leaders and producers.

The Group supports also the India Foundation for the Arts to help advance projects of cinematographers, with two projects currently underway. The Group also partnered in India with the Attakkalari Foundation to co-create a conference on 'Poetics of Technology in Performance'. In partnership with Oxfam India, Technicolor supports schools' engagement initiatives about recycling and painting activities.

It also continues to support activities in various environments relating to the world of film: launching festivals for new talent, supporting charities, and developing new experimental technologies or supporting joint initiatives with students to foster product and service innovation.

5.2.7.1 THE TECHNICOLOR ACADEMY

Technicolor Academy's Creative Academies (formerly MPC Academy) is a global initiative of the Group to help bring new talent into the Visual Effects business. It is an in-house finishing school. We hire candidates with some education in a specialty within our field, and work with them until they are ready to work on feature film Visual Effects. In 2018, MPC Film Academy transitioned to Technicolor Academy, with the aim to support the business units that form Technicolor's Film and TV Service Line which includes Mr. X and Mill Film as well as Mikros.

With continued growth in the Montreal, London and Bangalore studios, the launch of a new Adelaide studio continues to create large demands for talent. The educational institutions in these areas do not graduate talent with the necessary skill sets in the quantity demanded by the industry. In response, the development and expansion of the Creative Academies aim at developing our own talent. We created in-house training space with industry standard equipment in Montreal, Adelaide and Bangalore. We offer paid employment where individuals will spend from 6-12 weeks in full time training. Those who graduate transition into their department where they begin to work on feature films.

Our first Creative Academy in our Canadian studios was in the autumn of 2014 and in our Indian studio mid 2015, with Adelaide & London starting in 2018. The departments we have trained for are compositing, lighting, FX, Digital Matte Painting (DMP), Animation, Roto Prep, Assets, Software and match-move. Since this project began, the training team has trained over 1,000 artists and developers globally. The project has been a success and continues to be a central part of our talent strategy especially as we explore new territories. It represents an excellent opportunity for young people in the communities in which we operate to break into the film Visual Effects business. It is challenging to get a chance to work in Visual Effects and the Creative Academies opens the door and provides this opportunity. It is an investment not only in our own future talent, but in the communities where we operate. Access is not limited to the national citizens, but open to talent around the world, wherever they come from. We have welcomed Academy students from Mexico, Brazil, Thailand, Columbia, Indonesia, China, Japan, Korea, together with India, North American and Europe. Hundreds of young people, who may not have otherwise been given a chance, have been provided an opportunity to join our creative community. They have the support of a full-time trainer in the department they are preparing for, and they are given detailed feedback along the way so they understand what they need to do to succeed.

A big proportion of those hired into the Academy have graduated and continued on to employment within MPC Film, Mr.X and Mill Film. Many have received subsequent contracts and others have gone on to work for our competitors; we see that as a validation of the success of the Creative Academies. As Visual Effects is a show-based cyclical business, artists tend to be contract based and move between a variety of companies on different projects. We believe that since we took a risk and invested on emergent talent and created an excellent experience for their entry to the business, that they are likely to return to one of Technicolor's Film and TV business units because of the loyalty inspired. Overall, this program allows us to contribute to local economies and employment and can help grow a larger available talent pool for the industry cluster.

We aim to source a significant proportion of our future junior talent in compositing, lighting, FX and DMP, Assets, Animation and Roto Prep from Academy graduates. Our heads of department have expressed satisfaction with their performance, and we have many cases of Creative Academies graduates performing well above expectations.

We see this as a partnership between the Group and local education establishments which helps make the countries we work in attractive to creative talent. To this end, further steps are being taken to better prepare students while they are still in school. Through the robust 'Education Partnerships and Engagement strategy', we continue to work with c.30 local colleges and universities to build an affiliation basis and offer our help to better prepare their students to work in Visual Effects. Subsequent events have been held in Montreal such as "Educator week", consulting in Curriculum design, Master classes.

Our Creative Academies represents both a central strategic talent initiative and a way for the Group to give back to the community. It helps bring social and economic benefits to the cities we work in as every Academy student will need to live, travel, eat and play in their communities. As these communities become recognized as great places for creative talent it will attract new work and companies as well as stimulate other spin-off businesses. It is a great example of a win-win situation where doing the right thing is also good business.

5.2.8 Relations with external stakeholders

GRI *[102-21] [102-40] [102-42] [102-43] [102-44] [103-1 Indirect economic impacts] [103-2 Indirect economic impacts] [103-3 Indirect economic impacts] [103-1 Training and education] [103-2 Training and education] [103-3 Training and education] [103-1 Local communities] [103-2 Local communities] [103-3 Local communities] [103-1 Public policies] [103-2 Public policies] [103-3 Public policies]*

Technicolor's main activities are in the field of Entertainment Services and Connected Home devices. They require creative talents for innovation of technologies and services and for development of products. This leads Technicolor to maintain relationships with a variety of key stakeholder groups to ensure growth and sustainability of its businesses, primarily:

- clients and customers;
- investors and shareholders;
- education bodies;
- communities;
- suppliers and subcontractors;
- public authorities.

Within these general categories, specific stakeholders are identified as engagement opportunities based on their nearness to or connection with critical aspects of Technicolor (people, products, services, or property). Dialog may take place in a variety of ways, such as face-to-face meetings, memberships, surveys, contracts, or public event/forum/webinar/panel, as detailed in the below descriptive examples.

Customer satisfaction is monitored and managed through regular face-to-face structured meetings with individual customers and executive review of any customer complaints for all activities. In addition, Connected Home also drives customer satisfaction surveys (15 in 2018) for its activities as they involve a large number of customers. Findings of these surveys and meetings are used to correct processes and improve relationships and quality of products and services.

We maintain strong relationships with our shareholders and investment community. Technicolor participated to 311 events (roadshows, conference calls and conferences), met 312 institutions (institutional investors) and had 41 contacts with analysts during the course of the year. Overall Technicolor handled 375 meetings or calls with investors and analysts over the course of the year.

Long-term cooperation with education bodies is key for fast growing and/or changing business domains to enable Technicolor to access to young highly educated talent pool whose skills fit with our requirements. See section 5.2.7.

Technicolor maintains close relations with local communities in order to limit the impacts of the Company's industrial activities on the local environment (e.g. noise pollution, light pollution, air pollution and road traffic). The Group strives to take the necessary steps in these contexts in order to achieve a satisfactory outcome for all concerned.

Relations with suppliers and subcontractors are described in section 5.3.1 as well as in the Vigilance plan (section 5.10)

Technicolor continues to develop trusted relations with public authorities where it operates in order to secure a favorable business, social and technological environment. Such relations are managed either directly or indirectly through industry associations, and follow strictly our business ethics rules, especially competition and anti-bribery rules as well as transparency through the national registration processes of declaration of interest.

5.3 HUMAN RIGHTS AND WORKING CONDITIONS

GRI *[102-12] [102-13] [103-1 Procurement practices] [103-2 Procurement practices] [103-3 Procurement practices] [103-1 Supplier environmental assessment] [103-2 Supplier environmental assessment] [103-3 Supplier environmental assessment] [103-1 Occupational health and safety] [103-2 Occupational health and safety] [103-3 Occupational health and safety] [103-1 Child labor] [103-2 Child labor] [103-3 Child labor] [103-1 Forced or compulsory labor] [103-2 Forced or compulsory labor] [103-3 Forced or compulsory labor] [103-1 Human Rights assessment] [103-2 Human Rights assessment] [103-3 Human Rights assessment] [103-1 Supplier social assessment] [103-2 Supplier social assessment] [103-3 Supplier social assessment]*

Technicolor closely follows the international principles laid out in the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work in its approach to Ethics and Social Responsibility, a standard reinforced in the Group's Ethics policy and in its membership with the UN Global Compact. In this way, the Company pledges to ensure freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor and elimination of discrimination in respect of employment and occupation. These principles carry through into the supply chain, and supplier compliance with the Company's policies and principles relating to ethics and human rights is monitored through a Supplier Ethics and Social Responsibility program or as part of the compliance activities aligned with Technicolor's membership in the Responsible Business Alliance.

Technicolor has been a Member of the United Nations Global Compact since 2003. The Global Compact is a United Nations initiative which challenges Member companies to align their operations and strategies around 10 universally accepted principles in the areas of human rights, labor standards, environmental practices and anti-corruption and to develop best practices in these fields. Technicolor seeks to comply with the highest ethical standards, to take into account the legitimate and ethical interests of all its stakeholders as well as the United Nations founding principles and each year submits a Communication on Progress as part of its support and engagement in favor of the Global Compact. The Communication on Progress is available as part of the Sustainability report on the Group's website at the following location under the Governance and Ethics section:

http://www.Technicolor.com/en/corporate-social-responsibility

Since 2017, Technicolor is member of the Responsible Business Alliance (formerly Electronics Industry Citizenship Coalition) after having implemented its code of conduct in 2016.

5.3.1 Human Rights and working conditions in the supply chain

GRI *[102-9] [102-12] [102-44] [308-1] [308-2] [403-7] [406-1] [407-1] [408-1] [409-1] [412-1] [412-2] [412-3] [414-1] [414-2]*

Through meetings, contracts, and other methods of formal communication, the Group shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by Human Rights laws and standards, and strives for continual improvement in their environmental management systems, processes and products.

Technicolor requires its suppliers and sub-contractors to actively support its EH&S Principles. Suppliers are required to comply with the legal requirements and standards of their service or industry as applicable under the national law of the countries in which they operate. Technicolor suppliers and sub-contractors also ensure the compliance of their components and products with specific legal requirements applicable in the countries where their products are being sold.

Beyond raw material and component purchasing, the main areas where Technicolor subcontracts production and services are the manufacturing of set-top box and gateways of the Connected Home segment, and part of the logistics of the DVD Services division in Europe. In addition, to manage seasonal peak workloads within DVD Services, Technicolor uses contracted labor services to provide additional workforce on packaging and distribution sites.

To ensure that suppliers respect established principles, and as part of Technicolor's Supplier Ethics Program, since 2003, Technicolor sourcing management:

- defines a list of high-risk commodities and countries;
- determines when ethics audits, always performed by Technicolor selected auditors, are required;
- requires all suppliers to sign the General Rules of Conduct Compliance Certificate;
- periodically reviews all suppliers according to the Technicolor Suppliers Ethics Handbook/Checklist procedure.

The Technicolor Supplier Ethics program:

- ensures that Technicolor suppliers respect our policies and program requirements;
- promotes economic and social welfare through the improvement of living standards and support for non-discriminatory employment practices. Technicolor actively seeks suppliers with similar interests and ethics commitments.

Suppliers are expected to adhere to these basic principles:

- tolerate no discrimination and encourage diversity;
- promote best working conditions;
- use no child or forced labor;
- protect peoples' health, safety and the environment;
- support employee development;
- respect fair market competition;
- strive to be a good corporate citizen;
- respect consumer and personal privacy;
- avoid potential conflicts of interests.

59 on-site Supplier Ethics audits were performed in 2018 by Technicolor concerning 53 sites as some sites have been audited two times. Through these audits and other methods, Technicolor shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by human rights laws and standards, and strive for continual improvement in their environmental management systems, processes and products. During the audit process, instances of child labor are classified as "critical," resulting in an immediate stoppage of business. Audits revealing employee discrimination, forced labor, safety violations, permanent disabilities or fatal injuries are classified as "major," and require immediate corrective action.

Only 1 audit revealed a critical violation that was child labor related. 79% of detected violations relate to health and safety, and 12% to working hours. Health and safety violations represent 90% of major violations, while the remaining categories of major violations detected are discrimination, young workers and compensation by decreasing order.

In addition to this approach, focused on suppliers evaluated as "high risk", Technicolor added a more systematic risk assessment of suppliers in 2018 with the implementation of the EcoVadis assessment platform for suppliers representing a yearly spending of more than €1 million. Such category represents 91.7% of the total spending of the Group.

Suppliers representing about 55% of total spend of this category of Technicolor's suppliers are already assessed by EcoVadis.

The primary sub-contracting scope within the Group is within the Connected Home business, where sub-contracting represents the majority of units sold, and thus almost all audits originating as part of the Supplier Ethics program are targeting suppliers and sub-contractors for the Connected Home business as sub-contracting is very low profile in Entertainment Services and Technology. Conversely, the year-end seasonal labor peaks are strongly represented in Entertainment Services and the Group ensures that all temporary workers receive all required EH&S training, information, and equipment for their responsibilities, no matter how limited the duration of employment, the same as any other worker within the Group.

Technicolor monitors key performance indicators according to SA8000 criteria for key active electronics manufacturing service partners to ensure they comply with Corporate Social Responsibility regulations and practices. Technicolor Sourcing gives preference to suppliers who have achieved ISO 9001 certification and who are certified to meet such EH&S standards such as ISO 14001 and OHSAS 18001.

Additionally, the *Responsible Business Alliance* (RBA) may perform on-site audits to monitor and verify the implementation of the RBA code of conduct.

Mindful of regulations banning or restricting certain chemical substances, Technicolor implemented a process for obtaining and tracking information about its suppliers. This system allows for the identification and estimation of relevant chemical substances in Technicolor's products and ensures that banned substances are not included.

5.3.2 Fight against harassment and discrimination

GRI *[103-1 Diversity and equal opportunity] [103-2 Diversity and equal opportunity] [103-3 Diversity and equal opportunity] [103-1 Non-discrimination] [103-2 Non-discrimination] [103-3 Non-discrimination] [406-1]*

A diverse workforce is a business imperative to Technicolor in its competitive environment. It must be able to recruit and retain the most talented candidates from a broad range of disciplines and experiences. Technicolor's policy is not only to provide equal employment opportunity without regard to race, sex, religion, national origin, age or disability status, but also to fight actively against harassment and discrimination that are illegal and also hamper our ability to perform and to retain talented employees.

Beyond existing legislations, we strive to track pay discrimination cases between women and men and to reduce such gaps. An improved gender pay gap analysis process based on current and revamped business' job architectures is under preparation to identify and help to prevent pay gap creation at every step of womens' career.

The non-discrimination and equal employment opportunity policies, based upon the Ethics Charter and locally augmented according to specific legal requirements if needed, including the anti-harassment policy, are implemented at all Technicolor sites.

In addition to the role of the management, detection of discrimination cases also relies on the whistleblower policy allowing any employee to confidentially disclose their situation or the situation of a co-worker, without fear of publicity or adverse reaction. Such cases are reported to the Ethics Committee and investigated. Some countries implement in addition an official trust person or advocate for employees if there is a discrimination issue. Overall, 36 cases of discrimination and harassment were reported in 2018, reflecting the impact of awareness campaigns about harassment.

In several countries, managers and supervisors are provided Legal awareness training sessions about anti-harassment and non-discrimination. Several new or on-going initiatives were active during 2018:

- in India, a PoSH (Prevention, Prohibition and redressal of Sexual Harassment at workplace) liability survey and awareness and training campaigns with all the service line management teams and key talent was conducted. Based on the survey results, an experiential training on "unconscious bias" was conducted for the leadership team. PoSH internal complaint committee (IC) was revamped with on-boarding a new external consultant, and all were inducted to the complaint handling process. In continuation of this, all the employees were trained on PoSH with the help of video-based modules, and awareness posters were put up on the notice board at all floors. This training covered employees from all the service lines at Bangalore and Mumbai (Trace VFX). 1242 employees attended such training through 33 sessions. Through various avenues, we continue to educate employees on the unconscious bias. In India, the practice continued to make provision for mutually agreeable extension of employment for senior workers, past the national retirement age of 58. The Bangalore operation also provides a written document concerning local community conditions and advice for new workers moving in from other areas. Partnering with Oxfam India, the Technicolor team supported 98 local teams in the 2018 Trailwalker "Walk for Equality" event, with walks of 50 and 100 km over three days, while also staffing a checkpoint along the route for support and hospitality during the 3-day event;
- in France, the "generation contract" initiative to enhance employment of juniors and maintain employment of seniors continued;
- in the UK, in the Film and Television VFX (FTV) Service line, equal opportunities policy is part of the employee handbook and of the induction for all new starters. Regular training on mental health awareness & unconscious bias have been delivered to prevent discrimination. FTV held a week of activities focused on ethnicity during National Inclusion Week, and also continued to support social clubs at each location, named MPC Pride, open to everyone, focusing on being a welcoming space for all LGBTQ workers at MPC;
- in Australia, workshops were facilitated for Women in Leadership, to inspire current and future female leaders in the workplace. Development needs were discussed, and personalized succession plans developed. Additionally, the business sponsored a woman in Nigeria for participation in a year-long social and economic empowerment program that proves marginalized women with the opportunity, often for the first time in their lives, to come together in classes of twenty-five women to build support networks, to share experiences, to learn critical skills, and to access new resources.
- in France, Mikros supported *La Fondation des Femmes* in the production of its broad public audience spots (TV and web) for Women's Day on March 8 and the fight against harassment and violence against women.

5.4 CLIMATE CHANGE

GRI *[103-1 Energy] [103-2 Energy] [103-3 Energy] [103-1 Emissions] [103-2 Emissions] [103-3 Emissions] [201-2]*

This report provides an overview of the activities that Technicolor is taking to fulfill its responsibilities as a global corporate citizen with respect to Climate Change. As such, Technicolor is reporting on what it has determined to be the most significant aspects and impacts, both globally and by business unit, for the fiscal year 2018.

Climate change is integrated into Technicolor's business strategy along two primary axes: development of eco-friendly products and services and infrastructure improvements to reduce emissions or to maintain performance when faced with climate impacts. The development strategy has Technicolor joining or leading various industry groups, regulatory committees, or trade collaborations as a way to find or to create improvements and manage them into the product or service offerings. The infrastructure strategy is to seek out improved efficiencies in technology or human process/behavior.

CHARTER, POLICIES AND GUIDELINES

Standards and direction begin with Technicolor's Code of Ethics and then flow to the Group's EH&S Charter, authorized by top management. After that comes a library of more than 50 EH&S Policies and Guidelines, beginning with the Environmental Policy, supported by numerous topical guidelines such as resource conservation and pollution prevention.

The EH&S Charter has been translated into six languages and is available on the Group's Intranet, along with all the policies and guidelines.

ORGANIZATION

EH&S is managed transversally within Technicolor and by extension becomes the duty of each Executive Committee Member, Technicolor business manager, and Site manager. Technicolor established a Corporate EH&S group in 1993 to develop, direct and oversee the development of global policies, guidelines, programs and initiatives. The Corporate EH&S organization reports to Corporate Social Responsibility, headed by the Director of Human Resources and Corporate Social Responsibility, who is a Member of Technicolor's Executive Committee. Overseeing EH&S is a Corporate manager, who directs the efforts of EH&S personnel throughout the business. Business Unit liaisons work to ensure that initiatives relevant to their particular business are shared quickly among sites with similar activity. Legal support and counsel for issues such as product safety, environmental protection and workplace safety is provided by Technicolor in-house attorneys.

It is the responsibility of the Corporate EH&S Organization to develop policies, programs, processes and initiatives to help the business meet the principles and commitments outlined within the EH&S Charter. Each Technicolor location identifies personnel who, along with the support of local EH&S Committees, are responsible for reviewing and localizing Corporate Policies and Guidelines and applicable governmental laws and regulations, and for implementing site-specific programs and procedures which will ensure compliance and minimize the potential for their operation to cause harm to human health or the environment.

REPORTING PERIMETER AND RISK PROFILE

This report contains data from 51 operating locations, of which 14 are industrial. Prior year data are reported for the same locations when available, although some newly acquired sites may not have data values for years prior to acquisition or sites may have been closed or sold. By Technicolor's definition an industrial location is a facility where DVDs are produced, packaged or distributed or where any Connected Home product is made. To provide finished products and services, Technicolor utilizes purchased materials, chemicals, components, energy, and water. As a result of the products and services it provides, there are a number of potential activities that may result in adverse impacts to the environment.

Given the diversity of the Group's operations, the environmental aspects and potential impacts vary by location, thus not every location is required to report on each of the established metrics. Environmental aspects reviewed in this report include waste management (total waste generated, landfilled, and recycled), energy consumption (electricity, fossil fuels, steam, and chilled water), water consumption, air emissions (greenhouse gas emissions), main materials used, and processing wastewater effluents. The 51 sites included in this report may be reviewed in the subsection "Data Collection Method and Rationale" (5.5.5) herein.

The Corporate EH&S Organization has identified key information that is tracked and reported on either a monthly, quarterly, or annual basis. This information includes utility consumption, waste generation, recycling and disposal, air emissions, main raw materials used, and water effluent from industrial locations.

Technicolor is firmly committed to continually assessing the impacts of its facilities and products. Technicolor's goal is to continually evaluate information needs and collection processes to ensure that it remains consistent, with a focus on present activities and issues as well as anticipated future requirements.

TRAINING

Please refer to section 5.5 for Environmental training.

GOALS AND OBJECTIVES 2015-2018

Technicolor established the following climate change goals and objectives for the Group, to be met by its worldwide operations by the end of 2018:

- 20% minimum proportion of electricity coming from renewable sources;
- reporting to satisfy GRI (Global Reporting Initiative) Sustainability Reporting Standards.

5.4.1 Carbon emissions

GRI *[102-12] [302-1] [302-2] [302-3] [305-1] [305-2] [305-3]*

ENERGY CONSUMPTION

In 2018, worldwide energy use was approximately 1,368 tera joules, a decrease of about 6% compared with 2017. Of the total energy consumed, 87.7% was in the form of electricity (of which 19% was from renewable sources), 11% was in the form of fossil fuels, and 1.3% was in the form of purchased steam or chilled water. When compared to total revenue, average energy intensity was 0.342 TJ/M€ across the business in 2018.

ENERGY CONSUMPTION

	Total *(terajoules)*	Electricity *(terajoules)*	Fuel sources *(terajoules)*	Total per revenue *(terajoules per M€)*
2016	1,633(1)	1,446	183	0.334
2017	1,452(2)	1,314	124	0.333
2018	1,368(3)	1,200	151	0.342

(1) *Total energy includes about 4 TJ steam purchase.*

(2) *Total energy includes about 14 TJ steam or chilled water purchase.*

(3) *Total energy includes about 18 TJ steam or chilled water purchase*

2018 ENERGY CONSUMPTION

	Total Energy *(terajoules)*	% Total Group *(%)*	Electricity *(terajoules)*	% Total Segment *(%)*	Fuels *(terajoules)*	% Total Segment *(%)*
Connected Home	60.6(1)	4.4%	46.4	76.6%	1.3	2.1%
Entertainment Services	1,287.4	94.1%	1,138.1	88.4%	149.3	11.6%
Corporate & Other	20.4(2)	1.5%	15.0	73.5%	0.2	1.0%

(1) *Total energy includes about 13 TJ chilled water purchase.*

(2) *Total energy includes about 5 TJ steam purchase.*

GREENHOUSE GAS EMISSIONS

Upon evaluation of its operations, Technicolor determined the most significant but limited air emission contaminant resulting from the Group's operations (Scope 1) to be equivalent carbon dioxide (CO_{2eq}) associated with on-site combustion of fuels for heating and cooling, back-up power generation, fire-suppression equipment, or other typical engine-driven equipment.

In 2018, a total of 8,638 metric tons of CO_{2eq} were emitted from combustion sources within Technicolor's industrial plants and larger non-industrial locations. This figure was calculated using the 1996 Intergovernmental Panel on Climate Change (IPCC) Emission factors.

AIR EMISSION

Scope 1 emissions	CO_{2eq} *(metric tons)*
2016	10,557
2017	7,087
2018	8,638

Indirect emissions from consumption of electricity, steam, and chilled water (Scope 2) were 172,836 metric tons CO_{2eq} and were estimated using guidance and tools from the GHG Protocol (World Resources Institute (2014) GHG Protocol tool version 4.5 for stationary combustion).

Scope 2 emissions	CO_{2eq} *(metric tons)*
2016	218,386
2017	199,036
2018	172,836

Beyond scope 1 and scope 2 greenhouse gas emissions, the most significant contributions to scope 3 greenhouse gas emissions are shown below, in decreasing significance. Where quantitative estimates are shown, the values are approximate due to assumptions required and potential absence of exact knowledge for specific type of transportation equipment and fuel. Necessary assumptions are based on industry standards or surveys for collective vehicle performance or consumer behavior:

- electricity consumption during the use of Connected Home devices (set-top box and gateways) in their targeted markets during their estimated product lifetime of 7 years. The total impact of all Connected Home devices produced during 2018 is estimated to be an equivalent 1.44 million tons of CO_{2eq} during each full year of product operation. The assumed product operation that may be controlled in part by the network operator and the consumer, includes active hours during use, standby hours when not actively in use, and switched-off hours, aligned primarily with the customer habits for using their television at home. For any individual piece of equipment, the true equivalent emission will depend on the country and region of operation as emission factors vary significantly depending on electricity generation methods and sources in each country;
- raw materials and distribution of DVD and Blu-ray™ discs. The estimated impact of all inbound and outbound traffic controlled by Technicolor during 2018 for DVD products was 81,228 tons CO_{2eq};
- raw materials, manufacturing, distribution, and dismantling (cradle-to-cradle) of Connected Home devices (set-top box and gateways). The estimated impact of all inbound and outbound traffic controlled by Technicolor during 2018 for Connected Home devices was 70,755 tons CO_{2eq};
- employee commuting;
- business travel;
- data centers.

In 2018, Technicolor participated for the eleventh consecutive year in the *Carbon Disclosure Project* (CDP), targeting collaboration between large international firms and investors related to global warming. Technicolor's emissions disclosure is available on the CDP's website: http://www.cdp.net/.

DATA CENTERS

In addition to Group IT requirements, Production Services businesses related to film, video, animation, and special effects have an on-going need for fast and efficient data centers (computational capacity plus storage capacity). Technicolor uses a mix of cloud and local infrastructure to meet these requirements, depending on data security, response time, availability, and other aspects. As a first step, Technicolor has mapped its requirements and its current infrastructure and continues to work toward reduced energy consumption and increased energy efficiency for data centers while working to understand the power usage effectiveness methodology (PUE) and definitions that could be further implemented to improve the business performance while reducing carbon emissions.

5.4.2 Energy efficiency

GRI *[102-12] [302-5]*

Technicolor started to implement eco-design guidelines in 2008 and has long taken a positive stance towards environmental and efficiency issues in the development, manufacture, and use of its products. The Connected Home segment complies with all the laws, regulations and industry guidelines endorsed by Technicolor. These include the European Union Code of Conduct on Energy Efficiency of Digital TV Service and Energy Consumption of Broadband Equipment, the European Union's Industry Voluntary Agreement to improve energy consumption of Complex Set-Top Box (CSTB), and more recently in 2015 the U.S. Voluntary Agreement for Ongoing Improvement to the Energy Efficiency of Set-Top Box (STB), and the U.S. Voluntary Agreement for Ongoing Improvement to the Energy Efficiency of Small Network Equipment (SNE).

As it relates to Customer Premises Equipment (CPE), Technicolor was the first CPE vendor to sign the Code of Conduct for Broadband Equipment, putting itself in a leading role for low energy consumption residential gateways. By designing devices compliant with regulations as well as various Voluntary Agreements, Technicolor is committing to improve energy efficiency and to reduce the carbon footprint of Gateways and Set-Top Box. By anticipating the revision of Voluntary Agreement release and the elaboration of the European energy efficiency regulation, Technicolor acts for the improvement of energy efficiency of Gateways and Set-Top Box.

As it relates to electricity consumption during the use of Connected Home devices (Set-Top Box and gateways) in their targeted markets during their estimated product lifetime of 7 years, the total impact of all Connected Home devices produced during 2018 is estimated to be an equivalent 1.44 million tons of CO_{2eq} during each full year of product operation. The assumed product operation that may be controlled in part by the network operator and the consumer, includes active hours during use, standby hours when not actively in use, and switched-off hours, aligned primarily with the customer habits for using their television at home. For any individual piece of equipment, the true equivalent emission will depend on the country and region of operation as emission factors vary significantly depending on electricity generation methods and sources in each country.

5.4.3 Renewable energy

GRI *[302-4]*

As part of its pledge to conduct business safely and responsibly, Technicolor has always measured environmental impact and sought to reduce it through monitoring programs and projects focused on its activities. As the industrial footprint of the Group continues to transform away for energy-intensive processes due to industry closures in glass, tubes, and motion picture film, and the non-industrial footprint continues to evolve and to grow in digital media and the cloud, the energy focus has evolved, resulting in a growing emphasis on increasing the proportion of renewable energy as a percentage of electricity consumed at all the Group sites.

In Brazil, the Connected Homes manufacturing plant dedicated to the production of set-top box for the Americas has a long-term plan to improve its carbon footprint, in part by increasing its proportion of energy from renewable sources. While some portion of electricity available on the market is from renewable sources, the site also installed solar panels, energy storage systems, and control systems sufficient to generate 10% of the electricity consumed by the site.

RENEWABLE ENERGY

Group	As a percentage of Electricity *(%)*	As a percentage of Total Energy *(%)*
2016	16.8%	14.8%
2017	16.8%	15.2%
2018	19.0%	16.6%

Business Segment	As a percentage of Electricity *(%)*	As a percentage of Total Energy *(%)*
Connected Home	15.5%	11.9%
Entertainment Services	19.1%	16.9%
Corporate & Other	18.5%	13.7%

CLIMATE CHANGE HIGHLIGHTS

Sites, both industrial and non-industrial try equally to reduce their energy consumption. Typical energy reduction opportunities relate to re-lamping with LED lights (Memphis, London MPC, Piaseczno, Edegem, Culver City), introduction of variable speed drives to heating, ventilation and air-conditioning (HVAC) systems allowing system consumption to better match actual load requirements, controlling energy needs more efficiently through sensors or programable timers on equipment, turning off lighting on sections of floor where not needed (Sydney), increasing data center set temperatures, improving performance of outdoor cooling units with electronically commutated (EC) fans (Bangalore), as well as awareness campaigns for employees.

Technicolor sites are finding opportunities to reduce the carbon footprint of their activity on different scale and through different means by:

- **Reducing emissions from DVD Services distribution and manufacturing**: Rugby optimized the frequency of delivery to retail stores, with the number of deliveries per week reduced, Melbourne consolidated spare parts orders to reduce shipments, and Piaseczno improving the palletization of large orders to optimize stacking and loading of trucks.
- **Buying greener electricity**: A few non-industrials sites transitioned to 100% green electricity contracts (The Mill), or are considering doing so in the short-term (London MPC).
- **Offsetting emissions:** the Hollywood site is participating to a program of offsetting vehicles emissions by purchasing offset credits. The Manaus site has been offsetting its emissions for a number of years. The Culver City site planted more trees in front of the reception area.
- **Reducing emissions from Connected Home:** Partnering with award-winning and certified French TK'Blue company, which conducts in-depth emissions calculations for its customers, Connected Home benefited from accrued vision and control over the impact of its global logistics chain and was better able to assess which products and partners were best able to align with the Connected Home practice of sea freight first, air freight last, with preference for rail transport within Europe.

- **Building green energy capacity**: The Connected Home Manaus site further increased the energy capacity of its solar farm to power production.
- **Reducing emissions from commutes and business travel:** Some sites installed more charging areas for electrical bicycles, participated in an awareness building car-free day event (Edegem), or worked to adapt cab routes used by employees to reduce distances or to avoid congestion areas or hours (Chennai). Shuttles between Memphis locations allowed workers to move easily between sites during peak season which helped reduce local road congestion. Business travel was strictly controlled throughout the Group and Video Conferencing as well as video supporting applications are deployed widely.

5.5 CIRCULAR ECONOMY

GRI *[102-44] [103-1 Materials] [103-2 Materials] [103-3 Materials] [103-1 Water and effluents] [103-2 Water and effluents] [103-3 Water and effluents] [103-1 Effluents and waste] [103-2 Effluents and waste] [103-3 Effluents and waste]*

This report provides an overview of the activities that Technicolor is taking to fulfill its responsibilities as a global corporate citizen with respect to the Circular Economy. As such, Technicolor is reporting on what it has determined to be the most significant aspects and impacts, both globally and by business unit, for the fiscal year 2018.

CHARTER, POLICIES AND GUIDELINES

Please refer to section 5.4 for their description.

ORGANIZATION

Please refer to section 5.4 for its description.

REPORTING PERIMETER AND RISK PROFILE

Please refer to section 5.4 for their presentation.

ANNUAL PERFORMANCE MEASUREMENT PROCESS

A process was implemented in 1997 to allow for the consistent internal benchmarking of key management programs and requirements within each of the Group's industrial locations, and tracking of site progress toward environmental, safety and resource conservation improvement goals. This process was revised during 2012 to better support the wider network and diversity within the Group's mix of industrial and non-industrial locations, and it assesses benchmark criteria, helping the Group create consistent global focus and action plans on key programs, requirements and initiatives.

EMERGENCY PREPAREDNESS AND RESPONSE

Even the best designed programs and procedures cannot eliminate the occurrence of unforeseen events. The development and periodic review of emergency preparedness and response plans is critical to the success of Technicolor's EH&S program, making these, along with associated training and testing, key components of the EH&S performance measurement process.

One of the many challenges that are present in a globally operated business is ensuring effective communication, particularly in the event of a crisis. At Technicolor, a system was designed to provide a consistent worldwide approach for managing and mitigating significant EH&S incidents. The Significant Business Incident (SBI) system enables timely communication to and involvement of top management and ensures the quick and effective allocation of appropriate resources with consistent crisis management measures throughout the world. This process also serves as a valuable tool for identifying potential concerns within each of Technicolor's businesses and to ensure that appropriate preventive measures are effectively implemented.

In 2018, eight SBIs associated with EH&S aspects were reported, and no penalties or fines were incurred as a result of these SBI events.

AUDITS AND INTERNAL GOVERNANCE

GRI *[403-2]*

EH&S audits and inspections are a key part of Technicolor's continued efforts to improve EH&S management and performance, and to prevent incidents from occurring. A comprehensive corporate audit program was implemented in 1996. The aim of the audit program is to review the Group's industrial locations' compliance with Corporate EH&S Policies and Guidelines and specific applicable EH&S laws and regulations. The audit program has also been demonstrated to be a valuable tool for increasing EH&S awareness, identifying best practice opportunities, communicating successful initiatives between plants, creating opportunities for different approaches to problem solving, and introducing EH&S personnel to other aspects of the Group's multi-faceted business.

The audits include physical inspections of the location, review of documents and records, and examination of activities within the EH&S scope. The use of Technicolor specific audit protocols helps ensure and maintain consistency in approach while also bringing renewed focus to key corporate requirements. In addition, the protocols allow for, and require, the inclusion of location-specific regulatory and business requirements. Issues and recommendations identified during the audit process are reviewed and discussed with members of the location's management.

In 2018, three locations were internally audited as part of Technicolor's objective of auditing each industrial location at least every three years. As a result of these audits potential improvement items were identified and evaluated, and more importantly, appropriate associated action plans developed.

ACQUISITIONS AND CLOSURES

Technicolor has established a process for reviewing locations prior to acquisition and upon closure to identify and understand the likelihood and extent of potential environmental contamination associated with the locations' activities. This process not only helps limit financial liability, but also to understand the type and level of support required to ensure that the Group's corporate policies and guidelines are effectively implemented. Once acquired, locations are expected to comply with Technicolor's EH&S policies and guidelines, which include, as an example, the development of chemical and waste management practices to minimize the potential for uncontrolled releases to air, water and land.

Newly acquired businesses are reviewed by Technicolor to identify EH&S aspects of their operations, to evaluate the status and effectiveness of existing management and control systems, to determine compliance with Technicolor EH&S Policies and Guidelines, to communicate Technicolor's EH&S initiatives and requirements, and finally, to assist in the establishment of location-specific programs that conform to Technicolor's requirements and meet the needs of the Group.

TRAINING

GRI *[403-5]*

Technicolor understands that each employee has the ability to impact the Environment, Health and Safety (EH&S) efforts and performance, thus it is critical that they are provided with appropriate tools, resources and knowledge. EH&S training programs develop awareness and skills that allow employees and contractors to perform their jobs in such a manner that will not only ensure compliance with appropriate laws, regulations and policies, but also so that they may prevent accidents which may lead to injuries or harm to the environment. Training programs are evaluated during the EH&S audit process and are a core requirement in the EH&S performance measurement process. In 2018, 42,712 hours of EHS documented training reported through the EHS reporting system (*Enablon*) on a wide variety of environmental and safety compliance and protection, injury prevention, emergency preparation and response, and occupational health topics were provided to employees and contractors throughout Technicolor.

GOALS AND OBJECTIVES 2015-2018

Related to the circular economy, Technicolor established the following EH&S goals and objectives for the Group, to be met by its worldwide operations by the end of 2018:

- 75% minimum waste recycling rate;
- reporting to satisfy GRI (Global Reporting Initiative) Sustainability Reporting Standards.

5.5.1 Recycling of waste and optimization of raw material

GRI *[301-1] [306-2]*

WASTE GENERATION AND RECYCLING

Technicolor has a long-standing commitment to the principles of sound and environmentally responsible management of waste. Establishing the hierarchy of internal re-use, recycling and reclaiming followed by treatment and then landfill as the last option, Technicolor has developed and implemented programs to reduce waste generation, decrease the amount of hazardous waste, decrease waste sent to landfill, and increase recycling.

Hazardous waste is defined at each site using guidance from local governing agencies, but in general it means waste chemicals, fuels, oils, solvents, batteries, fluorescent light bulbs, or other items that may have been in contact with the hazardous material, for example, cleaning materials or empty containers. All these hazardous wastes are handled, stored, and disposed in compliance with local regulation and Group Policy.

Total waste generated was 35,657 tons (about 4.2% of total waste was generated by non-industrial sites). The recycling rate was 75.6% increasing slightly compared to 2017. When compared to total revenue, the average waste generation rate across the business was 8.93 M-Ton/M€ in 2018.

WASTE

	Total Waste Generated *(metric tons)*	**% Treated Hazardous** *(%)*	**% Recycled** *(%)*	**Total per Revenue** *(metric tons per M€)*
2016	40,342	1.97%	77.9%	8.25
2017	37,773	2.0%	74.5%	8.66
2018	35,657	2.4%	75.6%	8.93

2018 WASTE GENERATION

	Total Waste Generated *(metric tons)*	% Total *(%)*	% Treated Hazardous *(%)*	% Recycled *(%)*
Connected Home	380.5	1.1%	6.2%	68.7%
Entertainment Services	35,160.0	98.6%	2.3%	75.8%
Corporate & Other	116.2	0.3%	11.2%	48.8%

The primary industrial waste streams that were recycled were cardboard packaging, wood pallets, and plastics related to products or packaging.

New questionnaires about waste were sent to non-industrial sites for the first time during 2013 in recognition of their increased significance in the Group EHS profile due to headcount and surface area. It helped these sites begin to focus on their waste streams, although work remains for 2018 to more completely measure and categorize this waste generation.

For 2018, the overall reported non-industrial waste was significant at about 4.2% of the Group total tonnage, with approximately 94 tons of hazardous waste from non-industrial locations (batteries, mercury-containing bulbs, e-waste). New for 2016 was the first recognition of organic composting as part of recycled waste, with about 55 tons reported during 2018.

RAW MATERIAL USAGE

The Group sources all raw materials externally. These are always industrially processed raw materials. The main raw materials consumed by the Group's businesses in 2018 were:

RAW MATERIALS

(metric tons)	
Polycarbonate molding plastic	20,092
Cardboard and paper packaging	14,534
Wood packaging	12,035
DVD bonding resin	1,222
Plastic packaging	1,191

WASTE HIGHLIGHTS

The Guadalajara site created a new process during 2018 to recover polycarbonate from metallized disks, diverting a major part of the material to recycling with a higher quality of re-use compared to prior disc destruction processes. In Piaseczno, plastic film wrap waste reduction was achieved by adopting a basic material width better suited to the product dimensions.

In non-industrial sites, as digitalization decreases the need for paper, efforts to reduce the use of plastic consumables such as plastic cups, straws and lids are the trend. To achieve proper sorting by workers, new bins for segregating waste were installed in Rennes, Paris, and Toronto MrX. Other sites such as the The Mill or MPC sites in London or Connected Home in Edegem Belgium improved their recycling rate by changing their waste contractors. Composting experiments yield increasing diversion of organic or paper waste from traditional disposal schemes.

Relocation or refurbishment of non-industrial sites notably in the Paris area permitted to make donations in-kind of furniture and office supplies to local administration, schools, associations, and through a lottery for employees. Some furniture was also re-distributed to other Technicolor sites inasmuch as possible. All these operations were the occasion to promote reuse versus dismantling and recycling or disposal. The Paris area furniture reuse rate reached 40%. In Memphis, a new internal pallet repair-reuse recycling program was implemented for enhanced performance.

5.5.2 Environmental footprint of products

PRODUCT DESIGN AND LIFE CYCLE ASSESSMENT

As a leading supplier of Set-Top Box (STBs) and Home Gateways, Technicolor has acquired experience and decided to incorporate eco-design principles and methodology into its main new products families. Rigorous product environmental performance analysis has been used in past years to measure the impact of innovations and to target key areas of focus. Specific eco-design studies have been completed on many aspects of core product design (e.g., energy consumption, electronic cards and components, casing and cable materials, accessories, etc.) as well as on related elements including packaging and transportation. For more information, please refer also to section 5.4.2 on energy efficiency.

5.5.3 Sustainable water management

GRI *[102-12] [303-1] [303-2] [303-3] [303-4] [303-5]*

In 2018, water consumption at the Technicolor reporting locations decreased by about 10.8% *versus* 2017 to 596 thousand cubic meters. When compared to revenues, average water consumption rate was 149 m^3/M€ across the business in 2018.

Where raw water is developed on-site from local wells, all consumption and pre-treatment is in accordance with granted permissions and approved processes. All water consumption, other than that related to building and facilities, is linked to DVD replication or Set-Top Box manufacturing. Locations experiencing periodic water shortages, such as DVD replication in Australia, invest in rainwater harvesting, while other manufacturing locations in Brazil, Mexico, and Poland may invest in process water recycling so that overall source consumption is reduced. Including laboratory operations in Rennes, France and industrial sites in Australia, Brazil, and Mexico, total rainwater harvested and consumed during 2018 was about 21,165 m^3.

WATER CONSUMPTION

	Total Consumption *(thousands of cubic meters)*	**Total per Revenue** *(cubic meters per M€)*
2016	709	144
2017	668	153
2018	596	149

2018 WATER CONSUMPTION

	Total Consumption *(thousands of cubic meters)*	**% Total** *(%)*
Connected Home	33.8	5.7%
Entertainment Services	556.8	93.4%
Corporate & Other	5.4	0.9%

PROCESS WASTE WATER

Within Technicolor's facilities, 6 sites utilize water within their manufacturing processes. In order to assess the potential environmental impact of the discharge of this treated water, the Group referenced both the European Community (EC) and U.S. Environmental Protection Agency (EPA) criteria for "priority pollutants." Based upon these lists, and information provided by Technicolor's sites regarding the parameters that require monitoring and reporting, 13 pollutants were identified on either the EC or EPA list.

For 2018, the amount of treated water discharged was 83,530 cubic meters, and the total estimated amount of discharged priority pollutants was 123 kilograms.

DISCHARGED PRIORITY POLLUTANTS

	Total Discharged *(kilograms)*	**Total per Revenue** *(grams per M€)*
2016	126	25.8
2017	80	18.8
2018	123	30.8

In addition, due to effluent characteristics, 3 sites are required to monitor biological oxygen demand (BOD) or chemical oxygen demand (COD), in 2018 an estimated total of 1,369 and 507 kilograms were discharged within process effluent respectively

All above quantities of discharged pollutants are fully compliant with authorized limits. Summary weights of pollutants are calculated using volume-averaged, full year, average concentrations, based on periodic laboratory sampling. Periodic effluent sampling is performed in accordance with local regulatory requirements, and in general pollutants are not monitored continuously.

SUSTAINABLE WATER HIGHLIGHTS

Regardless of site geographical location, in drought affected areas or in more temperate climates, sites endeavor to reduce their water footprint as well.

To conserve water, equipment upgrades have taken place such as in Melbourne, where the site renovated its cooling tower, changing to higher efficiency fill packs, which improved cooling efficiency while reducing water need, or in Camarillo, where the Microfluidics pilot operation replaced a heat press which used one-time-through city water with a closed system with recirculated process-cooling water. In other sites, aerators in taps or water pipes reduced flow of water for sanitary purposes.

On the non-technical side, campaigns to remind staff to make a conservative use of water are in place, as is water-conscious gardening by planting drought resistant species in California, and re-use of condensate water from the air conditioning systems to irrigate an organic garden at Manaus.

5.5.4 Additional environmental aspects

GRI *[103-1 Environmental compliance] [103-2 Environmental compliance] [103-3 Environmental compliance]*

ENVIRONMENTAL MANAGEMENT SYSTEMS

An Environmental+66

Management System (EMS) is a continual cycle of planning, implementing, evaluating and improving practices, processes and procedures to meet environmental obligations and successfully integrate environmental concerns into normal business practices. An effective EMS helps identify and eliminate the causes of potential environmental problems, establish and achieve environmental goals, reduce potential risk and liability, and operate a more effective environmental program.

ISO 14001 is the most widely accepted international standard for an EMS. In today's global market, participation in the ISO 14001 process is one way for an organization to demonstrate its commitment to the environment. To receive certification, organizations are required to develop detailed plans and procedures to identify, evaluate, quantify, prioritize and monitor environmental impacts of its activities.

During 2018, a total of six sites held an ISO 14001 certification and one recently acquired operation is working toward it. The Group makes an environmental risk assessment of each site before concluding an ISO 14001 certification is required. A few sites work beyond the Group requirement and achieve the certification even though the risk threshold is not exceeded.

TECHNICOLOR LOCATIONS WITH ISO 14001 CERTIFIED EMS

Site	**Segment**	**Original certification date**
Guadalajara	Entertainment Services	October 2004
Manaus	Connected Home	February 2004
Melbourne	Entertainment Services	December 2005
Piaseczno	Entertainment Services	December 2004
Rugby	Entertainment Services	November 2004
Sydney	Entertainment Services	December 2005

ENVIRONMENTAL INVESTMENTS, REMEDIATION, AND POLLUTION PREVENTION

GRI *[306-3] [307-1]*

In total, approximately €1.44 million was spent on environmental remediation projects in 2018.

A certain number of Technicolor's current and previously-owned manufacturing sites have an extended history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

- Soil and groundwater contamination was detected at a former production facility in Taoyuan, Taiwan that was acquired from GE in 1987. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. EPB and TCETVT continue to negotiate over the scope of that work. Technicolor has reached an agreement with General Electric with respect to allocation of the responsibility related to the soil and groundwater remediation (for further information, please refer to note 10 of Technicolor's consolidated financial statements for 2018, included in this report).
- During site closure at an Indiana (USA) CRT factory, soil contamination was discovered while de-commissioning storage pits and liners. Site assessment work was begun in 2005 and Technicolor entered into a Voluntary Remediation Agreement with the appropriate environmental agency in 2006. Initial soil clean-up actions took place in 2006 and groundwater assessment was completed during 2009. The remediation work plan for this site has been approved and is now primarily related to monitoring.
- As a result of a minor groundwater contamination discovered at a former Technicolor site in North Carolina (USA), an exhaustive environmental site assessment and corrective action plan was completed in 2005. The corrective action plan was approved by the appropriate environmental agency in September 2006, and remediation activities at the site were completed in 2007. Monitoring of the declining groundwater contamination is on-going.
- During site redevelopment at a closed Hollywood film lab with a prior history of contaminated groundwater, soils underneath the buildings were assessed and contaminated soils removed where possible and disposed of properly. Additionally, installations of sub-surface soil vapor extraction systems and passive soil-vapor barriers were completed prior to replacement of the concrete flooring. These works were reviewed and approved by the governing agency prior to implementation and construction activities were completed during 2013. Soil vapor extraction processes and site groundwater monitoring continued during 2018.

The Group believes that their environmental accounting provisions and the contractual guarantees provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be sufficient. In addition, future developments such as changes in governments or in safety, health and environmental laws or the discovery of new risks could result in increased costs and liabilities that could have a material effect on the Group's financial condition or results of operations. Based on current information and the provisions established for the uncertainties described above, the Group does not believe it is exposed to any material adverse effects on its business, financial condition or results of operations arising from its environmental, health and safety obligations and related risks.

In addition, Technicolor has initiated a number of environmental projects at various locations to ensure that they are in compliance with applicable laws and regulations and Technicolor standards, or to reduce or prevent unwanted emissions. Potential pollution not directly related to chemicals or waste, such as noise pollution or noise restrictions, are assessed at the site level and mitigating measures are taken where appropriate.

BIODIVERSITY

All 51 locations confirm annually whether or not they operate in an area that provides an environmentally sensitive habitat to one or more species of plant or animal. During 2018, no sites reported any impact on sensitive habitats.

NOISE

Potential pollution not directly related to chemicals or waste, such as noise pollution or noise restrictions, are assessed at the site level and mitigating measures are taken where appropriate. For many locations, any requirements for periodic noise measurement at property boundaries are sufficient to prove compliance. However, any stakeholder or neighboring community concerns will receive additional attention and generally result in operational or technical solutions such as limited delivery hours, improved smoothness of on-site roadways to avoid noise from bouncing trucks, re-design of rotating fans to reduce blade tip speed, additional noise-reduction devices on reciprocating equipment, or limited hours of operation for other specialized equipment.

LAND USE

Technicolor does not use, alter, mine, quarry, or process soil or minerals as part of its activities. Leased or owned property is used solely as real estate on which the Group locates its facilities (manufacturing and production sites, offices and warehouses).

ACTIONS TAKEN TO REDUCE FOOD WASTE

This subject is non-material in view of our activities.

5.5.5 Data collection method and rationale

GRI *[102-4]*

This report contains data from 51 locations. Given the diversity of the Group's operations, environmental impacts vary by location, thus not every location is required to report on each of the established metrics.

The Corporate EH&S Organization has identified key information that is tracked and reported. This information includes utility consumption, waste generation, recycling and disposal, air emissions and water effluent from the identified locations. To ensure the timely and consistent reporting of information from Technicolor's worldwide locations, the Group has developed its own electronic reporting system. This system serves as a vital tool for identifying and acting upon trends at the reporting site, business unit, regional and global levels. The reporting locations provide required data through the electronic system on a monthly and annual basis, depending upon the information provided. Data is organized and consolidated globally and is communicated to the Vice-President, Corporate EH&S and others as appropriate.

The collection period runs from January 1, 2018 to December 31, 2018.

Data Verification: Data reporting requirements, and data collection and consolidation systems are developed by the Corporate EH&S organization communicated to individual locations. Each location is responsible for developing internal systems for the collection of required data and reporting that data to the Corporate EH&S group. Corporate EH&S reviews the submitted data for accuracy and works directly with the locations to clarify and when necessary, resolve inconsistencies. In addition, the location's data are reviewed during scheduled Corporate EH&S audits.

Scope of Data Collection: the following sites provided data for this report:

			2016		2017		2018	
Site	**Segment (ref 2018)**	**Location**	**Industrial Profile**	**Non-Industrial Profile**	**Industrial Profile**	**Non-Industrial Profile**	**Industrial Profile**	**Non-Industrial Profile**
Avon	Entertainment Services	France		X		X		X
Bangalore	Entertainment Services	India		X		X		X
Beijing	Connected Home	China		X		X		X
Boulogne	Entertainment Services	France		X		X		X
Brampton[(1)]	Entertainment Services	Canada	X					
Burbank	Entertainment Services	California, USA		X		X		X
Camarillo	Entertainment Services	California, USA	X			X		X
Camarillo MFL	Entertainment Services	California, USA					X	
Chennai	Connected Home	India		X		X		X
Chicago The Mill	Entertainment Services	Illinois, USA		X		X		X
Culver City MPC	Entertainment Services	California, USA		X		X		X
Edegem	Connected Home	Belgium		X		X		X
Guadalajara	Entertainment Services	Mexico	X		X		X	
Guadalajara FSSC	Corporate & Other	Mexico				X		X
Hollywood	Entertainment Services	California, USA		X		X		X
Huntsville	Entertainment Services	Alabama, USA	X		X		X	
Indianapolis[(1)]	Connected Home	Indiana, USA		X		X		
Issy	Corporate & Other	France		X		X		X

			2016		2017		2018	
Site	Segment (ref 2018)	Location	Industrial Profile	Non-Industrial Profile	Industrial Profile	Non-Industrial Profile	Industrial Profile	Non-Industrial Profile
LaVergne	Entertainment Services	Tennessee, USA	X		X		X	
Lawrenceville	Connected Home	Georgia, USA		X		X		X
Livonia(1)	Entertainment Services	Michigan, USA	X					
London MPC	Entertainment Services	UK.		X		X		X
London Post	Entertainment Services	UK.		X		X		X
London The Mill	Entertainment Services	UK.		X		X		X
Los Altos	Corporate & Other	California, USA		X		X		X
Los Angeles The Mill	Entertainment Services	California, USA		X		X		X
Manaus	Connected Home	Brazil	X		X		X	
Melbourne	Entertainment Services	Australia	X		X		X	
Memphis	Entertainment Services	Tennessee, USA	X		X		X	
Mexicali	Entertainment Services	Mexico	X		X		X	
Montreal Mr X.	Entertainment Services	Canada						X
Montreal Mikros Image	Entertainment Services	Canada		X		X		X
Montreal MPC	Entertainment Services	Canada		X		X		X
Montreal Post	Entertainment Services	Canada		X		X		X
Mumbai	Entertainment Services	India		X		X		X
New York MPC	Entertainment Services	New York, USA		X		X		X
New York Mr. X(1)	Entertainment Services	New York, USA		X				
New York The Mill	Entertainment Services	New York, USA		X		X		X
Olyphant	Entertainment Services	Pennsylvania, USA	X		X		X	
Ontario California(2)	Corporate & Other	California, USA	X			X		
Paramount	Entertainment Services	California, USA		X		X		X
Paris Mikros Image(1)	Entertainment Services	France				X		
Piaseczno	Entertainment Services	Poland	X		X		X	
Princeton	Corporate & Other	New Jersey, USA		X		X		X
Rennes – Cesson	Connected Home	France		X		X		X
Rugby	Entertainment Services	UK.	X		X		X	
Seoul	Connected Home	South Korea						X
Shanghai(3)	Connected Home	China				X		
Shanghai MPC	Entertainment Services							X
Sydney	Entertainment Services	Australia	X		X		X	
Tokyo	Connected Home	Japan						X
Toronto DVD Services	Entertainment Services	Canada	X		X		X	
Toronto Mr. X	Entertainment Services	Canada		X		X		X

			2016		2017		2018	
Site	**Segment (ref 2018)**	**Location**	**Industrial Profile**	**Non-Industrial Profile**	**Industrial Profile**	**Non-Industrial Profile**	**Industrial Profile**	**Non-Industrial Profile**
Toronto Post	Entertainment Services	Canada		X		X		X
Tultitlan	Entertainment Services	Mexico	X		X		X	
Vancouver MPC	Entertainment Services	Canada		X		X		X
Vancouver Post	Entertainment Services	Canada		X		X		X
Warsaw	Corporate & Other	Poland		X		X		X

All Sites report information about work injury and illness, water, and power.
Industrial profiles also report extensive waste data monthly, and wastewater/effluent and raw materials annually.
Non-Industrial profiles also report summary waste data annually.

(1) *These sites have been moved or closed or sold.*
(2) *The prior Ontario location stopped Industrial during 2014 and remaining non-industrial operations moved to a different facility beginning 2015 and was closed mid-year 2017.*
(3) *Shanghai operations were merged into Beijing operations mid-year 2017.*

5.6 SAFETY OF CUSTOMERS AND PROTECTION OF CONTENT

5.6.1 Product compliance and ban of hazardous materials

GRI *[102-12] [102-13] [103-1 Environmental Compliance] [103-2 Environmental Compliance] [103-3 Environmental Compliance] [103-1 Supplier Environmental Assessment] [103-2 Supplier Environmental Assessment] [103-3 Supplier Environmental Assessment] [103-1 Public policy] [103-2 Public policy] [103-3 Public policy] [103-1 Customer health and safety] [103-2 Customer health and safety] [103-3 Customer health and safety] [416-1] [417-1]*

Manufacturers of electronic products face growing sustainability requirements and increasing regulations concerning Eco-design and energy efficiency. The variety and proliferation of environmental regulations as well as norms, standards and frameworks, influenced both by stakeholders and in-process regulations, has reinforced the need for better environmental management. The Group has put into place the necessary processes and initiatives to comply with law restricting the use of hazardous substances, such as the European Restriction of Hazardous Substances (RoHS) directive and the Restriction, Evaluation and Authorization of Chemical substances (REACH) regulation.

KEY PRODUCT ENVIRONMENTAL AND SAFETY REQUIREMENTS COMPLIANCE

Technicolor operates in a worldwide market and thus has to deal with a wide variety of national and regional initiatives governing the environmental performance and risk management associated with its products.

In particular, energy consumption, which is the main significant environmental impact for our products remains a key priority across the industry and regions.

In Europe, therefore, Technicolor continues to support voluntary EU industry initiatives such as the Industry Voluntary Agreement (VA) for Complex Set-Top Box, and the Code of Conduct (CoC) for Broadband equipment.

Technicolor has actively contributed to new or revision of eco-design regulation by providing inputs to the EU commission, *via* its membership of the *Digital Europe* organization of leading Digital Technology European companies. The scope of Technicolor contributions and monitoring are extended beyond energy efficiency such as Reusability/Recyclability/Recoverability (RRR), and planned obsolescence. In 2014 and 2015, Technicolor has provided key contributions to the EU eco-design work plan 2015-2017, the revision of 278/2009 on External Power Supply, the revision of 1275/2008 and 801/2013 regulation on standby and network standby, the CoC for Broadband Equipment version 6 (CoC BBV6), and to the Voluntary Industry Agreement (VIA) for Set-Top Box (STB) Version 6 (VIA V6), which are all impacting significantly the design, development, and cost of Technicolor Gateways and Set-Top Boxes.

In the Americas, in Australia, in Asia, in Africa, and in the same manner, Technicolor monitors and follows environmental regulations and standards. In the United States for example, Technicolor follows the Department of Energy proposed amendment on external power supplies and rulemaking initiatives on efficiency standards for Set-Top Box and Network Equipment, including planned obsolescence. For a number of years, most of Connected Home STB models marketed in U.S. met the *Energy-Star* STB energy efficiency levels. Currently Technicolor is signatory of the U.S. Voluntary Agreement for Ongoing Improvement to the Energy Efficiency of Small Network Equipment and the U.S. Voluntary Agreement for the Ongoing Improvement to the Energy Efficiency of Set Top Box Equipment. In Canada, Technicolor is signatory of the Canadian Pay-TV Set-Top Box Energy Efficiency Voluntary Agreement (STB CEEVA). In Australia, Technicolor is an Associate Member of the *Subscription Television Industry Voluntary Code* for improving the energy efficiency of conditional access Set-Top Box.

Compliance methods and actions are in place with regard to the RoHS (Restriction on Hazardous Substances), and WEEE (Waste Electrical and Electronic Equipment) European directives, and the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) European regulation, or similar legislation in regions other than EU Member States, dealing with the Restriction on the use of Hazardous Substances within products and systems, and preparing for better end-of-life handling of Electrical and Electronic Equipment Waste.

In 2014, companies in scope of U.S. Law were first required to check and report on the use of conflict minerals in their products. Our approach is to rely on the *Responsible Business Alliance* (RBA), formerly *Electronics Industry Citizenship Coalition*, and *Global e-Sustainability Initiative* (GeSI) Conflict Minerals Due Diligence reporting template and dashboard as a standard questionnaire for conducting inquiries into our supplier database. The *Responsible Minerals Initiative* (RMI), formerly *Conflict-Free Sourcing Initiative* (CFSI), a combined initiative of RBA and GeSI, defined a common industry approach to support the due diligence information requirements. They develop a reporting template for downstream suppliers called the *Conflict Mineral Reporting Template* (CMRT), and the *Conflict-Free Smelter Program* (CFSP), that enable companies to work with their supply chains through a common interface: the CMRT is the standard for Conflict Minerals reporting between customers and suppliers. The CFSP is the industry standard for audited smelter conflict-free status. RMI calls on more smelters and refiners to join the efforts to become conflict-free by undergoing the RMI's independent third-party conflict minerals audit. We extended supplier's Conflict Mineral surveys to the European market during 2015 through 2017. As such, Technicolor is exercising a due diligence approach by asking its suppliers to conduct investigations in their own supply chain, so as to determine the origin of any 3 TGs conflict minerals (tin, tantalum, tungsten and gold) provided to Technicolor. Note that based on current suppliers surveyed in 2017, 100% of the smelters identified in the Connected Home supply chain are classified under the RMI. Some are still engaged in the CFSP. The majority of smelters are located in South East Asia and China.

Regarding consumer product health and safety, the Group ensures that all products sold comply with all consumer safety regulations applicable in each country where the product is marketed. Additionally, in some emerging markets where safety regulations may not yet be robust, the Group applies its knowledge of appropriate product safety regulations and ensures that emerging market products comply with a higher product safety standard.

5.6.2 Content security, cyber risks and respect of Intellectual Property

GRI *[103-1 Customer privacy] [103-2 Customer privacy] [103-3 Customer privacy]*

As major stakeholder of the content creation and distribution industry, Technicolor is eager to carefully respect and protect Intellectual Property of its own assets and of its customers and suppliers assets.

The Group policies and practices cover protection of invention, of physical media content, of physical and online content distribution, and of content creation within our premises and using our network.

Respective risks description and risks management are presented in section 3.1.1 (Operational risks):

- cyber and physical content security for the Production Services division (post production, visual effects, animation and games);
- physical security for the DVD Services division;
- products development and cybersecurity for the Connected Home segment.

Technicolor information technologies security procedures as well as security processes of people and assets are presented in section 3.3.5.

Prevention of growing cybersecurity issues is critical for Technicolor.

As a major actor involved in all steps of the delivery of Media & Entertainment content to the end user, Technicolor has anticipated the new threats in cybersecurity, and implemented an internal program to address them. Organized at the corporate level around an Information Security Management System (ISMS), this program is now further implemented in the three Business Units (Production Services, DVD Services, Connected Home) focusing on their specific risks.

Besides the traditional objective of Content & IP protection, the Connected Home products have a key role to play in Privacy protection, and defense against massive scale cyberattacks. Physically positioned at the border between the private sphere of the end-user, and the Internet operators' networks, the Technicolor Customer Premise Equipment (CPE) need to achieve best-in-class protection to contribute to global security and privacy efforts, and to provide security added value to our customers.

An internal team of certified hackers assesses the security of Technicolor products, sites and systems. A responsible disclosure process is also implemented together with a public form to report vulnerabilities on Technicolor products and systems. Relations are established with skilled cybersecurity partners, and the CERT-CC to coordinate response to cybersecurity incidents.

As a French company with headquarters in Paris, the Group has also nominated a global Data Protection Officer (DPO) to the French Data Protection Authority (CNIL). Technicolor Data Control Organization (DCO) is in place worldwide, to support compliance to Technicolor Privacy Policy and the General Data Protection Regulation (GDPR). The DCO supports the DPO and works in close relation with Legal and Security teams. Even if Technicolor activity does not directly collect sensitive personal information of private customers, a privacy-by-design approach is used for Technicolor products and systems, and the DCO is involved when a Data Protection Impact Analysis seems relevant.

5.7 FAIRNESS OF BUSINESS PRACTICES

GRI *[103-1 Anti-corruption] [103-2 Anti-corruption] [103-3 Anti-corruption]*
[103-1 Anti-competitive behavior] [103-2 Anti-competitive behavior] [103-3 Anti-competitive behavior]
[103-1 Socioeconomic compliance] [103-2 Socioeconomic compliance] [103-3 Socioeconomic compliance]

5.7.1 Competition rules and anti-bribery

GRI *[205-1] [205-2]*

Following regulatory evolutions, especially the Sapin II Law adopted on December 9, 2016, the Group performed an in-depth review of its Code of Ethics so as to be in compliance with the new regulatory requirements and business practices.

Compliance with competition rules and prevention of bribery and corruption, together with more general business ethics rules, are at the core of our Code of Ethics. Our overall approach regarding these two aspects are presented in section 3.3.2 Code of Ethics and Financial Ethics Charter.

The Antibribery policy has been reshuffled and a manual has been developed to present practical cases.

The Travel and Customer Entertainment policy has also been updated to harmonize processes across businesses.

The Third Party policy covering our relationship and engagement with agents, consultants, advisors among others, has been reviewed and communicated to sales and legal teams, in specific training. The sales agent template contract has been updated to streamline it and to take into account new anti-bribery requirements.

E-learning training targeting all employees categories has been delivered as well as on-site training for specific employees categories such as sales team, legal team or specific countries.

Technicolor top management has shown its engagement by issuing several communication to all employees regarding anti-bribery practices, and by requiring regular updates on the anti-bribery program at the Audit Committee of the Company's Board of Directors. A risk mapping exercise was performed which involved among others, controlling and sourcing teams, business leaders and specific managers, in order to identify priorities areas for anti-bribery purpose. A subsequent screening of our third parties (customers, vendors, partners) has been done with the support of an external assessment (Lexis Diligence).

Pertaining to these policies, any employee may report anonymously any suspected breach of competition rules or anti-bribery rules, and more broadly any breach of the Code of Ethics, through the whistleblowing portal (phone, email) in the countries where Technicolor is active.

5.7.2 Tax evasion

The Group operates in many countries around the world. Our strategy is to pay the right amount of tax in the jurisdictions in which we operate, as dictated by local requirements. We pay corporate income taxes, stamp duties, employment and other taxes. We also collect and pay employee income taxes, and indirect taxes such as import duties and VAT. The taxes we pay and collect form a significant part of our economic contribution to the countries in which we operate.

Our tax strategy accords with the following principles:

TAX PLANNING

We engage in efficient tax planning that supports our business activities and reflects commercial and economic substance. We adhere to relevant tax laws and disclosure requirements in every jurisdiction in which we operate and seek to minimize the risk of uncertainty or disputes.

Acquisitions, Group's reorganizations and simplifications are driven by commercial factors as opposed to tax savings.

We conduct transactions between Group's companies on an arm's-length basis and in accordance with current OECD guidelines.

Technicolor will take into account the underlying policy objectives of relevant tax laws and will comply with current practices. Where tax incentives and exemptions are implemented to encourage investment, employment and economic development, we aim to apply these in the manner intended to minimize the tax cost of conducting our business. We do not use artificial arrangements to generate a tax advantage.

The Group does not have an overall target effective tax rate.

TAX RISK

Our tax policies aim to ensure that we identify tax risks and take actions to address them. Tax risk is considered as part of our management process and is overseen by the Company's Board of Directors. To prevent any tax risk, a worldwide tax guideline is sent annually to all the Group's finance team to prevent, identify and mitigate the occurrence of risks.

The Group has a dedicated tax team with the necessary experience and skill set, which works with the Group's businesses to provide the required tax advice and guidance.

Our controls and governance ensure that tax risks that could affect our business plans, shareholder value and reputation are identified and addressed by the finance and tax departments.

Tax returns are prepared by the Group's internal departments or delegated to external advisors (including elements of tax compliance). In addition, where uncertainty regarding the tax treatment in a particular situation cannot be resolved internally, we refer the matter to external tax or legal advisors. Where it is still not possible to obtain certainty regarding the tax treatment, we aim to resolve the matter by discussion with the local tax authorities. Risks of this type may arise due to the complexity of legislation and because scenarios sometimes arise in practice that were not envisaged when legislation was drafted.

Where agreement cannot be reached through discussion, we would consider seeking formal tax authorities' opinion and potentially litigation to resolve the uncertainty, depending on the materiality involved.

GOVERNANCE

The Group head of tax is responsible for our approach to tax, and major changes to tax policies are approved by the Company's Board of Directors and Audit Committee.

The local tax manager has responsibility for local tax and ensures that adequate controls are in place so that the correct amount of taxes are identified and paid.

Tax controls are subject to annual review by the Internal Audit Department.

In addition, Technicolor has a Financial Ethics Charter which senior employees are asked to sign each year, when they are involved in preparing and reporting Technicolor's financial results.

5.8 CSR PERFORMANCE ASSESSMENT

GRI *[102-32] [103-3 Economic performance] [103-3 Market presence] [103-3 Indirect economic impacts] [103-3 Procurement practices] [103-3 Anti-corruption] [103-3 Anti-competitive behavior] [103-3 Materials] [103-3 Energy] [103-3 Water and effluents] [103-3 Emissions] [103-3 Effluents and waste] [103-3 Environmental compliance] [103-3 Supplier environmental assessment] [103-3 Employment] [103-3 Labor/Management relations] [103-3 Occupational health and safety] [103-3 Training and education] [103-3 Diversity and equal opportunity] [103-3 Non-discrimination] [103-3 Freedom of association and collective bargaining] [103-3 Child labor] [103-3 Forced or compulsory labor] [103-3 Human Rights assessment] [103-3 Local communities] [103-3 Supplier social assessment] [103-3 Public policy] [103-3 Customer health and safety] [103-3 Customer privacy] [103-3 Socioeconomic performance]*

Technicolor has been assessed by *Vigeo Eiris*, *Oekom Research* and *EcoVadis*, and is member of the *Responsible Business Alliance* (RBA) which also performs audits on portions of Technicolor's Supply Chain. The Group Sustainability Report has been prepared in accordance with the *GRI Standards: Comprehensive option*. Results are in the table below.

Rating or assessment body	Rating in 2018	Comment
Oekom Research	C+ – *Prime*	2018 is the first year of assessment. Technicolor achieved a *Prime* status.
EcoVadis	68/100 – *Gold*	Second year of "*Gold*" rating
Vigeo Eiris	68/100	Top performer of software-IT services industry worldwide
Gaïa – Ethifinance	86/100	Rank 9 out of 230 companies
RBA (Responsible Business Alliance)	Member in full compliance	Since 2017
GRI (Global Reporting Initiative)	Comprehensive option	Since 2015

5.9 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD-PARTY, ON THE CONSOLIDATED NON FINANCIAL STATEMENT PUBLISHED IN THE GROUP MANAGEMENT REPORT

GRI *[102-56]*

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

FOR THE YEAR ENDED DECEMBER 31, 2018

To the Shareholders,

In our capacity as Statutory Auditor of Technicolor SA, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non financial statement for the year ended December 31, 2018 (hereinafter the "Statement"), presented in the Group management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement was prepared by applying the Company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the Company's website or on request from its headquarters.

Independence and quality control

Our independence is defined by Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the statutory auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, *i.e.* the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on:

- the Company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation;
- the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information*).

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- We familiarized ourselves with the Group's business activity, the report on the main social and environmental risks relating to this activity and the impacts thereof with regard to the respect for human rights and the fight against corruption and tax evasion, together with the subsequent policies and their results;
- We assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector;
- We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, the respect for human rights and the fight against corruption and tax evasion;
- We verified that the Statement includes an explanation justifying the absence of information required by paragraph 2 of section III of Article L. 225-102-1;
- We verified that the Statement presents the business model and the main risks relating to the Group's business activity, including, where relevant and proportionate, the risks generated by its business relations, products or services as well as policies, measures and outcomes, including key performance indicators;
- We verified that, when relevant to the main risks or policies presented, the Statement presents the information stipulated in section II of Article R. 225-105;
- We assessed the process of selecting and validating the main risks;
- We inquired as to the existence of internal control and risk management procedures set up by the Company;
- We assessed the consistency of the results and key performance indicators used with regard to the main risks and policies presented;
- We verified that the Statement includes a clear and reasoned explanation justifying the absence of policy regarding one or more of these risks;
- We verified that the Statement covers the consolidated scope, *i.e.* all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement;
- We assessed the collection process set up by the entity to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes (1) that in our judgment were of most significance, we carried out:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto,
  - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities(2) and covered between 13% and 69% of the consolidated data for the key performance indicators and outcomes selected for these tests;
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that in our judgment were of most significance(3);
- We assessed the overall consistency of the Statement in relation to our knowledge of the Company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work engaged the skills of seven people between December 2018 and February 2019.

To assist us in conducting our work, we referred to our Corporate Social Responsibility and sustainable development experts. We conducted around six interviews with people responsible for preparing the Statement.

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(1) Quantitative indicators: Total workforce at the end of the year; split by gender; hirings and terminations; number of dismissals; number of seasonal interim workers; number of hours person of training; number of people trained; work related lost workday incident rate for 200,000 hours worked; severity rate; total waste generated; process waste water; water consumption; energy consumption; CO2 emissions related to energy consumption.

(2) Bangalore (India - HR indicators), Montréal (Canada - HR indicators), Guadalajara (Mexico - total waste generated and process waste water), Memphis (USA - environmental indicators, health & safety, number of seasonal interim workers).

(3) Qualitative indicators: Working-time management and absenteeism; health & safety management; programs, systems and activities; environmental investments, remediation and pollution prevention; supplier and sub-contractor relations; stakeholder relations and local impacts of the Company's activities.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Paris-La Défense, March 8, 2019

One of the Statutory Auditors,

Deloitte & Associés

Bertrand Boisselier	**Eric Dugelay**
Associé, Audit	Associé, Développement Durable

5.10 VIGILANCE PLAN

GRI *[102-11] [102-15] [102-44] [102-46] [102-47] [103-2 Economic performance] [103-2 Market presence] [103-2 Indirect economic impacts] [103-2 Procurement practices] [103-2 Anti-corruption] [103-2 Anti-competitive behavior] [103-2 Materials] [103-2 Energy] [103-2 Water and effluents] [103-2 Emissions] [103-2 Effluents and waste] [103-2 Environmental compliance] [103-2 Supplier environmental assessment] [103-2 Employment] [103-2 Labor/Management relations] [103-2 Occupational health and safety] [103-2 Training and education] [103-2 Diversity and equal opportunity] [103-2 Non-discrimination] [103-2 Freedom of association and collective bargaining] [103-2 Child labor] [103-2 Forced or compulsory labor] [103-2 Human Rights assessment] [103-2 Local communities] [103-2 Supplier social assessment] [103-2 Public policy] [103-2 Customer health and safety] [103-2 Customer privacy] [103-2 Socioeconomic performance]*

Pursuant to article L. 225-102-4 of the French Commercial Code, this section presents the vigilance plan set up to implement reasonable measures of vigilance that are designed to identify risks and to prevent serious breaches of human rights and fundamental liberties and to ensure health and safety of persons and protection of the environment arising from:

- the activities of the Group and its controlled subsidiaries;
- the activities of subcontractors or suppliers with which an established commercial relationship is maintained.

The presentation and report are done according to this subdivision of scope

Scope: **Activities of the Group and its controlled subsidiaries**	**Scope:** **Activities of subcontractors or suppliers**
1 Risk mapping	
Through the analysis of materiality of risks, the Group identified six macro risks translating into 22 CSR issues (see section 5.1). This analysis was performed internally in 2018 by the Ethics Compliance Committee. It included the Internal Audit, HR, Legal, CSR, IT Security departments and the business divisions. CSR inquiries received from and focus points expressed by external stakeholders to the Group were also integrated.	The methodology to assess risks is the *EcoVadis Rating Framework*, using country risk and industry risk (See section 5.3.1).
2 Procedures for regular assessment of the situation, with regard to risk mapping	
• Internal controls and management of risks (see section 3.1 to 3.4). • Internal Audits and other periodic monitoring (EH&S) (see section 5.5 and 5.2.5).	• Assessment of suppliers by an external third party EcoVadis. It covers all direct suppliers with purchasing exceeding €1 million of spending per year per business division. It represents 91.7% of spending of the Group. 55% of spending are already assessed. • Physical on-site Internal Audits of critical suppliers for higher risk country and industry. • RBA (Responsible Business Alliance) audits.
3 Appropriate actions to mitigate risks or prevent serious harm	
• Policies are described in Chapter 5 with regard to CSR issues.	• Agreement with Group's Suppliers Ethic policy as part of terms and conditions of contract. • Implementation of corrective/remediation measures in case of violation/breaches of critical principles discovered during on site audits. Certain violations generate immediate breach of contract (see section 5.3.1).
4 Warning and collection process of alerts relating to the existence or the materialization of risks	
• Global whistleblowing procedure (phone, email, website) in place since more than 10 years for breach of the Group's Code of Ethics and Code business ethics. It covers harassment, discrimination and human rights topics and any breach of compliance of fraud. (see section 3.3.2). • In several countries/sites, additional local procedures to collect and investigate about harassment/discrimination complaints are in place and include protection of the complainer.	• Internal physical on-site audits with finding reports available to business division and sourcing (see section 5.3.1). • Global whistleblowing procedure access progressively extended to Supplier's employees in countries of presence. • NGO and CSR agencies reports and inquiries.
5 Monitoring the measures implemented and evaluating their effectiveness	
• Internal control procedures (see section 3.1 to 3.4). • EHS audits and other periodic monitoring (see section 5.5 and section 5.2.5).	• Verification of effective implementation of corrective actions requested to suppliers. • Evolution of nature and volume of violations of Ethics conditions by suppliers. • Monitoring the evolution of EcoVadis rating of suppliers.

6 FINANCIAL STATEMENTS

2018 REVENUES FROM CONTINUING OPERATIONS

Production Services
785 million euros

DVD Services
941 million euros

Connected Home
2 218 million euros

6.1 TECHNICOLOR 2018 CONSOLIDATED FINANCIAL STATEMENTS

GRI *[201-1]*

6.1.1 Consolidated statement of operations

(in million euros)	*Note*	December 31, 2018	2017*
CONTINUING OPERATIONS			
Revenues		3,988	4,253
Cost of sales		(3,521)	(3,651)
Gross Margin		**467**	**602**
Selling and administrative expenses	(3.3)	(292)	(350)
Research and development expenses	(3.3)	(127)	(149)
Restructuring costs	(10.1)	(62)	(43)
Net impairment gains (losses) on non-current operating assets	(4.4)	(81)	(9)
Other income (expense)	(3.3)	(24)	(11)
Earning before Interest & Tax from continuing operations		**(119)**	**40**
Interest income		3	3
Interest expense		(43)	(46)
Other financial income (expense)		(11)	(53)
Net financial income (expense)	**(8.5)**	**(51)**	**(96)**
Share of gain (loss) from associates		-	-
Income tax	(6)	(54)	(112)
Profit (loss) from continuing operations		**(224)**	**(168)**
DISCONTINUING OPERATIONS			
Net profit (loss) from discontinuing operations	(12)	157	(5)
Net income (loss)		(67)	(173)
Attributable to:			
• *equity holders of the parent*		*(68)*	*(172)*
• *non-controlling interest*		*1*	*(1)*

** 2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

The accompanying notes on pages 178 to 246 are an integral part of these consolidated financial statements

(in euro, except number of shares)	*Note*	December 31, 2018	2017*
Earnings per share			
Weighted average number of shares outstanding (basic net of treasury shares held)	(7.3)	413,440,227	412,716,772
Earnings (losses) per share from continuing operations			
• basic		(0.54)	(0.41)
• diluted		(0.54)	(0.41)
Earnings (losses) per share from discontinuing operations			
• basic		0.38	(0.01)
• diluted		0.38	(0.01)
Total earnings (losses) per share			
• basic		(0.16)	(0.42)
• diluted		(0.16)	(0.42)

** 2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

The accompanying notes on pages 178 to 246 are an integral part of these consolidated financial statements.

6.1.2 Consolidated statement of comprehensive income

(in million euros)	*Note*	December 31, 2018	2017
Net income (loss) for the year		**(67)**	**(173)**
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligations	(9.2)	14	(3)
Items that may be reclassified subsequently to profit or loss			
Fair value gains/(losses), gross of tax on available-for-sale financial assets:			
• reclassification adjustments to income on disposal of available-for-sale financial assets		-	1
Fair values gains/(losses), gross of tax on cash flow hedges:			
• reclassification adjustments when the hedged forecast transactions affect profit or loss	(8.5)	(1)	(5)
Currency translation adjustments:			
• currency translation adjustments of the year		13	(156)
• reclassification adjustments on disposal or liquidation of a foreign operation		-	-
Total other comprehensive income(1)		**26**	**(163)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(41)**	**(336)**
Attributable to:			
• *equity holders of the parent*		*(42)*	*(335)*
• *non-controlling interest*		*1*	*(1)*

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

The accompanying notes on pages 178 to 246 are an integral part of these consolidated financial statements.

6.1.3 Consolidated statement of financial position

(in million euros)	*Note*	December 31, 2018	December 31, 2017
ASSETS			
Goodwill	(4.1)	886	942
Intangible assets	(4.2)	705	625
Property, plant & equipment	(4.3)	233	243
Other operating non-current assets	(5.1)	41	38
Total operating non-current assets		**1,865**	**1,848**
Investments and available-for-sale financial assets	(8.1)	14	17
Other non-current financial assets	(8.1)	10	19
Total financial non-current assets		**24**	**36**
Investments in associates and joint ventures	(2.4)	2	2
Deferred tax assets	(6.2)	210	275
Total non-current assets		**2,101**	**2,161**
Inventories	(5.1)	268	238
Trade accounts and notes receivable	(5.1)	677	684
Contract Assets		77	23
Other operating current assets	(5.1)	264	233
Total operating current assets		**1,286**	**1,178**
Income tax receivable		40	37
Other financial current assets	(8.1)	14	10
Cash and cash equivalents	(8.1)	291	319
Assets classified as held for sale	(12)	28	7
Total current assets		**1,658**	**1,551**
TOTAL ASSETS		**3,759**	**3,712**

The accompanying notes on pages 178 to 246 are an integral part of these consolidated financial statements.

(in million euros)	*Note*	December 31, 2018	December 31, 2017
EQUITY & LIABILITIES			
Common stock (414,461,178 shares at December 31, 2018 with nominal value of 1 euro per share)	(7.1)	414	414
Treasury shares	(7.2)	(158)	(158)
Subordinated Perpetual Notes		500	500
Additional paid-in capital & reserves		(113)	(38)
Cumulative translation adjustment		(372)	(385)
Shareholders' equity attributable to owners of the parent		**271**	**333**
Non-controlling interest		1	3
TOTAL EQUITY		**272**	**336**
Retirement benefits obligations	(9.2)	320	355
Provisions	(10.1)	19	23
Contract Liabilities		4	2
Other operating non-current liabilities	(5.1)	38	57
Total operating non-current liabilities		**382**	**437**
Borrowings	(8.3)	1,004	1,077
Deferred tax liabilities	(6.2)	193	193
Total non-current liabilities		**1,579**	**1,707**
Retirement benefits obligations	(9.2)	26	27
Provisions	(10.1)	113	110
Trade accounts and notes payable		1,135	947
Accrued employee expenses		116	129
Contract Liabilities		100	63
Other current operating liabilities	(5.1)	310	271
Total operating current liabilities		**1,799**	**1,547**
Borrowings	(8.3)	20	20
Income tax payable		34	33
Other current financial liabilities	(8.1)	4	1
Liabilities classified as held for sale	(12)	51	68
Total current liabilities		**1,908**	**1,669**
TOTAL LIABILITIES		**3,487**	**3,376**
TOTAL EQUITY & LIABILITIES		**3,759**	**3,712**

The accompanying notes on pages 178 to 246 are an integral part of these consolidated financial statements.

6.1.4 Consolidated statement of cash flows

(in million euros)	Note	December 31, 2018	2017*
Net income (loss)		**(67)**	**(173)**
Income (loss) from discontinuing activities		**157**	**(5)**
Profit (loss) from continuing activities		**(224)**	**(168)**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		234	240
Impairment of assets		91	9
Net changes in provisions		(14)	(37)
Gain (loss) on asset disposals		(8)	(1)
Interest (income) and expense	(8.5)	40	43
Other non-cash items (including tax)		50	155
Changes in working capital and other assets and liabilities		2	71
Cash generated from continuing activities		**171**	**312**
Interest paid		(42)	(46)
Interest received		3	2
Income tax paid		(14)	(13)
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)		**118**	**255**
Acquisition of subsidiaries, associates and investments, net of cash acquired	(11.1)	1	(25)
Proceeds from sale of investments, net of cash	(11.1)	5	10
Purchases of property, plant and equipment (PPE)		(68)	(51)
Proceeds from sale of PPE and intangible assets		-	1
Purchases of intangible assets including capitalization of development costs		(94)	(95)
Cash collateral and security deposits granted to third parties		(3)	(1)
Cash collateral and security deposits reimbursed by third parties		3	9
Loans (granted to)/reimbursed by third parties		-	1
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)		**(156)**	**(151)**
Increase of Capital	(11.2)	-	1
Proceeds from borrowings	(11.2)	-	646
Repayments of borrowings	(11.2)	(116)	(616)
Fees paid linked to the debt	(11.2)	(3)	(3)
Dividends and distributions paid to Group's shareholders		-	(25)
Other		23	(32)
NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)		**(96)**	**(29)**
NET CASH FROM DISCONTINUED ACTIVITIES (IV)	**(12.2)**	**105**	**(88)**
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR		**319**	**371**
Net decrease in cash and cash equivalents (I+II+III+IV)		**(29)**	**(13)**
Exchange gains/(losses) on cash and cash equivalents		1	(39)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**291**	**319**

* *2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

The accompanying notes on pages 178 to 246 are an integral part of these consolidated financial statements.

6.1.5 Consolidated statement of changes in equity

(in million euros)	Share Capital	Treasury shares	Additional paid-in capital	Perpetual Notes	Other reserves	Retained earnings	Cumulative translation	Equity attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance as of December 31, 2016	**413**	**(157)**	**1,212**	**500**	**(56)**	**(982)**	**(229)**	**701**	**3**	**704**
Net income (loss)	-	-	-	-	-	(172)	-	(172)	(1)	(173)
Other comprehensive income	-	-	-	-	(7)	-	(156)	(163)	-	(163)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(7)**	**(172)**	**(156)**	**(335)**	**(1)**	**(336)**
Capital increases	1	-	(1)	-	-	-	-	-	-	-
Change in Non-controlling interests	-	-	-	-	-	-	-	-	1	1
Variation of treasury shares	-	(1)	-	-	-	-	-	(1)	-	(1)
Dividend paid	-	-	-	-	(25)	-	-	(25)	-	(25)
Shared-based payment to employees(1)	-	-	-	-	10	-	-	10	-	10
Tax impact on equity(2)	-	-	-	-	-	(17)	-	(17)	-	(17)
Balance as of December 31, 2017	**414**	**(158)**	**1,211**	**500**	**(78)**	**(1,171)**	**(385)**	**333**	**3**	**336**
Net income (loss)	-	-	-	-	-	(68)	-	(68)	1	(67)
Other comprehensive income	-	-	-	-	13	-	13	26	-	26
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**13**	**(68)**	**13**	**(42)**	**1**	**(41)**
Reclassification of retained earnings in additional paid in capital as of April 26, 2018	-	-	(1,211)	-	-	1,211	-	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-
Change in Non-controlling interests	-	-	-	-	-	-	-	-	(3)	(3)
Variation of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees(1)	-	-	-	-	(9)	-	-	(9)	-	(9)
Tax impact on equity(2)	-	-	-	-	-	(1)	-	(1)	-	(1)
IFRS 9 – AR Depreciation	-	-	-	-	-	(10)	-	(10)	-	(10)
IFRS 9 – AFS Opening restatement	-	-	-	-	(1)	1	-	-	-	-
BALANCE AS OF DECEMBER 31, 2018	**414**	**(158)**	**-**	**500**	**(75)**	**(38)**	**(372)**	**271**	**1**	**272**

(1) Fair value of share-based compensation plans.
(2) Depreciation of French deferred tax assets allocated to equity.

The accompanying notes on pages 178 to 246 are an integral part of these consolidated financial statements.

6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GRI *[103-1 Economic performance] [103-2 Economic performance] [103-3 Economic performance] [201-1]*

NOTE 1 General information

Technicolor is a leader in Media & Entertainment Services, developing and monetizing next-generation video technologies. Please refer to note 3.1 for details on Group's operating segments.

In these consolidated financial statements, the terms "Technicolor group", "the Group" and "Technicolor" mean Technicolor SA together with its consolidated subsidiaries. Technicolor SA or the "Company" refers to the Technicolor group parent company.

1.1 Main events of the year

GRI *[102-10] [102-49]*

PATENT LICENSING AND RESEARCH & INNOVATION BUSINESSES

On December 18, 2017, Technicolor announced being in negotiations for the divestiture of its Patent Licensing business. This transaction is in line with Technicolor's objective to simplify the Group's structure and allocate its capital and resources to its operating business.

On July 30, 2018, the Group concluded the sale to InterDigital of its Patent Licensing business excluding some mobile patents, a small number of patents for nascent technologies and some patents associated with patents pools, for a total price of €188 million (see note 2.2).

On February 11, 2019, the Group announced being in exclusive negotiations with InterDigital for the divestiture of its Research & Innovation activity. This transaction would amend the contingent consideration to be received on the sale of the Patent Licensing business by reducing by 50% the future expected cash receipts (see notes 2.2. and 13).

1.2 Accounting policies

GRI *[102-48]*

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, 2018 and adopted by the European Union as of February 27, 2019.

The standards approved by the European Union are available on the following web site:

https://ec.europa.eu/info/publications/eu-accounting-rules_en

Technicolor financial statements are presented in euro and has been rounded to the nearest million. This may in certain circumstances lead to non-material differences so that the sum of the figures equals the sub-totals that appear in the tables.

The consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 27, 2019. According to French law, the consolidated financial statements will be considered as definitive when approved by the Company's shareholders at the Ordinary Shareholders' Meeting, which should take place in April 2019.

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 2018 (see note 1.2.2.2. hereunder).

1.2.2 IFRS TRANSITION & NEW STANDARDS

1.2.2.1 Main standards, amendments and interpretations effective and applied as of january 1, 2018.

New standard and interpretation	Main provisions
IFRS 15 – Revenue from contracts with customers	IFRS 15 specifies how and when revenue should be recognized. The standard provides a single five-step model to be applied to all contracts with customers. The IASB issued in April 2016 some clarifications on the way those principles should be applied. The new standard did not impact the Group. The Group's conclusion is described in more details under this table. The Group applied the cumulative effect method at the transition date without restatement of comparative period amounts as permitted by IFRS 15.
IFRS 9 – Financial Instruments	IFRS 9 issued on July 24, 2014 replaced IAS 39 – Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, classification, impairment, derecognition and general hedge accounting. The Standard introduces guidance on applying the business model assessment and the contractual cash flow characteristics assessment. The impact of the new standard is not significant and described in more details hereafter this table. The Group has not restated comparative periods but presented the cumulative effect as an adjustment to the opening balance of other comprehensive income or retained earnings on January 1, 2018, depending on the nature of the adjustment.
Amendments to IFRS 2 – Share-based payment	These amendments clarify the classification and measurement of share-based payment transactions and in particular: • the accounting for cash-settled share-based payment transactions that include a performance condition; • the classification of share-based payment transactions with net settlement features; • the accounting for modifications of share-based payment transactions rom cash-settled to equity-settled. These amendments did not generate any impact on the Group accounts.
Amendments to IFRS 2014-2016	These amendments relate to IFRS 1-First -time adoption, IFRS 12-Disclosure of interests in other entities and IAS 28-Investment in associates. They have been adopted by the European Union on February 8, 2018 and are effective from January 1, 2018. They did not generate any impact on the Group accounts.

The Group has adopted IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers on their effective date as of January 1, 2018. The impacts of adoption on the Group's consolidated financial statements and accounting policies are described below. In accordance with the transitional provision of IFRS 9 and IFRS 15, the Group has not restated prior year comparatives

The following table shows the adjustments recognized for each line item in the Statement of financial position. Line items that were not impacted by the changes have not been included, and as a result, the sub-totals and totals cannot be calculated from the numbers provided.

(in million euros)	December 31, 2017	IFRS 9	IFRS 15	January 1, 2018
Assets				
Other non-current operating assets	38	(2)	-	36
Other non-current financial assets	19	(2)	-	17
Total non-current assets	**2,161**	**(4)**	**-**	**2,157**
Trade accounts and notes receivable	684	(10)	(80)	594
Contract assets	-	-	103	103
Other operating current assets	256	-	(23)	233
Total current assets	**1,551**	**(10)**	**-**	**1,541**
TOTAL ASSETS	**3,712**	**(14)**	**-**	**3,698**
Equity & liabilities				
Other reserves	(78)	(1)	-	(79)
Retained earnings	(1,171)	(9)	-	(1,180)
Total equity	**336**	**(10)**	**-**	**326**
Provisions	23	(4)	-	19
Contract liabilities	-	-	2	2
Other operating non-current liabilities	59	-	(2)	57
Total non-current liabilities	**1,707**	**(4)**	**-**	**1,703**
Contract liabilities	-	-	63	63
Other current operating liabilities	334	-	(63)	271
Total current liabilities	**1,669**	**-**	**-**	**1,669**
TOTAL EQUITY & LIABILITIES	**3,712**	**(14)**	**-**	**3,698**

IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. On adoption, the Group has not restated the comparative period but presents the cumulative effect of adopting IFRS 9 as a transition adjustment to the opening balance of other comprehensive income and retained earnings as of January 1, 2018. The effect of changes to the Group's consolidated financial statements due to the adoption of IFRS 9 are described below.

Classification and measurement of financial assets

The Group has classified its financial assets in the following two categories: financial assets measured at amortized cost and financial assets measured at fair value through profit and loss. The selection of the appropriate category is made based both on Technicolor's business model for managing the financial asset and on the contractual cash flows characteristics of the financial asset. The new asset classes replace the following IAS 39 asset classification categories: available-for-sale investments, derivative and other current financial assets, loans receivable, trade receivables, financial assets at fair value through profit and loss.

The Group's business model for managing financial assets is defined on portfolio level. The business model must be observable on practical level by the way business is managed. The cash flows of financial assets measured at amortized cost are solely payments of principal and interest. These assets are held within a business model which has an objective to hold assets to collect contractual cash flows. Financial assets measured at fair value through profit and loss are assets that do not fall in either of the amortized cost category or fair value through other comprehensive income category.

Other non-current financial assets: Investments in unlisted private equity shares and unlisted venture funds are classified as financial asset measured at fair value through profit and loss. Under IAS 39, these items were classified as available-for-sale. Fair valuation is recorded in other financial income and expenses based on the business model assessment performed in conjunction with IFRS 9 transition.

Loans: the Group's business model for managing loans to third parties is to collect contractual cash flows and hence to recognize and measure at amortized cost. When contractual provisions of a loan may affect the cash flows, the loan is recognized and subsequently re-measured at fair value through profit and loss. Under IAS 39, these items were measured at amortized cost less impairment using the effective interest method.

Classification and measurement of financial liabilities

The Group classifies derivative liabilities at fair value through profit and loss and all other financial liabilities at amortized cost. These classes replace the IAS 39 classes derivative and other financial liabilities, compound financial instruments, loans payable, and account payable. The implementation of IFRS 9 has not had an effect on the classification and measurement of financial liabilities.

Impairment

The Group assesses expected credit losses ("ECL") on financial assets on a forward-looking basis whereas the impairment provision under IAS 39 was based on actual credit losses. The impairment requirements concern the following financial assets: financial assets measured at amortized cost as well as financial guarantee contracts and loan commitments.

A loss allowance is recognized based on 12-month expected credit losses unless the credit risk for the financial instrument has increased significantly since initial recognition. For trade receivables and contract assets, the Group applies a simplified impairment approach to recognize a loss allowance based on lifetime expected credit losses.

Hedge accounting

The Group's hedge accounting model has not been impacted by IFRS 9, all hedging relationships qualify for treatment as continuing hedging relationship. The requirement for hedge effectiveness of 80-125% has been removed from IFRS 9 and the effectiveness of hedging is evaluated based on the economic relationship between the hedging instrument and hedged item.

The changes to classification and measurement of financial assets in the Statement of financial position is described line-by-line as follows:

(in million euros)	**December 31, 2017**	***IAS 39 Classification***	***IFRS 9 Classification***	**Change in measurement**	**January 1, 2018**
Other non-current operating assets	**38**	Fair value P&L	Fair value P&L	**(2)**	**36**
Total non current operating assets	**38**			**(2)**	**36**
Non-consolidated Investments	**17**	Fair value OCI	Fair value P&L		**17**
Cash collateral & security deposits	15	Fair value P&L	Fair value P&L		15
Loans & others	4	Amortized cost	Fair value P&L	(2)	2
Other non-current financial assets	**19**			**(2)**	**17**
Total non-current financial assets	**36**			**(2)**	**34**
Trade accounts and notes receivable	**684**	Amortized cost	Amortized cost	**(10)**	**674**
Total current operating assets	**684**			**(10)**	**674**
Cash collateral and security deposits	8	Fair value P&L	Fair value P&L		8
Other financial current assets	2	Amortized cost	Amortized cost		2
Derivative financial instruments	-	Fair value P&L	Fair value P&L		-
Other financial current assets	**10**				**10**
Cash	274	Fair value P&L	Fair value P&L		274
Cash equivalents	45	Fair value P&L	Fair value P&L		45
Cash and cash equivalents	**319**				**319**
Total current financial assets	**329**				**329**
Borrowings	**1,095**	Amortized cost	Amortized cost		**1,095**
Other current financial liabilities	**1**				**1**
Total financial liabilities	**1,096**				**1,096**
Other reserves	(78)			(1)	(79)
Retained earnings	(1,171)			(9)	(1,180)
SHAREHOLDER'S EQUITY	**336**			**(10)**	**326**
Non Current Provision	**23**			**(2)**	**21**

IFRS 15 – Revenue from contracts with customers

IFRS 15 replaces IAS 18 – Revenue and IAS 11 – Construction contracts and establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized to reflect the transfer of promised goods and services to customers for amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods and services.

The Group analyzed the impact of the adoption of IFRS 15 on its two continuing segments and on its discontinued patent licensing business and concluded that the new standard does not affect its recognition of revenue policy for Connected Home, Entertainment and Licensing businesses.

In respect of IFRS15, continuining revenue is disaggregated per method of recognition in the following way:

			Entertainment Services			
(in million euros)	December 31, 2018	Connected Home	Production Services	DVD Services	Corporate & Other	December 31, 2017*
Revenue recognized at delivery of goods or services	3,637	2,218	477	942	-	3,978
Revenue recognized over time(1)	307		307	-	-	231
Revenue from licenses(2)	44	-		-	44	44
REVENUE OF CONTINUING OPERATIONS	**3,988**	**2,218**	**784**	**942**	**44**	**4,253**

* *2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

(1) *Revenue recognized over time are related to certain VFX services provided over a long period.*

(2) *Trademark licensing and remaining patent licensing revenue are recognized based on volumes reported or cash received depending on information available.*

Relating to performance obligations still to be satisfied, only VFX activities included in Productions Services business divisions are part of contracts that have an original expected duration of one year or more. For these services, the performance obligations still to be performed under contract in force at the end of the reporting period amount to €319 million as of December 31, 2018; it will be recognized mostly in 2019.

Connected Home segment

Connected Home segment offers a complete portfolio of Broadband and Video Customer Premise Equipment ("CPE") and develops software solutions. The contracts signed have no multiple performance obligations and there is no variable consideration over time. Software inside modems or digital set-top box are specific to each customer and are not marketed separately. Accordingly, no impact was identified.

Entertainment Services segment

Our Production Services Division provides a full set of award-wining services around Visual Effects ("VFX"), Animation and Games activities, as well Postproduction Services. The services are generally rendered over a short period except for VFX services where services may be provided over a longer period. Because our contracts stipulate that we have a right to payment for performance completed to date in case of a termination by the customer, and because milestones are not used for measuring the progress, no impact was identified.

Our DVD Services Division provides turnkey integrated supply-chain solutions including mastering, replication, packaging, direct-to-retail distribution through two separate contracts (a replication contract and a distribution contract). In case of variable price over the contract term, the revenue is already adjusted to anticipate the probable discount. Accordingly, no impact was identified.

In case of a contract advance paid to the customer, the consideration payable to the customer is already accounted for as a reduction of the transaction price and amortized based on the units of production.

Licensing businesses (including Patent Licensing as discontinued operations)

Revenue is generated by the sale of licenses.The new guidance has no impact. Licenses to use portions of the Company's intellectual property portfolio are considered one performance obligation because of the high-tech characteristic of the portfolios for which new developments are necessary for licensee to get the most up-dated high-tech product all along the licensing period.

The Group continues to separate paid-up license agreements into two categories: (i) agreements that provide access rights over the term of the license to future technologies that are highly interdependent or highly interrelated to the technologies provided at the inception of the agreement and (ii) agreements that do not provide for rights to such future technologies (right of use). Paid-up amounts related to the first category continue to be recognized as revenue over the term of the related license agreement based on expected volumes or, in absence of reliable information, on a straight-line basis. For the second category of contract, revenue continue to be recognized in the month the license agreement is signed.

In case of paid-up license amounts received for past periods (waiver for past infringement of the licensee), such amount is recognized up-front.

For per-unit license agreements the Group continues to accrue the related revenue based on estimates of licensees' underlying sales adjusted in the following quarter to true-up revenue to the actual amounts reported by the licensees.

1.2.2.2 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 16 – Leases	Annual periods beginning on or after January 1, 2019	IFRS 16 specifies how to measure, present and disclose leases. The standard provides a single lease accounting model, requiring the lessee to recognize assets and liabilities for all leases unless the term lease is 12 months or less or the underlying asset has low value. Lessors continue to classify leases as operating or finance leases, applying substantially a comparable methodology from its predecessor, IAS 17. At this stage, the Group has provided all the information requested for the transition (see hereunder).
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures		These amendments have been added to clarify that an entity applies IFRS 9 to long-term interest in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. They have been adopted by the European Union on February 8, 2019.
Amendments to IFRS 9 – Prepayment Features with Negative Compensation		These amendments clarify the classification of particular prepayable financial assets and the accounting for financial liabilities following a modification. They have been adopted by the European Union on March 22, 2018.
IFRIC 23- Uncertainty over Income Tax Treatments		This interpretation brings additional guidance to IAS12- Disclosure of interests in other entities on valuation and accounting of Uncertainties over Income Tax Treatments. The interpretation has been adopted by the European Union on October 23, 2018 and is effective from January 1, 2019. The Group is currently analyzing the accounting impact in its books.
Amendments to IAS19-Plan amendment, curtailment or settlement		These amendments state that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. These amendments are effective from January 1, 2019, provided that they are adopted by the European Union. The Group is currently analyzing the accounting impact in its books.
Improvements to IFRSs 2015-2017		These amendments are related to IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs but they ahave not been adopted by the European Union yet.

IFRS 16 – Leases

The transition to IFRS 16 has been performed on the basis of an analysis of most significant long-term lease agreements of the Group generating the majority off-balance sheet commitments, which amount in total to €331 million as of December 31, 2018 (€306 million in continued operations, see note 4.5, and €25 million in discontinued operations). Most of those agreements are operating leases relating to production, commercial and administrative buildings based in the countries, where the Group operates.

The analysis of lease agreement in the context of the IFRS 16 transition has been performed using a specific and dedicated software. As at December 31, 2018, the agreement reviewed represents 68% of the total off balance sheet Group commitments

Based on the work performed at 2018 closing, the Group decided to choose the simplified method for the transition to IFRS 16.

Main assumptions

The length considered for the discounted rates is the remaining life of the contract starting January 1, 2019 until termination.

For buildings, incremental borrowing rates have been determined for each country by adding to the swap rate the credit spread corresponding to the Group notation as at December 31, 2018. For equipment, the implicit rate of the contract has been used.

Transition options as applied by the Group

- Scope options: the Group decided to grandfather the previous assessments for leases previously identified in accordance with IAS 17. As a result, conclusions of analysis performed under IAS 17 and IFRIC 4 – Determining whether an Arrangement contains a lease are still valid. No changes have been brought to financial leases previously recorded.

- Recognition exemptions: the Group decided to recognize leases with a short-term length, *i.e.* less than 12 months, or with a low-value, *i.e.* less than USD 5000, as an expense on a straight-line basis.
- Right of use: the Group decided to measure the right of use of all its leases at the amount of the lease liability corrected by prepaid or accrued payments if relevant. Initial direct costs when incurred prior to January 1, 2019 have not been taken into account.

Estimated impact:

Based on the review in progress, the main difference between rents disclosed as per off balance sheet commitments and as per IFRS 16 debt comes from the impact of the discount rate.

Due to the status of the ongoing assessment covering as of today 68% of the total lease agreements, we are not in position to estimate the impact of IFRS 16 on the Group's financial statements as at January 1, 2019. Indeed those analyzed contracts being the most significant ones, they may not have the same characteristics of other smaller contracts, mainly in term of lease duration and expected number of contract renewals.

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, 4.2 & 4.4);
- determination of expected useful lives of tangible and intangible assets (see notes 4.2 & 4.3);
- presentation in other income (expense) (see note 3.3.3);
- determination of inventories net realizable value (see note 5.1.2);
- deferred tax assets recognition (see note 6.2);
- assessment of actuarial assumptions used to determine provisions for employee post-employment benefits (see note 9.2);
- measurement of provisions and contingencies (see note 10);
- determination of royalties payables (see note 5.1.4).

1.2.4 TRANSLATION

Translation of foreign subsidiaries

For the financial statements of all the Group's entities for which the functional currency is different from that of the Group, the following methods are applied:

- the assets and liabilities are translated into euro at the rate effective at the end of the period;
- the revenues and costs are translated into euro at the average exchange rate of the period.

The translation adjustments arising are directly recorded in Other Comprehensive Income.

Translation of foreign currency transactions

Transactions in foreign currency are translated at the exchange rate effective at the trade date. Monetary assets and liabilities in foreign currency are translated at the rate of exchange prevailing at the consolidated statement of financial position date. The differences arising on the translation of foreign currency operations are recorded in the consolidated statement of operations as a foreign exchange gain and loss.

The non-monetary assets and liabilities are translated at the historical rate of exchange effective at the trade date.

The main exchange rates used for translation (one unit of euro converted to each foreign currency) are summarized in the following table:

	Closing rate		Average rate	
	2018	2017	2018	2017
U.S. Dollar (U.S.$)	1.1427	1.1956	1.1805	1.1358
Pound sterling (GBP)	0.9011	0.8878	0.8869	0.8749
Canadian Dollar (CAD)	1.5571	1.5014	1.5338	1.4701

The average rate is determined by taking the average of the month-end closing rates for the year, unless such method results in a material distortion.

NOTE 2 Scope of consolidation

GRI *[102-45]*

2.1 Scope and consolidation method

SUBSIDIARIES

All the entities that are controlled by the Group (including special purpose entities) i.e. in which the Group has the power to govern the financial and operating policies in order to obtain benefits from the activities, are subsidiaries of the Group and are consolidated. Control is presumed to exist when the Group directly or indirectly owns more than half of the voting rights of an entity (the voting rights taken into account are the actual and potential voting rights which are immediately exercisable or convertible) and when no other shareholder holds a significant right allowing veto or the blocking of ordinary financial and operating decisions made by the Group. Consolidation is also applied to special purpose entities that met the criteria of IFRS 10, whatever their legal forms are, even where the Group holds no shares in their capital.

ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policies decisions of the investee without having either control or joint control over those policies. Investments in associates are accounted for under the equity method in accordance with IFRS 11. The goodwill arising on these entities is included in the carrying value of the investment.

JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Investments in joint ventures are consolidated under the equity method in accordance with IFRS 11 since January 1, 2012.

For the years ended December 31, 2018 and 2017, 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 15.

Number of companies as of December 31, 2018	**FRANCE**	**EUROPE (exc. France)**	**U.S.**	**OTHER**	**TOTAL**
Parent company and consolidated subsidiaries	17	41	23	29	110
Companies accounted for under the equity method	1	-	1	3	5
TOTAL	**18**	**41**	**24**	**32**	**115**

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

2.2 Change in the scope of consolidation of 2018

GRI *[102-10] [102-49]*

PATENT LICENSING DIVISION

On December 18, 2017, the Group announced being in negotiations for the divestiture of its Patent Licensing Division, which represents substantially all the revenues and income of its former reporting segment "Technology". The disposal was considered as "highly probable" according to IFRS 5 – Non-current assets held for sale and Discontinued operations. As a result, Patent Licensing has been presented as Discontinued Operations for all periods reported and assets and liabilities classified as Assets and Liabilities held for sale in the Consolidated Statement of Financial Position as of December 2017.

On July 30, 2018, the Group concluded the sale to InterDigital of its Patent Licensing Division excluding some mobile patents, some patents for nascent technologies and some patents associated with patents pools, and a Research Cooperation Agreement.

The consideration received for this sole transaction is composed of 4 items:

- U.S.$150 million (€129 million) cash paid up-front ;
- an earn-out consisting in a variable contingent consideration equal to to 42.5% of all future cash receipts from InterDigital's licensing activities in the Consumer Electronics field beyond operating expenses over 20 years ;
- a perpetual grant-back licensing agreement, which gives Technicolor freedom to run its operating businesses and benefit from existing and future patents, over their remaining life, whilst providing Technicolor with an adequate level of intellectual property protection. This grant-back is a non-cash consideration received in the sale transaction;
- a funded research coopertaion agreement, under which InterDigital Labs and Technicolor R&I Labs will collaborate in th development of research programs in the areas of video coding, connected home and immersive technologies until December 31, 2021.

The Research Cooperation Agreement cannot be considered as a separate transaction to the sale. The research projects developed under this Agreement extensively use the patents-portfolio, which has been sold to InterDigital. By allocating 50 searchers on a full-time basis on projects which can become patentable under the sole ownership of Interdigital, the Group is providing services, at a price, which, as defined in the contract, is not a market price.

The total value of the transaction is then based on the addition of the fair value of each of above-identified item.

As a result, the accounting treatment of the sale transaction is resulting in a net gain of €210 million presented in the Net profit from discontinued operations in the consolidated statement of operations (see note 12.1) and detailed as follows:

(in million euros)	December 31, 2018
Up-front payment ($150 million)(1)	129
Earn-out(2)	-
Grant back(3)	92
Net commitment under research cooperation agreement(4)	(33)
CONSIDERATION PRICE	**188**
Assets and liabilities transferred net of transaction costs	22
CAPITAL GAIN BEFORE TAX	**210**

(1) *the up-front payment is recognized at spot rate.*

(2) *earn-out: the contingent variable consideration will be recognized when earned by analogy to the principles of IFRS 15 – Revenue recognition on variable consideration. As the Group does not control InterDigital licensing activities, the contingent variable consideration will be recognized only when it becomes highly probable.*

(3) *the perpetual grant-back licensing agreement is an intangible asset evaluated €92 million on the basis of royalty rates used by other licensors for similar license programs applied to the forecasted volumes over 11 years. This intangible asset is amortized over the average remaining life of the patents on the basis of the actual usage by the 2 businesses.*

(4) *the cooperation agreement generates a deferred income, recorded at transaction date as a decrease of the transaction consideration and recognized over time as the services are rendered. Its fair value is the difference between the contractual price to be paid by InterDigital (U.S.$5 million per year, i.e. €15 million in total) and the fair value of the services to be rendered over 3 years and 5 months (€48 million).*

The net impact on the cash flows statement amounts to €116 million and is presented in the line Net cash from discontinued operations.

RESEARCH & INNOVATION ACTIVITY

On February 11, 2019, the Group announced being in exclusive negotiations with InterDigital for the divestiture of his Research & Innovation activity. This transaction would amend the contingent consideration to be received on the sale of the Patent Licensing business by reducing by 50% the future cash receipt and cancel the Research Cooperation Agreement as described above (see note 13 – Subsequent events).

In 2018 financial statements, the Research & Innovation activity is classified in the Discontinued Operations together with the Patent Licensing business, as the sale is considered highly probable according to IFRS 5. 2017 financial statements have been restated accordingly. Research & Innovation's assets and liabilities, mainly the deferred income related to the future services to be rendered, have been transferred in Assets and Liabilities held for sale.

2.3 Change in the scope of consolidation 2017

GRI *[102-10] [102-49]*

LG SET-TOP BOX BUSINESS

On May 17, 2017, Technicolor acquired from LG Electronics its set-top box business through an Asset Purchase Agreement. This acquisition is included into the Connected Home segment.

The purchase price consisted of:

- an upfront payment of U.S.$15 million (€14 million at May 17, 2017 exchange rate);
- a price adjustment for U.S.$3 million (€2 million at May 17, 2017 exchange rate) to be refunded by LG Electronics in January 2018;
- a maximum earn-out of €26 million over the next 3 years subject to the performance of the business. As of December 31, 2017, the earn-out was estimated to U.S.$10 million (€9 million at May 17, 2017 exchange rate).

A purchase price allocation has been performed to identify tangible and intangible assets and liabilities. As a result, a customer relationship for €2 million with a useful life of 5 years was identified.

Final goodwill of €13 million is primarily related to synergies that Technicolor anticipates following the integration of this business into the Connected Home segment.

The purchase price allocation is as follows:

(in million euros converted at May 17, 2017 exchange rate)	**Fair Value**
Net asset acquired	
Property, plant and equipment	1
Intangible assets	2
Working Capital and other assets and liabilities	5
Total net asset acquired	**8**
Purchase price paid (before price adjustment)	14
Price adjustment	(2)
Earn-out payments' estimates	9
TOTAL PURCHASE CONSIDERATION	**21**
Goodwill	**13**

In 2018, reassessment of earn-out liability led to a decrease of €5 million recognized in non-current result.

No other significant acquisition occurred in 2017.

2.4 Investments in associates & joint ventures

The Group has €2 million investments accounted for using the equity method or joint-ventures (see main entities in note 15).

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 2018, and 2017, there is no significant transactions with the Group associates and joint ventures.

NOTE 3 Information on operations

3.1 Information by business segments

Technicolor has two continuing businesses and reportable operating segments under IFRS 8: Entertainment Services and Connected Home.

Our Patent Licensing Division, which was formerly included in the operating segment Technology, is presented as Discontinued Operations. As a result, our Trademark Licensing and Research & Innovation activities had been transferred to the segment "Corporate & Other" in December 2017. Further to February 11, 2019 announcement, R&I has been presented as Discontinued Operations (see note 12).

The Group's Executive Committee makes its operating decisions and assesses performances based on two types of activities. All remaining activities, including unallocated corporate functions, are grouped in a segment "Corporate & Other".

Prior period has been represented for comparability purposes according to this new organization and reporting structure.

ENTERTAINMENT SERVICES

The Entertainment Services segment supports content creators from creation to postproduction (Production Services), while offering global distribution solutions through its replication and distribution services for CD, DVD and Blu-ray™ discs (DVD Services).

The Entertainment Services segment is organized in two divisions:

- the Production Services Division provides a full set of award-winning services around Visual Effects ("VFX"), Animation and games activities as well as Post Production;
- the DVD Services Division replicates, packages and distributes video, game and music CD, DVD and Blu-ray™ discs.

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

CONNECTED HOME

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

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

CORPORATE & OTHER

This segment includes:

- Trademark Licensing business, which monetizes valuable brands such RCA© and Thomson© which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business;
- Patent Licences, which have not been sold to Interdigital and which monetizes valuable patents such as MPEG-LA and various others;
- Unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as Sourcing, Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and that cannot be strictly assigned to a particular business within the two operating segments;
- Post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs.

(in million euros)	Entertainment Services	Connected Home	Corporate & Other[2]	Total
	Year ended December 31, 2018			
Statement of operations items				
Revenues	1,726	2,218	44	3,988
Intersegment sales	-	-	-	-
Earning before Interest & Tax (EBIT) from continuing operations	**(72)**	**(39)**	**(8)**	**(119)**
Of which:				
Net impairment losses on non-current operating assets	(79)	(2)	-	(81)
Restructuring costs	(26)	(34)	(2)	(62)
Other income (expenses)	(15)	(3)	(6)	(24)
Depreciation & amortization	(133)	(97)	(4)	(234)
Other non-cash items(1)	3	11	2	16
Adjusted EBITDA	**178**	**87**	**1**	**266**
Statements of financial position items				
Segment assets	1,526	1,530	89	3,145
Unallocated assets				614
TOTAL CONSOLIDATED ASSETS				**3,759**
Segment liabilities	599	1,190	392	2,181
Unallocated liabilities				1,306
TOTAL CONSOLIDATED LIABILITIES				**3,487**
Other information				
Net capital expenditures	(81)	(79)	(2)	(162)
Capital employed	594	10	13	617

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

(2) Following the presentation of the Patent Licensing business and Research & Innovation activity as Discontinued Operations, "Trademark Licensing" has been included in the Corporate & Other segment.

(in million euros)	Entertainment Services	Connected Home	Corporate & Other[2]	Total
	Year ended December 31, 2017*			
Statement of operations items				
Revenues	1,790	2,419	44	4,253
Intersegment sales	-	-	-	-
Earning before Interest & Tax (EBIT) from continuing operations	**38**	**20**	**(18)**	**40**
Of which:				
Net impairment losses on non-current operating assets	(1)	(8)	-	(9)
Restructuring costs	(14)	(22)	(7)	(43)
Other income (expenses)	(8)	(2)	(1)	(11)
Depreciation & amortization	(150)	(86)	(4)	(240)
Other non-cash items[1]	(5)	10	(3)	2
Adjusted EBITDA	**216**	**128**	**(3)**	**341**
Statements of financial position items				
Segment assets	1,493	1,376	157	3,026
Unallocated assets				686
TOTAL CONSOLIDATED ASSETS				**3,712**
Segment liabilities	527	1,057	403	1,987
Unallocated liabilities				1,386
TOTAL CONSOLIDATED LIABILITIES				**3,373**
Other information				
Net capital expenditures	(69)	(74)	(3)	(146)
Capital employed	557	25	88	670

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

(2) Following the presentation of the Patent Licensing business and Reseash & Innovation activity as Discontinued Operations, "Trademark Licensing" has been included in the Corporate & Other segment.

** 2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

The following comments are applicable to the two tables above:

- the caption "Adjusted EBITDA" corresponds to the profit (loss) from continuing operations before tax and net financial income (expense), net of other income (expense), depreciation and amortization (including impact of provision for risks, litigation and warranties);
- the captions "Total segment assets" and "Total segment liabilities" include all operating assets and liabilities used by a segment.
- the caption "Unallocated assets" includes mainly financial assets, deferred and income tax assets, cash and cash equivalents and assets classified as held for sale;
- the caption "Unallocated liabilities" includes mainly the financial debt, deferred and income tax liabilities and liabilities classified as held for sale;
- the caption "Net capital expenditures" includes cash used related to tangible and intangible capital expenditures, net of cash received from tangible and intangible asset disposals;
- The caption "Capital employed" is defined as being the aggregate of both net tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (except for provisions including those related to employee benefits, income tax, payables on acquisition of companies and payables to suppliers of PPE and intangible assets).

3.2 Revenue & geographical information

GRI *[102-7]*

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 risks and rewards of ownership, which generally occurs, depending on contract terms, upon duplication or delivery.

ROYALTIES

Licensing agreements generally state that a specified royalty amount is earned at the time of shipment of each product to a third-party by a licensee. The gross royalty amount is determined on a quarterly basis and in accordance with the license agreement.

(in million euros)	**France**	**UK**	**Rest of Europe**	**U.S.**	**Rest of Americas**	**Asia-Pacific**	**Total**
Revenues							
2018	733	223	178	1,934	625	295	3,988
2017*	762	199	221	2,318	541	212	4,253
Segment assets							
2018	618	229	69	1,719	357	153	3,145
2017*	601	214	88	1,683	300	140	3,026

* *2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

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

INFORMATION ON MAIN CLIENTS

As of December 31, 2018, one external customer represents 15% of the Group's consolidated revenues (€597 million) and three external customers representing more than 5% each (respectively €281 million, €252 million and €207 million).

As of December 31, 2017, two external customers represent each more than 10% of the Group's consolidated revenues (respectively €634 million and €540 million).

3.3 Operating income & charges

GRI *[201-4]*

3.3.1 RESEARCH & DEVELOPMENT EXPENSES

(in million euros)	**2018**	**2017***
Research and Development expenses, gross	(127)	(156)
Capitalized development projects	53	48
Amortization of capitalized projects	(57)	(46)
Subsidies(1)	4	5
RESEARCH AND DEVELOPMENT EXPENSES, NET	**(127)**	**(149)**

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

* *2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

3.3.2 SELLING & ADMINISTRATIVE EXPENSES

(in million euros)	**2018**	**2017***
Selling and marketing expenses	(111)	(145)
General and administratives expenses	(181)	(205)
SELLING AND ADEMINISTRATIVE EXPENSES	**(292)**	**(350)**

* *2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

3.3.3 OTHER INCOME (EXPENSE)

Other operating income (expense) is defined under Recommandation 2013-03 of the French CNC relating to the format of consolidated financial statements prepared under international accounting standards, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to Technicolor's current activities. These mainly include gains and losses on disposals of fully consolidated companies, incurred or estimated costs related to major litigation, as well as items in connection with Revised IFRS 3 and Revised IAS 27 such as acquisition costs related to business combinations and changes in earn-outs related to business combinations.

(in million euros)	**2018**	**2017**
Capital gains and losses	1	-
Litigations and others	(25)	(11)
OTHER INCOME (EXPENSE)	**(24)**	**(11)**

In 2018, the other income mainly includes :

- litigations with customers and vendors within Connected Home segment for €9 million and Entertainment Services segment for €4 million, as well as a €5 million provision in the DVD Services division.
- a €4 million earn-out to be received from Deluxe further to the disposal by Technicolor of its Digital cinema business in June 2015.

The business transfer agreement entitles Technicolor to receive a share of the combined digital cinema business'distributable cash until 2024. This amount is estimated based on contractual commitments.

In 2017, the other expenses mainly include €5 million of mergers and acquisition fees.

NOTE 4 Goodwill, intangible & tangible assets

4.1 Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any previously owned non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Under option, for each business combination, any non-controlling interest in the acquiree is measured either at fair value (thus increasing the goodwill) or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Once control is achieved, further acquisition of non-controlling interest or disposal of equity interest without losing control are accounted as equity transaction.

Goodwill is recognized in the currency of the acquired subsidiary/associate and measured at cost less accumulated impairment losses and translated into euros at the rate effective at the end of the period. Goodwill is not amortized but is tested annually for impairment.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, except if contingent consideration is classified in equity.

The following table provides the allocation of the significant amounts of goodwill to each Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2018 (refer to note 4.4 for detail on impairment tests)

		Entertainment Services		
(in million euros)	**Connected Home**	**Production Services**	**DVD Services**	**Total**
At December 31, 2016	**442**	**198**	**379**	**1,019**
Exchange difference	(33)	(15)	(42)	(90)
Additions[1]	13	-	-	13
Disposals	-	-	-	-
Impairment loss	-	-	-	-
Other	-	-	-	-
At December 31, 2017	**422**	**183**	**337**	**942**
Exchange difference	8	3	10	21
Additions	-	-	-	-
Disposals	-	-	-	-
Impairment loss	-	-	(77)	(77)
Other	-	-	-	-
AT DECEMBER 31, 2018	**430**	**186**	**270**	**886**

(1) Linked to Purchase price allocation of LG set-up box business acquisition (refer to note 2.3).

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 Goodwill Reporting Unit (GRU) and tested for impairment annually (see note 4.4).

ACCOUNTING ESTIMATES AND JUDGMENTS

Regarding intangible assets with finite useful lives, significant estimates and assumptions are required to determine (i) the expected useful life of these assets for purpose of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.

Regarding intangible assets with indefinite useful lives, significant estimates and assumptions are required to determine the recoverable amount of such assets. See section 4.4. for detail on the accounting policy related to impairment review on such assets.

(in million euros)	Trademarks	Patents & Customer Relationships	Other intangibles	Total Intangible Assets
At December 31, 2016,	**275**	**353**	**143**	**771**
Cost	*282*	*989*	*342*	*1,613*
Accumulated depreciation	*(7)*	*(636)*	*(199)*	*(842)*
Exchange differences	(27)	(30)	(10)	(67)
Acquisitions of businesses	-	2	1	3
Additions	-	-	75	75
Disposals	-	-	-	-
Depreciation charge	-	(58)	(79)	(137)
Impairment loss (see note 4.4)	-	(6)	(7)	(13)
Other(1)	-	(7)	-	(7)
At December 31, 2017, Net,	**248**	**254**	**123**	**625**
Cost	*255*	*642*	*389*	*1,286*
Accumulated depreciation	*(7)*	*(388)*	*(266)*	*(661)*
Exchange differences	9	9	2	20
Disposal of activities	-	89	-	89
Additions	-	3	90	93
Disposal	-	-	(1)	(1)
Depreciation charge	-	(54)	(82)	(136)
Impairment loss (see note 4.4)	-	(5)	(1)	(6)
Other(1)	-	6	15	21
AT DECEMBER 31, 2018, NET,	**257**	**302**	**146**	**705**
Cost	*264*	*710*	*455*	*1,429*
Accumulated depreciation	*(7)*	*(408)*	*(309)*	*(724)*

(1) *Includes patents transferred to assets held for sale.*

4.2.1 TRADEMARKS

Trademarks are considered as having an indefinite useful life and are not amortized, but are tested for impairment annually, on a stand-alone basis. The main reasons retained by the Group to consider a trademark as having an indefinite useful life were mainly its positioning in its market expressed in terms of volume of activity, international presence and notoriety, and its expected long-term profitability.

As of December 31, 2018, trademarks total €257 million and consist mainly of Technicolor® trademark for €197 million, RCA® trademark for €29 million and The Mill® tradename for €21 million.

The fair market value of Technicolor Trademark is based on a methodology developed in 2014 by Sorgem, a company specialized in valuation of trademarks. Such methodology defines for each business, through a matrix of key success factors of the business and intangible assets used, the contribution of the trademark to the discounted cash flow using an excess profit method.

Except if a trigger event is changing the business environment, the matrix of contribution as defined by Sorgem in 2014 is considered permanent and only the discounted cash flows are updated internally each year to check if the fair value of the Technicolor trademark is above its net book value.

A decrease of earnings before interest and tax of each business by 1 point would not lead to an impairment of the Technicolor trademark.

The recoverable value of RCA® trademark is estimated using the discounted cash flows method based on Budget and cash flow projections on a 5-year period with a post-tax discount rate of 8%. No reasonably expected change in assumptions would result in any impairment.

Other trademarks include THOMSON® in the Corporate & Other; MPC®, Mr. X®, and Mikros Image® in the Production Services.

4.2.2 PATENTS, CUSTOMER RELATIONSHIPS AND OTHER INTANGIBLES ASSETS

PATENTS

Patents are amortized on a straight-line basis over the expected period of use.

CUSTOMER RELATIONSHIPS

Customer relationships that are acquired through business combinations are amortized over the expected useful life of such relationships, which range from 8 to 20 years, taking into account probable renewals of long-term customer contracts that last generally from 1 to 5 years. The initial valuation methodology is generally the excess profit method using the attributable discounted future cash flows expected to be generated. They are tested for impairment only if management identifies triggering events that may result in a loss of value of such assets.

OTHER INTANGIBLES

Other intangibles comprise mainly capitalized development projects, acquired or internally developed software and acquired technologies.

Research expenditures are expensed as incurred. Development costs are expensed as incurred, unless the project to which they relate meets the IAS 38 capitalization criteria. Recognized development projects correspond to projects whose objectives are to develop new processes or to improve significantly existing processes, considered as technically viable and expected to provide future economic benefits for the Group. Development projects are recorded at cost less accumulated depreciation and impairment losses, if any. The costs of the internally generated development projects include direct labor costs (including pension costs and medical retiree benefits), costs of materials, service fees necessary for the development projects and reduced of tax credits if any. They are amortized over a period ranging from one to five years starting from the beginning of the commercial production of the projects, based on units sold or based on units produced or using the straight-line method.

4.3 Property, plant & equipment

All Property, Plant and Equipment (PPE) are recognized at cost less any depreciation and impairment losses. They are essentially amortized using the straight-line method over the useful life of the asset which ranges from 20 to 40 years for buildings and from 1 to 12 years for materials and machinery. Each material component of a composite asset with different useful lives or different patterns of depreciation is accounted for separately for the purpose of depreciation and for accounting of subsequent expenditure.

LEASES

Leases which transfer substantially all risks and rewards incidental to the ownership of the leased asset are classified as finance leases. This transfer is based on different indicators analyzed such as

- the transfer of ownership at the end of the lease;
- the existence of a bargain price option in the agreement;
- the fact that the lease term is for the major part of the economic life of the asset; or
- the present value of minimum lease payments amounts to substantially all of the fair value of the leased asset.

The assets held under finance leases are capitalized at the lower of the present value of future minimum payments and the fair value of the leased assets and the corresponding financial liability is accounted for by the Group. They are amortized using the straight-line method over the shorter of the estimated useful life of the asset and the duration of the lease. The costs related to the assets acquired through these contracts are included within the amortization allowances in the statement of operations.

Leases which are not classified as finance leases are operating leases. The payments related to these contracts are recorded as expenses on a straight-line basis over the lease term.

The aggregate benefits of lease incentives received from the lessor are recognized as a reduction of rental expense over the lease term, on a straight-line basis.

ACCOUNTING ESTIMATES AND JUDGMENTS

Significant estimates and assumptions are required to determine (i) the expected useful lives of these assets for purposes of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.

(in million euros)	Land	Buildings	Machinery & Equipment	Other Tangible Assets[1]	Total
At December 31, 2016, Net,	**3**	**22**	**139**	**122**	**286**
Cost	*3*	*61*	*1,243*	*388*	*1,695*
Accumulated depreciation	-	*(39)*	*(1,104)*	*(266)*	*(1,409)*
Exchange differences	-	(1)	(12)	(11)	(24)
Additions	-	5	9	71	85
Acquisition of subsidiaries[2]	-	-	1	-	1
Disposals	-	-	(1)	(4)	(5)
Depreciation charge	-	(5)	(58)	(33)	(96)
Impairment loss	-	-	-	(1)	(1)
Other[3]	-	-	22	(25)	(3)
At December 31, 2017, Net,	**3**	**21**	**100**	**119**	**243**
Cost	*3*	*63*	*1,132*	*372*	*1,570*
Accumulated depreciation	-	*(42)*	*(1,032)*	*(253)*	*(1,327)*
Exchange differences	-	1	1	1	3
Additions	-	-	8	96	104
Disposals	-	-	-	(1)	(1)
Depreciation charge	-	(3)	(48)	(38)	(89)
Impairment loss	-	-	(2)	(7)	(9)
Other[3]	-	-	30	(48)	(18)
AT DECEMBER 31, 2018, NET,	**3**	**19**	**89**	**122**	**233**
Cost	3	62	1,110	387	1,562
Accumulated depreciation	-	(43)	(1,021)	(265)	(1,329)

(1) Includes assets in progress.
(2) In 2017, related to the acquisition of LG set-top box business.
(3) Corresponds mainly to the transfer of tangible assets in progress to Machinery and Equipment.

4.4 Impairment on non-current operating assets

Goodwill, intangible assets having an indefinite useful life and development projects not yet available for use are tested annually for impairment during the last quarter of the year and updated at the end of December and whenever circumstances indicate that they might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash outflows that are largely independent of the cash flows of other assets or CGU. Goodwill arising from a business combination is allocated to CGUs or group of CGUs (Goodwill reporting units – GRUs) that are expected to benefit from the synergies.
The Group identified 3 GRUs:

- the Entertainment Services segment includes 2 GRUs: DVD Services and Production Services;
- the Connected Home segment is considered as a single GRU.

PPE and intangible assets having a definite useful life are tested for impairment at the consolidated statement of financial position date only if events or circumstances indicate that they might be impaired. The main evidence indicating that an asset may be impaired includes the existence of significant changes in the operational environment of the assets, a significant decline in the expected economic performance of the assets, or a significant decline in the revenues or margin versus prior year and budget or in the market share of the Group.

The impairment test consists of comparing the carrying amount of the asset with its recoverable amount. The recoverable amount of the asset is the higher of its fair value (less costs to sell) and its value in use.

The fair value (less costs to sell) corresponds to the amount that could be obtained from the sale of the asset (or the CGU/GRU), in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. It can be determined using an observable market price for the asset (or the CGU/GRU) or using discounted cash flow projections, that include estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance but exclude any synergies with other CGU/GRU of the Group.

Value in use is the present value of the future cash flow expected to be derived from an asset or CGU/GRU.

For determining the recoverable value, the Group uses estimates of future pre-tax discounted cash flows generated by the asset including a terminal value when appropriate. These flows are consistent with the most recent budgets approved by the Board of Directors of the Group. Estimated cash flows are discounted using pre-tax long-term market rates, reflecting the time value of money and the specific risks of the assets.

An impairment loss corresponds to the difference between the carrying amount of the asset (or group of assets) and its recoverable amount and is recognized in "Net impairment losses on non-current operating assets" for continuing operations unless the impairment is part of restructuring plans, or related to discontinued operations in which case it is recognized in "Restructuring expenses". In accordance with IAS 36, impairment of goodwill cannot be reversed.

ACCOUNTING ESTIMATES AND JUDGMENTS

The Group reviews annually goodwill and other indefinite-lived intangible assets for impairment in accordance with the accounting policy.

Technicolor's management believes its policies related to such annual impairment testing are critical accounting policies the recoverable involving critical accounting estimates because determining amount of GRU requires (i) determining the appropriate discount rate to be used to discount future expected cash flows of the cash-generating unit and (ii) estimating the value of the operating cash flows including their terminal value, the growth rate of the revenues generated by the assets tested for impairment, the operating margin rates of underlying assets for related future periods and the royalty rates for trademarks.

In addition to the annual review for impairment, Technicolor evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an additional impairment test in accordance with the Group accounting policy.

Management believes the updated assumptions used concerning sales growth, terminal values and royalty rates are reasonable and in line with updated market data available for each GRU.

(in million euros)	Connected Home	Entertainment Services	Discontinued operations	Total
2018				
Impairment loss on goodwill	-	(77)	-	(77)
Impairment losses on intangible assets	(1)	(1)	(4)	(6)
Impairment losses on tangible assets	(1)	(8)	-	(9)
Impairment losses on non-current operating assets	**(2)**	**(86)**	**(4)**	**(92)**
Impairment reversal on intangible assets	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS(1)	**(2)**	**(86)**	**(4)**	**(92)**
2017				
Impairment loss on goodwill	-	-	-	-
Impairment losses on intangible assets	(7)	(1)	(5)	(13)
Impairment losses on tangible assets	(1)	-	-	(1)
Impairment losses on non-current operating assets	**(8)**	**(1)**	**(5)**	**(14)**
Impairment reversal on intangible assets	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS	**(8)**	**(1)**	**(5)**	**(14)**

(1) Includes €(81) million in Net impairment and €(7) million in Restructuring of continuing result

The impairment tests performed in 2018 on goodwill and intangibles assets with indefinite useful lives resulted in an impairment of €(77) million on the goodwill related to DVD Services.

As of December 31, 2018, the Group reviewed its triggering indicators and determined that some amortizable assets may have lost value. 2018 Impairment is mainly related to restructuring in the United States and to discontinued activities.

4.4.1 MAIN ASSUMPTIONS AT DECEMBER 31, 2018

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		
	DVD Services	Production Services	Connected Home
Basis used to determine the recoverable amount	Fair Value	Value in use	Fair Value
Description of key assumptions			Budget and Business Plans
Period for projected future cash flows	*	5 years	5 years
Growth rate used to extrapolate cash flow projections beyond projection period:			
• As of December 31, 2018	*	2.0%	0%
• As of December 31, 2017	*	2.0%	2.0%
Post-tax discount rate applied(1):			
• As of December 31, 2018	8.0%	8.0%	10.0%
• As of December 31, 2017	8.0%	8.0%	10.0%

(1) The corresponding pre-tax discount rates are within a range from 11% to 12.8%.

** The main activities of the DVD Services Division (replication and associated distribution) have been considered to have a finite life . Accordingly, no terminal value has been applied for these main activities.*

For the DVD Services GRU, in the absence of a binding sale agreement at closing date, of an active market and of comparable recent transactions, discounted cash flow projections have been used to estimate fair value less costs to sell.

Technicolor management considers that fair value less costs to sell is the most appropriate method to estimate the value of its GRU as it takes into account the future restructuring measures the Group will need to make against a rapid technological environment change. Such restructuring actions would be considered by any market participant given the economic environment of the business.

The discounted cash flow of DVD Services is computed over a finite life of circa twenty years and accordingly the goodwill will be impaired over this period depending on the evolution of the fair value as determined through the discounted cash flow.

The Group recorded an impairment charge of €(77) million on goodwill as of December 31, 2018. No impairment charge was recorded in 2017.

4.4.2 SENSITIVITY OF RECOVERABLE AMOUNTS AT DECEMBER 31, 2018

For Production Services:

- a decrease of 1 point in the long-term growth rate assumption would decrease the enterprise value by €138 million;
- a decrease of 1 point of the EBITDA margin from 2019 would decrease the enterprise value by €131 million;
- an increase of 0.5 point in the WACC rate assumption would decrease the enterprise value by €97 million.

No impairment charge was required for year-end December 2018.

For DVD Services:

- a decrease of 10% on SD-DVD volumes from 2022 would decrease the enterprise value by €8 million;
- a decrease of 10% on Freight revenues from 2019 would decrease the enterprise value by €16 million;
- an increase of 0.5 point in the WACC rate assumption would decrease the enterprise value by €18 million;
- a decrease of 1 point of the EBITDA margin from 2022 would decrease the enterprise value by €37 million;
- a decrease of 5% on the Blu-ray^{TM} volume from 2022 would decrease the enterprise value by €10 million.

Following continues market decrease and assumptions review based on 2018 experiences, DVD services is presenting an impairment charge of €(77) million for the year-end December 2018.

For Connected Home:

- an increase of 1 point in the post-tax discount rate assumption would decrease the enterprise value by €76 million, without generating any impairment;
- a decrease of 1 point of the Adjusted EBITDA margin from 2018 would decrease the enterprise value by €170 million, without generating any impairment.

No impairment charge was required for year-end December 2018.

4.5 Commitments related to assets operated under operating lease

(in million euros)	**Minimum future lease commitments**	**Future lease commitments received**	**Net value of future lease commitments**
2019	81	1	80
2020	62	-	62
2021	46	-	46
2022	31	-	31
2023	23	-	23
After 5 years	63	-	63
TOTAL(1)	**306**	**1**	**305**

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

The main operating leases relate to the headquarters in France and in the US:

- on November 2016, Technicolor signed a commitment for a new operating beginning in 2018 an terminating in 2030 regarding the relocation of its headquarter in the center of Paris;
- on November 2018, Technicolor signed a commitment to renew his operationg lease until 2027 for its U.S. headquarter.

The net operating lease expense in 2018 was €93 million (€97 million in rental expense reduced by €4 million in rental income).

NOTE 5 Other operating information

5.1 Operating assets & liabilities

5.1.1 NON-CURRENT OPERATING ASSETS & LIABILITIES

(in million euros)	2018	2017
Customer contract advances and up-front prepaid discount	17	10
Other	24	28
OTHER OPERATING NON-CURRENT ASSETS	**41**	**38**
Payable on acquisitions of business & fixed assets	(12)	(32)
Other	(26)	(25)
OTHER OPERATING NON-CURRENT LIABILITIES	**(38)**	**(57)**

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.

ACCOUNTING ESTIMATES AND JUDGMENTS:

The management takes into consideration all elements that could have an impact on the inventory valuation, as declining sales forecasts, expected reduction in selling prices, specific actions engaged as rework or incentive plans, and obsolescence of products or slow rotation.

(in million euros)	2018	2017
Raw materials	102	38
Work in progress	14	10
Finished goods and purchased goods for resale	175	214
Gross value	**291**	**262**
Less: valuation allowance	(23)	(24)
TOTAL INVENTORIES	**268**	**238**

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.

Further to IFRS9 implementation, the loss allowances on trade receivables are determined from expected credit losses. The Group chose the simplified approach which allows the recognition of an allowance based on the lifetime expected credit losses at each reporting date.

The expected credit losses are determined from the trade date the following way:

- application to non-major customer segments of each division of a matrix determined on the Group's historical credit loss experience.
- specific follow-up of the credit risk for major customers based on their credit rating.

(in million euros)	2018	2017
Trade accounts and notes receivable	703	708
Less: valuation allowance	(26)	(24)
TOTAL TRADE ACCOUNTS AND NOTES RECEIVABLE	**677**	**684**

Trade accounts receivable include €68 million and €71 million which are past due respectively as of December 31, 2018 and December 31, 2017 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 (€677 million as of December 31, 2018 compared to €684 million as of December 31, 2017).

5.1.4 OTHER CURRENT ASSETS & LIABILITIES

ESTIMATION OF ACCRUED ROYALTY INCOME

In the normal course of its business, the Group may use certain technology protected by patents owned by third parties. In the majority of cases, the amount of royalties payable to these third parties for the use of this technology will be defined in a formal licensing contract. In some cases, and particularly in the early years of an emerging technology when the ownership of Intellectual Property rights may not yet be ascertained, management's judgement is required to determine the probability of a third party asserting its rights and the likely cost of using the technology when such assertion is probable. In making its evaluation, management considers past experience with comparable technology and/or with the particular technology owner. The royalties payable are presented within the captions "Other current liabilities" and "Other non-current liabilities" in the Group's balance sheet.

DERECOGNITION OF ASSETS

A receivable is derecognized when it is sold without recourse and when it is evidenced that the Group has transferred substantially all the significant risks and rewards of ownership of the receivable and has no more continuing involvement in the transferred asset.

(in million euros)	2018	2017
Value added tax receivable	46	33
Research tax credit and subsidies	1	18
Prepaid expenses	40	37
Other	177	145
OTHER CURRENT OPERATING ASSETS	**264**	**233**
Taxes payable	(44)	(40)
Accrued royalties expense	(42)	(49)
Payables for fixed assets	(47)	(25)
Other	(177)	(158)
OTHER CURRENT OPERATING LIABILITIES	**(310)**	**(271)**

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.

In 2018 there are no related parties transactions.

NOTE 6 Income Tax

6.1 Income tax recognized in profit and loss

6.1.1 INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Deferred tax is recognized in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss (either in OCI or directly in equity). Moreover, IAS 12 does not specify whether tax benefits arising from tax losses should be allocated to the source of the loss or the source of the realization of the benefit. The Group has accounted for any tax benefits arising from tax losses from discontinued activities in continuing operations since these tax losses will be used by future benefits from continuing operations.

(in million euros)	2018	2017*
Current income tax		
France	2	3
Foreign	(1)	(15)
Total Income Tax	**1**	**(12)**
Deferred income tax		
France	-	(113)
Foreign	(55)	13
Total Income Tax	**(55)**	**(100)**
INCOME TAX ON CONTINUING OPERATIONS	**(54)**	**(112)**

* *2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

In 2018 and 2017, the current income tax charge was mainly attributable to current taxes due in France, India, Canada, UK, Australia and Poland.

In France, the current income tax reflects income taxes payable due to the limitation of the usage of tax losses carried forward, withholding taxes on income earned by our licensing activities and the local tax “CVAE”.

Please see section 6.2.1 for detail on the variation of deferred taxes.

6.1.2 GROUP TAX PROOF

The following table shows the reconciliation of the expected tax expense – using the French corporate tax rate of 34% – and the reported tax expense. In 2017, the applicable French corporate tax rate was 39% further to an extraordinary contribution of 15% due by companies with revenues over €1 billion. The ietms in reconciliation are described hereafter:

(in million euros)	2018	2017*
Profit (loss) from continuing operations	**(224)**	**(168)**
Income tax	(54)	(112)
Pre-tax accounting income on continuing operations	**(170)**	**(56)**
	34%	*39%*
Expected tax expense	**59**	**22**
Effect of unused tax losses and tax offsets not recognized as deferred tax assets(1)	(84)	107
Effect of permanent differences	(14)	10
Effect of different tax rates applied(2)	(14)	20
Effect of change in applicable tax rate(3)	-	(270)
Withholding taxes not recovered	(1)	(1)
Effective tax expense on continuing operations	**(54)**	**(112)**

* *2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

(1) *In 2018, mainly due to:*

- *the depreciation of deferred tax assets in the United States for €61 million as there is no probability anymore to use the tax losses carried forward in the next five years;*
- *the depreciation of deferred tax assets in France for €11 million further to the disposal of the Patent Licensing business.*

(2) *In 2018, the amounts include mainly impact of the tax differentials with the United States.*

(3) *In 2017, mainly related to tax rate decrease from 35% to 21% in the United States.*

6.2 Tax position in the statement of financial position

Deferred taxes result from:

temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the Group consolidated balance sheets; and

- the carry forward of unused tax losses and tax credits.

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

All deferred tax liabilities are recorded except:

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

Deferred tax assets are recorded:

- for all deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these temporary differences can be utilized, except when the related deferred tax asset results from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and
- for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

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

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

ACCOUNTING ESTIMATES AND JUDGMENTS

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

6.2.1 CHANGE IN NET DEFERRED TAXES

(in million euros)	Deferred tax assets	Deferred tax liabilities	Total, net deferred tax assets
Year ended December 31, 2016	**423**	**(217)**	**206**
Changes impacting continuing profit or loss	(108)	8	(100)
Other movement	(40)	16	(24)
Year ended December 31, 2017	**275**	**(193)**	**82**
Changes impacting continuing profit or loss	(54)	(1)	(55)
Other movement	(10)	1	(9)
YEAR ENDED DECEMBER 31, 2018	**210**	**(193)**	**17**

As of December 31, 2018, the net deferred tax assets of €17 million relates mainly to the recognition of losses carry forward in Canada, India, Mexico and Poland. Net deferred tax assets amounted to €82 million as of December 31, 2017. This decrease was primarily due to change in the projections of our activities in the United States.

6.2.2 SOURCE OF DEFERRED TAXES

(in million euros)	2018	2017
Tax losses carried forward	**1,365**	**1,348**
Tax effect of temporary differences related to:		
Property, plant and equipment	21	20
Goodwill	13	19
Intangible assets	(101)	(108)
Investments and other non-current assets	(3)	(3)
Inventories	8	10
Receivables and other current assets	18	15
Borrowings	131	121
Retirement benefit obligations	51	56
Restructuring provisions	6	2
Other provisions	22	21
Other liabilities current and non-current	40	44
Total deferred tax on temporary differences	**206**	**197**
Deferred tax assets/(liabilities) before netting	**1,571**	**1,545**
Valuation allowances on deferred tax assets	(1,554)	(1,463)
NET DEFERRED TAX ASSETS/(LIABILITIES)	**17**	**82**

Technicolor benefits from tax losses carried forward in countries where the Group still conducts business amount to €3,468 million. These losses mainly arise from France (€1.7 billion) and the United States (€1.5 billion). In the United States, they will expire after 2022.

NOTE 7 Equity & Earnings per share

GRI *[102-10] [201-1]*

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
Share Capital as of December 31, 2016	**413,245,967**	**1**	**413,245,967**
Issuance of new shares for Free shares* purpose	778.750	1	778.750
Issuance of new shares for MIP* purpose	436.461	1	436.461
Share Capital as of December 31, 2017	**414,461,178**	**1**	**414,461,178**
Share Capital as of December 31, 2018	**414,461,178**	**1**	**414,461,178**

* *Plan described in note 9.3*

In 2018, the Group did not declared any change in his share capital.

As of November 6, 2017, the share capital was increased by 778,750 new shares of €1 each in order to deliver the free shares vested under the Free Share Plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in capital by €778,750 (see note 9.3).

In 2017, as part of the 2015 Management Incentive Plan (MIP 2015), some share subscription options were exercised and 436,461 new shares were issued at a price of €3.19 for a total of €1,392,311, corresponding to an increase in the share capital of €436,461 and additional paid-in-capital of €955,850.

As of December 31, 2018, and to the Company's knowledge, the following entities held more than 5% of the Company' share capital:

- RWC Asset Management LLP held, 42,000,000 shares which represent 10.13% of the share capital and 10.16% of the voting rights of the Company;
- J O Hambro Capital Management Ltd held 35,655,435 shares which represent 8.6% of the share capital and 8.62% of the voting rights;
- the Caisse des Dépôts et Consignations held, jointly with Bpifrance Participations SA, 32,982,928 shares which represent 7.96% of the share capital and 7.98% of the voting rights of the Company;
- OppenheimerFunds, Inc. held 29,700,000 shares which represent 7.17% of the share capital and 7.18% of the voting rights of the Company;
- DNCA Finance, SA and DNCA Finance Luxembourg held 26,510,000 shares which represent 6.40% of the share capital and 6.41% of the voting rights of the Company;
- Kinney Asset Management LLC, held 22,928,815 shares which represent 5.53% of the share capital and 5.55% 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 Meeting on May 23, 2013, and confirmed by the annual shareholders general meeting. As no share purchase program was submitted for approval at the combined shareholder's meeting convened on April 26, 2018, Share Management Agreement was suspended during the year.

	2018	2017
Number of Treasury shares at opening	**978,051**	**752,768**
Variation related to the Share Management Agreement	96,943	225.283
Other variations	-	-
Number of Treasury shares at closing	**1,074,994**	**978,051**

Under the Share Management Agreement, 1,114,523 shares have been repurchased and 1,017,580 shares have been sold for a net cash outflow of €58,189 in 2018.

7.2.2 SUBORDINATED PERPETUAL NOTES

On September 26, 2005, Technicolor issued deeply subordinated perpetual notes (TSS) in a nominal amount of €500 million. No derivative was identified because the provisions of the notes fall outside the scope of the definition of a derivative under IAS 39.

Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes were recorded under IFRS in shareholder's equity for the net value received of €492 million (issue price less offering discount and fees).

Further to the restructuring of the Group's debt in 2010, the characteristics of the notes are now as follows:

- they are not repayable other than (i) at Technicolor's sole option in specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in 2010.

7.2.3 DIVIDENDS AND DISTRIBUTION

In 2018, the Shareholders' Meeting held on April 26, 2018 did not vote any payment of dividend.

The Shareholders' Meeting held on May 24, 2017 voted the payment of a dividend of €0.06 per share for the fiscal year 2016. The amount of €25 million was paid to the shareholders on June 2017.

7.2.4 NON-CONTROLLING INTERESTS

In 2018, the main changes in non-controlling interests result from:

- Liquidation Thomson Investment India for €(2) million;
- Acquisition of 49% of Technicolor Pioneer Japan shares €(1) million.

In 2017, there is no significant change in non-controlling interests.

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 :

	2018	2017*
Net income ***(in million euros)***	**(67)**	**(173)**
Net (income) loss attributable to non-controlling interest	(1)	1
Net (gain) loss from discontinued operations	(157)	5
Numerator:		
Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders	**(225)**	**(167)**
Basic weighted average number of outstanding shares ('000)	413,440	412,717
Dilutive impact of stock-option & Free Share Plans	0	963
Denominator:		
Weighted shares ***('000)***	**413,440**	**413,680**

* *2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

Some of stock-options plans have no dilution impact due to stock price but could have a dilution impact in the future depending on the stock price evolution (see details of these plans in note 9.3).

NOTE 8 Financial assets, financing liabilities & derivative financial instruments

8.1 Classification & measurement

FINANCIAL ASSETS (EXCLUDING DERIVATIVES)

Management determines the classification of its financial assets at initial recognition in the light of the Group's business model for the management of financial assets, as well as the characteristics of the asset's contractual cash flows.

Financial assets at amortized cost

This category is used for a financial asset when the objective is to receive its contractual cash flows, corresponding only to repayments of principal and, where applicable, interest on principal.

These assets are initially recognized at fair value less any transaction costs. They are then recognized at amortized cost using the effective interest rate method.

Where applicable, an impairment loss is recognized for the amount of expected credit losses at 12 months, unless the credit risk has increased significantly since initial recognition, in which case the impairment is calculated for the amount of expected credit losses over the life of the asset. For trade receivables and assets on trade contracts, the Group applies a simplified impairment method (see note 5.1.3.)

Financial assets at fair value through profit or loss

This category is used when the financial asset is not recognized at amortized cost. For these financial assets carried at fair value, changes in value are recognized in the income statement under "Other net financial income (expense)".

A financial asset is derecognized when the contractual rights to the cash flows associated with it expire or have been transferred, and substantially all the risks and rewards of ownership of the asset.

FINANCIAL LIABILITIES (EXCLUDING DERIVATIVES)

Borrowings are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Any difference between (i) net proceeds of transaction costs and (ii) redemption value is recognized in financial income over the life of the borrowings using the effective interest rate method.

Borrowings are presented as current liabilities, unless the Group has an unconditional right to defer repayment of the liability beyond a period of 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

DERIVATIVES

Derivatives are recorded at fair value. Changes in value are recognized in the income statement and/or in equity within other comprehensive income, in accordance with the principles set out in note 8.6.

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.

Le tableau ci-après présente la ventilation des actifs et passifs financiers, en fonction de leur catégorie comptable.

		Fair value measurement by accounting categories as of December 31, 2018					
(in million euros)	**December 31, 2018**	**Amortized costs**	**Fair value through profit & loss**	**Fair value through equity**	**Derivative instruments (see note 8.6)**	**Fair Value measure-ment**	**December 31, 2017**
Investments and available-for-sale assets	*14*			*14*		*Level 2*	*17*
Cash collateral & security deposits	*9*		*9*			*Level 1*	*15*
Loans & others	*1*	*1*					*4*
Other non-current financial assets	**10**						**19**
Total non-current financial assets	**24**						**36**
Cash collateral and security deposits	*12*		*12*			*Level 1*	*8*
Other current financial assets	*2*	*2*					*2*
Derivative financial instruments	*-*				*-*	*Level 2*	*-*
Other financial current assets	14						10
Cash	*134*		*134*			*Level 1*	*274*
Cash equivalents	*157*		*157*			*Level 1*	*45*
Cash and cash equivalents	**291**						**319**
Total current financial assets	**305**						**329**
Non-current borrowings[1]	(1,004)	(1,004)					(1,077)
Other non-current financial liabilities	-				-	Level 2	-
Total non-current financial liabilities	**(1,004)**						**1,077**
Current Borrowings	(20)	(20)					(20)
Other current financial liabilities	(4)				(4)	Level 2	(1)
Total current financial liabilities	**(24)**						**(21)**
TOTAL FINANCIAL LIABILITIES	**(1,028)**						**(1,098)**

(1) Borrowings are recognized at amortized costs. The fair value of the Group debt is €972 million as of December 31, 2018 (€1,108 million as of December 31, 2017). 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.

8.2 Management of financial risks

GRI *[102-15]*

8.2.1 GOVERNANCE

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.) in accordance with the policies and procedures of the Group.

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.

These risks are managed in a strict framework with specific limits and authorizations approved by the Investment Committee for each type of transaction and monitoring by the Group Internal Control Department.

8.2.2 MARKET RISK MANAGEMENT

8.2.2.1 Operational 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. The fluctuation of exchange rates can have an impact on the value of the assets, liabilities, revenues and expenses in the consolidated financial statements, 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 doing sensitivity analyses on the main exposures in the subsidiaries where the functional currency is different from the euro (see below).

Transaction Risk

Foreign currency transaction risk occurs when purchases and sales are made by Group entities in currencies other than their functional currencies.

The Group's main transaction risk is its U.S. dollar exposure versus euro. After offsetting the U.S. dollar revenues of its European activities with the U.S. dollar costs related to purchases of finished goods and components by its European affiliates, the net U.S. dollar exposure versus euros for continuing operations was net costs of U.S.$82 million in 2018 (net costs of U.S.$116 million in 2017).

The policy of the Group is to have its subsidiaries:

- to the extent possible denominate their costs either in the same currencies as their sales;
- regularly report their projected foreign currency needs and receipts to the Group Treasury Department which then nets 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.

For products with a short business cycle which represent the majority of the exposures, 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, hedges may be put in place for periods greater than six months.

Regardless of the term of the hedging, the Treasury department uses short-term foreign currency derivatives (maturity of several days to several months) that it rolls over as a function of is global exposure which is monitored on a daily basis. The derivative instruments used are described in note 8.6.

Transaction risk on commercial exposures is measured by consolidating the Group's exposures and doing sensitivity analyses on the main exposures (see below).

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, 2018, no hedges of this type were outstanding.

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 table below shows 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.

2018 *(in million euros)*	**Transaction**	**Translation**	**Total**
Profit from continuing operations before tax and net finance costs(1)	(7)	(9)	**(16)**
Equity Impact (cumulative translation adjustment)(2)			**89**

(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 Financial foreign exchange risk

The Group's policy is to centralize to the extent possible its financing and the associated currency risk, if any, at the level of the Group treasury.

As a result, the majority of the Group's subsidiaries borrow, and lend their surplus cash, to the Group treasury, which in turn satisfies liquidity needs by borrowing externally. Subsidiaries that cannot enter into transactions with the Group Treasury because of local laws or restrictions may borrow or invest with local banks in accordance with the rules established by the Group treasury.

The Group's policy is also that subsidiaries borrow or invest excess cash in their functional currency. 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 UK subsidiaries respectively and (ii) to convert U.S. dollars borrowed externally or from the Group's U.S. subsidiaries into euros. The forward points on these currency swaps which are accounted for as interest, resulted in income of 2 million euro in 2018 and in 2017.

8.2.2.3 Interest rate risk

Exposure to interest rate risk

Technicolor is mainly exposed to interest rate risk on its deposits and indebtedness.

At December 31, 2018 the portion of the Group's financial debt exposed to floating interest rates, after taking into account hedging operations, is as shown below.

(in million euros)	**2018**
Debt	1,024
Percentage at floating rate*	62%

* *Includes €20 million of debt with maturity of less than 1 year which the Group considers to be at floating rate.*

In 2018 the Group's deposits were entirely at floating rate.

The Group is exposed to interest rate risk which can have an impact on net interest expense.

Sensitivity to interest rate movements

The Group believes a 100 basis point fluctuation in interest rates is reasonably possible in a given year and the table below shows the maximum annual impact of such a change.

Maximum impact over one year on the net exposure as of December 31, 2018 of a variation versus current rates(1)(2)

(in million euros)	**Impact on cash net interest**	**Impact on equity before taxes**
Impact of interest rate variation of +1%	(2)	(2)
Impact of interest rate variation of -1%	0	0

(1) At December 31, 2018, 3 month EURIBOR and 3 month LIBOR were -0.36% and 2.81% respectively.
(2) After taking into account interest rate hedging operations.

Interest rate risk management

At December 31, 2018, the Groupe has outstanding interest rate hedging operations the characteristics of which are given in note 8.6.1.

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, 2018 and December 31, 2017, respectively.

	At December 31, 2018						
(in million euros)	**2019**	**2020**	**2021**	**2022**	**2023**	**There after**	**Total**
Floating rate Term Loan Debt – principal	3	2	3	3	972	-	983
Term Loan Debt – accrued interest	3	-	-	-	-	-	3
Other debt – principal and accrued interest	14	13	14	2	-	-	43
TOTAL DEBT PRINCIPAL PAYMENTS	**20**	**15**	**17**	**5**	**972**	**-**	**1,029**
IFRS Adjustment							**(5)**
Debt in IFRS							**1,024**
Floating rate Term Loan Debt – interest	38	38	38	38	35	-	187
Other debt – interest	2	1	-	-	-	-	3
TOTAL INTEREST PAYMENTS	**40**	**39**	**38**	**38**	**35**	**-**	**190**

	At December 31, 2017						
(in million euros)	**2018**	**2019**	**2020**	**2021**	**2022**	**There after**	**Total**
Floating rate Term Loan Debt – principal	2	3	2	2	3	962	974
Fixed rate Term Loan Debt – principal	-	-	-	-	-	90	90
Term Loan Debt – accrued interest	4	-	-	-	-	-	4
Other debt – principal and accrued interest	14	14	5	-	2	-	35
TOTAL DEBT PRINCIPAL PAYMENTS	**20**	**17**	**7**	**2**	**5**	**1,052**	**1,103**
IFRS Adjustment							**(6)**
Debt in IFRS							**1,097**
Floating rate Term Loan Debt – interest	35	35	35	35	35	35	210
Fixed rate Term Loan Debt – interest	2	2	2	2	2	2	12
Other debt – interest	1	1	-	-	-	-	2
TOTAL INTEREST PAYMENTS	**38**	**38**	**37**	**37**	**37**	**37**	**224**

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

(in million euros)	**2018**	**2017**
Undrawn, committed lines expiring in more than one year	359	390

The Group's committed credit lines consist of:

- a receivables backed committed credit facility in an amount of U.S.$125 million, €109 million at the December 31, 2018 exchange rate, (the "WF Line") which matures in 2021, the availability of this credit line varies depending on the amount of receivables;
- a €250 million revolving credit facility maturing in 2021 (the "RCF"); and
- a €35 million bilateral credit facility maturing in May 2019.

None of these facilities was drawn at December 31, 2018.

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 €291 million at December 31, 2018. 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, 2018, 88% of the Group cash deposits are made with banks that have a counterparty rating of, at least A-1 according to Standard & Poor's.
- The financial instruments used by the Group to manage its interest rate and currency exposure are all undertaken with counterparts having a rating of at least A-2 according to Standard & Poor's. 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.

8.3 Borrowings

The Group's debt consists primarily of Term Loan Debt in U.S. dollars and in euros, issued by Technicolor SA in December 2016 and March 2017 and maturing in 2023. A loan in the amount of €90 million from the European Investment Bank ("EIB") issued by Technicolor SA in January 2017 was prepaid in December 2018.

8.3.1 ANALYSIS BY NATURE

(in million euros)	2018	2017
Debt due to financial institutions	978	1,058
Bank overdrafts	-	-
Other financial debt	43	35
Accrued interest	3	4
DEBT UNDER IFRS	**1,024**	**1,097**
Total non-current	*1,004*	*1,077*
Total current	*20*	*20*

8.3.2 SUMMARY OF DEBT

Details of the Group's debt as of December 31, 2018 are given in the table below:

(in million euros)	Currency	Nominal Amount	IFRS Amount (see note 8.3.3.4)	Type of rate	Nominal rate(1)	Effective rate(1)	Repayment Type	Final maturity
Term Loan Debt	USD	258(2)	257	Floating(3)	5.46%	5.58%	Amortizing(4)	Dec. 6, 2023
Term Loan Debt	EUR	275	274	Floating(5)	3.00%	3.11%	Bullet	Dec. 6, 2023
Term Loan Debt	EUR	450	447	Floating(6)	3.50%	3.63%	Bullet	Dec. 6, 2023
Total	**EUR**	**983**	**978**		**3.87%**	**4.00%**		
Other Debt(7)	**EUR**	**46**	**46**		**5.18%**	**5.18%**		
TOTAL	**EUR**	**1,029**	**1,024**		**3.93%**	**4.05%**		

(1) Rates as of December 31, 2018.
(2) Remaining principal of U.S.$294.75 million.
(3) 3 month LIBOR with a floor of 0% + 275bp.
(4) Amortization of U.S.$750,000 per quarter.
(5) 3 month EURIBOR with a floor of 0% + 300bp.
(6) 3 month EURIBOR with a floor of 0% + 350bp.
(7) Of which €3 million is accrued interest and €41 million of capital leases.

8.3.3 MAIN FEATURES OF THE GROUP'S BORROWINGS

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

(in million euros)	2018	2017
Less than 1 month	6	5
Between 1 and 6 months	3	13
Between 6 months and less than 1 year	11	2
Total current debt less than 1 year	**20**	**20**
Between 1 and 2 years	15	17
Between 2 and 3 years	17	7
Between 3 and 4 years	5	2
Between 4 and 5 years	972	5
Over 5 years	-	1,052
Total non-current debt	**1,009**	**1,083**
Total nominal debt	**1,029**	**1,103**
IFRS Adjustment(1)	**(5)**	**(6)**
DEBT UNDER IFRS	**1,024**	**1,097**

(1) Debt issuance costs amortized via the effective interest rate method.

8.3.4 FINANCIAL COVENANTS AND OTHER LIMITATIONS

In respect of the:

- term Loan Debt Agreement entered into in December 2016 as amended in March 2017 and
- the RCF entered into in December 2016,

together the "Debt instruments", the Group is required to meet financial covenants and is subject to several limitations described below.

Security Package

Technicolor granted security interests to secure the Debt Instruments with the pledge of the shares of the main subsidiaries of Technicolor SA and of certain intra-group loans and material cash pooling bank accounts.

Early repayment and mandatory prepayments

In case of default or change of control of Technicolor, creditors will have the ability to immediately demand payment of all or a portion of the outstanding amounts.

The events of default apply in whole or in part to Technicolor SA. The events of defaults include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by Technicolor SA to meet the payment dates of the Debt Instruments or of any other financial indebtedness or to comply with material obligations related to the Debt Instruments;
- any auditor's report qualification made to the Technicolor SA's ability to continue as a going concern or the accuracy of the information given.

Under the mandatory prepayment terms of the Debt Instruments, the Group is required to apply funds towards the repayment of outstanding amounts of the loans under the Debt Instruments in certain circumstances, including the following:

- asset disposals: the net proceeds in respect of any disposal of any of its assets to an unaffiliated third party will be applied, subject to a minimum threshold, to repay the outstanding amounts of the term loans unless the proceeds are reinvested in assets useful for its business within 365 days;
- excess cash flow: a percentage of the Company's excess cash flow will be applied to prepay the term loans. The applicable percentage depends on the leverage ratio of the Group, and ranges from 25% to 50%. The percentage steps down to 0% if certain levels of leverage ratio are reached. Excess cash flow is defined for purposes of the term loans prepayments, as the aggregate of net cash from operating and investing activities, subject to certain adjustments and minus the total funding costs, which comprise all voluntary or mandatory prepayments of the term loans during the year;
- other: net proceeds in respect of payments related to a casualty event (giving rise to insurance reimbursements or condemnation awards) shall be applied to the repayment of the debt under the Debt Instruments, subject to certain minimum thresholds and with certain carve-outs.

Technicolor can also, at its election, prepay all or part of its outstanding Term Loan Debt without penalty.

Covenants

Application scope

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

he RCF contains a single affirmative financial covenant which requires that the total gross debt be no more than 4.00 times Adjusted EBITDA on a trailing twelve-month basis ("Leverage covenant") on June 30 and December 31 of each financial year, 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 U.S.$125 million credit line agreement signed with Wells Fargo in November 2017 contains the same financial covenant but this covenant is only applicable if outstanding availability under the line is less than U.S.$20 million on June 30 or December 31 of each financial year.

The €35 million credit line agreement signed with Crédit Agricole d'Île de France in July 2017 contains the same financial covenant but this covenant is only tested on December 31 of each financial year.

Leverage covenant

Total gross debt of the Group at December 31, 2018 must be no more than 4.00 times the Adjusted EBITDA of the Group for the twelve months ending December 31, 2018.

Gross Debt	€1,024 million
Covenant Adjusted EBITDA*	€266 million
Gross Debt/Covenant Adjusted EBITDA Ratio	3.85

* *Adjusted EBITDA in respect of the leverage covenant definition.*

Since 3.85 is less than the maximun allowed level of 4.00, the Group meets this financial covenant.

Other Restrictions

In addition to certain information provision covenants, the agreements governing the Debt Instruments include certain negative covenants that restrict the ability of Technicolor SA to undertake various actions regarding indebtedness, investments and material changes in the general nature of the business. These restrictions are subject in each case to certain exceptions and limitations.

In particular, the Group is subject to restrictions on its ability to, among other things and subject to certain exceptions:

- make restricted payments, if certain ratios are not met, in excess of certain cumulative amounts, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- incur additional financial debt in excess of certain cumulative amounts and if certain ratios are not met and with certain carve outs; and
- make certain investments in joint ventures not controlled by the Group and in which the Group has no veto right on material decisions, except to the extent the Group's consolidated leverage ratio is under a threshold which decreases over time and subject to a certain cumulative amount and with certain carve-outs.

8.4 Cash and cash equivalents

Cash corresponds to cash in bank accounts as well as demand deposits.

Cash equivalents corresponds to very liquid short-term investments, with an original maturity not exceeding three months, which are easily convertible at any time into a known amount of cash and for which the risk on the principal amount is negligible.

(in million euros)	2018	2017
Cash	134	219
Cash equivalents	157	100
CASH AND CASH EQUIVALENTS	**291**	**319**

8.5 Net financial expenses

(in million euros)	2018	2017*
Interest income	3	3
Interest expenses	(43)	(46)
Net interest expenses	**(40)**	**(43)**
Net interest expenses on defined benefit liability (note 9.2.2.1)	(6)	(7)
Foreign exchange gain/(loss)(1)	10	(6)
Other(2)	(15)	(40)
Other financial income (expense)	**(11)**	**(53)**
NET FINANCIAL EXPENSES	**(51)**	**(96)**

(1) In 2018 the exchange result is mainly due to the impact of the depreciation of the BRL vs. the USD on an intercompany lending denominated in USD from the Group's subsidiary in Brazil to Technicolor SA.

(2) In 2017, the line "Other" was mainly related to the IFRS discount for €(27) million.

** 2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

8.6 Derivative financial instruments

GENERAL PRINCIPALS

The Group uses derivative instruments notably to hedge its exposure to foreign currency risk and changes in interest rates. The financial derivatives are executed in the over the counter market and are governed by standard ISDA (International Swaps and Derivatives Association, Inc.) agreements or agreements standard for the French market.

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 when put in place;
- 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.

TERMINATION OF HEDGE ACCOUNTING

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.

8.6.1 FINANCIAL DERIVATIVE PORTFOLIO

At December 31, 2018 and December 31, 2017 the fair value of the Group's financial derivatives was as follows:

	2018		2017	
(in million euros)	Assets	Liabilities	Assets	Liabilities
Foreign currency hedges	1	4	-	1
Interest rate hedges	-	1	-	-
Instruments not documented as hedges	-	-	-	-
TOTAL	**1**	**5**	**-**	**1**

Foreign currency hedge characteristics

The foreign currency hedges outstanding at December 31, 2018 are shown in the table below:

	Currencies	Notional(1)	Maturity	Fair value(2)
Forward purchases/sales and currency swaps	USD/EUR	353	2019	(1)
Forward purchases/sales and currency swaps	USD/CAD	(125)	2019	(2)
Forward purchases/sales and currency swaps	Other currencies			n.s.
FAIR VALUE				**(3)**

(1) Net forward purchases/(sales), in millions of the first currency of the pair.
(2) Market value in millions of euros at December 31, 2018.

n.s.: Fair value is not significant

Interest rate hedge characteristics

The Group has two interest rate hedging instruments outstanding at December 31, 2018. These instruments hedge future interest charges of the Group, which are principally indexed on a floating rate as shown in the table in note 8.3.2.

The main characteristics are as follows:

	Notional	Hedge	Issuance	Maturity	Fair value(1)
Interest rate swap	€240 million	Receive 3m EURIBOR(2)/pay 0.22%	May 2018	November 2021	(0.8)
Cap	U.S.$145 million	3m LIBOR capped at 3.00%	May 2018	November 2021	0.4
FAIR VALUE					**(0.4)**

(1) Market value in millions of euros at December 31, 2018.
(2) EURIBOR floored at 0%.

Characteristics of instruments not documented as hedges

At December 31, 2018 the Group does not have any outstanding instruments that are not documented as hedges.

8.6.2 IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS ON GROUP PERFORMANCE

As indicated in note 8.2.2.1, due to the practice of the Group treasury for its foreign currency exposure of executing mainly short-term derivative instruments, which are rolled over as a function of its global exposure which is monitored daily, the characteristics of its portfolio of hedging instruments at the closing date is not representative of the impact on the year's results nor that of future years.

The table below presents the impact of hedging instruments on the Group's performance in 2018.

	Foreign currency hedges		**Interest rate hedges**		**Instruments not documented as hedges**
(in million euros)	Impact of effective portion[1]	Impact of ineffective portion[2]	Impact of effective portion[1]	Impact of ineffective portion (3)	Impact of changes in value
Gross margin	**2**	**-**	**-**	**-**	**-**
Net interest expense	-	-	-	-	-
Foreign currency gain (loss)	-	4	-	-	
Other	-	-	-	-	-
Net financial result	**-**	**4**		**-**	**-**
NET OPERATING RESULTAT BEFORE TAX	**2**	**4**	**-**	**-**	**-**
Gains/(losses) before tax resulting from the valuation at fair value of instruments hedging future cash flows	(3)	-	-	(1)	-
OTHER ELEMENTS OF GLOBAL RESULT	**(3)**	**-**	**-**	**(1)**	**-**

(1) *The effective portions of the hedges are recorded in the same item of the financial statement as the underlying hedged elements.*

(2) *The ineffective portions of foreign exchange hedges come mainly from forward points on forward exchange operations and foreign currency swaps, which the Group excludes from hedging relationships. Forward points related to hedges of financial exposures are recorded in "Net interest expense". The forward points related to the hedges of commercial exposures are recorded in foreign currency gain/(loss).*

(3) *The ineffective portions of interest rate hedges come mainly from the time value of interest rate options (caps) and are excluded from the hedging relationship.*

The impact of the hedges of future cash flows is represented by the gains/(losses) before taxes on the fair value of instruments hedging such cash flows and is recorded in net equity. At December 31, 2018 the impact amounted to €(3) million.

NOTE 9 Employee benefit

GRI *[201-1] [201-3] [401-2]*

9.1 Information on employees

The total headcount of the Group consolidated entities as of December 31, 2018 is 17,745 employees (16,307 as of December 31, 2017). Please refer to Chapter 5.1 of the Registration Document for more detail on employees of the Group.

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

(in million euros)	**2018**	**2017**
Wages and salaries	713	778
Social security costs	109	121
Compensation expenses linked to share-base payments granted to Directors and employees (note 9.3.3)	(9)	10
Pension costs – defined benefit plans (note 9.2.2)	8	9
Termination benefits	38	34
TOTAL EMPLOYEE BENEFITS EXPENSES (EXCLUDING DEFINED CONTRIBUTION PLANS)	**858**	**952**
Pension costs – defined contribution plans	21	21

The termination benefits are presented in restructuring expenses within continuing operations in the consolidated statement of operations.

9.2 Post-employment & long-term benefits

POST-EMPLOYMENT OBLIGATIONS

The Group operates various post-employment schemes for some employees. Contributions paid and related to defined contribution plans, i.e. pension plans under which the Group pays fixed contributions and has no legal or constructive obligation to pay further contributions (for example if the fund does not hold sufficient assets to pay to all employees the benefits related to employee service in the current and prior periods), are recorded as expenses when employees have rendered services entitling them to the contributions.

The other pension plans are analyzed as defined benefit plans (i.e. pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation) and are recognized in the balance sheet based on an actuarial valuation of the defined benefit obligations being carried out at the end of each annual reporting period.

The method used for determining employee benefits obligations is based on the Projected Unit Credit Method. The present value of the Group benefit obligations is determined by attributing the benefits to employee services in accordance with the benefit formula of each plan. The provisions for these benefits are determined annually by independent qualified actuaries based on demographic and financial assumptions such as mortality, employee turnover, future salaries, benefit levels and discount rates.

Remeasurement, comprising actuarial gains and losses, the effect of changes in asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in OCI. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be classified in profit or loss.

Defined benefit costs are classified as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) to be recognized in profit or loss;
- net interest expense or income, to be recognized as financial expense and financial income (note 8.5).

Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus between the present value of the Group's defined benefit obligation and the fair value of plan asset. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.

OTHER LONG-TERM BENEFITS

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs. The obligations related to other long-term benefits (for example jubilee award) are also based on actuarial valuations. Actuarial gains or losses are recognized in the consolidated statement of operations.

The liability related to other long-term benefits are not presented within the retirement benefit obligation but within the restructuring provision or other liabilities.

ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's determination of its pension and post-retirement benefits obligations, expenses and OCI impacts for defined benefit plans is dependent on the use of certain assumptions used by actuaries in calculating such amounts, among others, the discount rate and annual rate of increase in future compensation levels. Assumptions regarding pension and post-retirement benefits obligations are based on actual historical experience and external data.

The Group is exposed to actuarial risks such as interest rate risk, investment risk, longevity risk, salary increase risk and inflation risk. The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Capital markets experience fluctuations that cause downward or upward pressure on the quoted values and higher volatility. While Technicolor's management believes the assumptions used are appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and post-retirement benefits net obligations under such plans and related future expense.

9.2.1 SUMMARY OF THE PROVISIONS AND PLANS DESCRIPTION

	Pension plan benefits		Medical		Total	
(in million euros)	2018	2017	2018	2017	2018	2017
Opening provision	**376**	**397**	**6**	**7**	**382**	**404**
Net periodic pension cost	9	10	-	-	9	10
Curtailment gain	(1)	(1)	-	-	(1)	(1)
Benefits paid and contributions	(26)	(27)	-	-	(26)	(27)
Change in perimeter	(6)	-	-	-	(6)	-
Actuarial (gains) losses recognized in OCI	(14)	3	-	-	(14)	3
Currency translation differences	2	(6)	-	(1)	2	(7)
CLOSING PROVISION	**340**	**376**	**6**	**6**	**346**	**382**
Of which current	*26*	*27*	-	-	*26*	*27*
Of which non-current	*314*	*349*	*6*	*6*	*320*	*355*

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 2018 (same amount in 2017).

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 2018, the geographical breakdown of such net obligations was as follows:

(in million euros)	Germany	U.S.	UK	France	Others	Total
Present value of defined benefit obligation	258	110	119	15	22	524
Fair value of plan assets		(71)	(95)		(12)	(178)
RETIREMENT BENEFIT OBLIGATIONS	**258**	**39**	**24**	**15**	**10**	**346**
Cash flows	(18)	(5)	(2)	-	(1)	(26)
Average duration (in years)	11	8	17	11	N/A	N/A

In addition, the Group pays an average yearly funding contribution to the plan assets for around €7 million (see note 9.2.4).

9.2.1.3 Multi-employer plan

Since August 2009, Technicolor participates in the Motion Picture Industry multi-employer defined benefit plan in the U.S. As the information about the dividing up of plan financial position and performance between each plan Member are not available, Technicolor accounts for this plan as a defined contribution plan.

The average expense incurred each year is around €1 million.

9.2.2 ELEMENTS OF THE STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

9.2.2.1 Statements of operations

	Pension plan benefits		Medical		Total	
(in million euros)	2018	2017	2018	2017	2018	2017
Service cost:						
• Current service cost	(2)	(3)	-	-	(2)	(3)
• Past service cost and gain from settlements	1	1	-	-	1	1
Financial interest expense, net:						
• Interest cost on obligation	(12)	(12)	-	-	(12)	(12)
• Interest income on plan assets	5	5	-	-	5	5
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN PROFIT OR LOSS	**(8)**	**(9)**	**-**	**-**	**(8)**	**(9)**

9.2.2.2 Other comprehensive income

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	2018	2017	2018	2017	2018	2017
OPENING					**(192)**	**(189)**
Actuarial gains/(losses) arisen on plan assets:						
• due to the return on plan assets	(14)	8	-	-	(14)	8
Actuarial gains/(losses) arisen on benefit obligation:						
• due to changes in demographic assumptions	6	-	-	-	6	-
• due to changes in financial assumptions(1)	19	(5)	-	-	19	(5)
• due to experience adjustments	3	(6)	-	-	3	(6)
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN OCI	**14**	**(3)**	**-**	**-**	**14**	**(3)**
CLOSING					**(178)**	**(192)**

(1) *In 2018, the increase in discount rates (see note 9.2.5) resulted an actuarial gains for €19 million. In 2017, the stability in discount rates led to no actuarial losses.*

9.2.3 ANALYSIS OF THE CHANGE IN BENEFIT OBLIGATION AND IN PLAN ASSETS

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	2018	2017	2018	2017	2018	2017
Benefit obligation at opening	**(573)**	**(593)**	**(6)**	**(7)**	**(579)**	**(600)**
Current service cost	(2)	(3)	-	-	(2)	(3)
Interest cost	(12)	(12)	-	-	(12)	(12)
Remeasurement – actuarial gains/(losses) arising from:						
• changes in demographic assumptions	6	-	-	-	6	-
• changes in financial assumptions	19	(5)	-	-	19	(5)
• experience adjustments	3	(6)	-	-	3	(6)
Past service cost, including gains/(losses) on curtailments	1	1	-	-	1	1
Benefits paid	38	36	-	-	38	36
Currency translation adjustments	(3)	21	-	1	(3)	22
Others (Change in Pension system)(1)	6	(12)	-	-	6	(12)
Benefit obligation at closing	**(518)**	**(573)**	**(6)**	**(6)**	**(523)**	**(579)**
Benefit obligation wholly or partly funded	*(231)*	*(256)*	-	-	*(231)*	*(256)*
Benefit obligation wholly unfunded	*(287)*	*(317)*	*(6)*	*(6)*	*(293)*	*(323)*
Fair value of plan assets at opening	**197**	**196**		**-**	**197**	**196**
Interest income	5	5	-	-	5	5
Remeasurement gains/(losses)	(14)	8	-	-	(14)	8
Employer contribution	7	7	-	-	7	7
Benefits paid	(19)	(16)	-	-	(19)	(16)
Currency translation adjustments	2	(15)	-	-	2	(15)
Others (Change in Pension system)		12	-	-	-	12
Fair value of plan assets at closing	**178**	**197**	**-**	**-**	**178**	**197**
RETIREMENT BENEFIT OBLIGATIONS	**(340)**	**(376)**	**(6)**	**(6)**	**(346)**	**(382)**

(1) *In 2017, the other changes mainly come from a change in the pension system in Belgium. There is no impact on the total Retirement obligation as the increase in the Defined Benefit Obligation is set off by an equivalent increase in the plan assets.*

The Group expects the overall 2018 benefits paid to be equal to €33 million for defined benefits plans, of which €20 million directly by the Company to the employees and €13 million by the plans.

9.2.4 PLAN ASSETS

9.2.4.1 Funding policy and strategy

When defined benefit plans are funded, mainly in the U.S. and in the UK, the investment strategy of the benefit plans aims to match the investment portfolio to the membership profile.

In the UK, contributions are negotiated with the Trustees as per the triennial valuation. Trustees are advised by an external leading global provider of risk management services regarding investment policy. The average yearly funding contribution is £2 million (€2 million at 2018 average rate).

In the U.S., Technicolor's policy is to contribute on an annual basis in an amount that is at least sufficient to meet the minimum requirements of the U.S. law. The average yearly contribution is 5 million of U.S. dollars (€4 million at 2018 average rate).

Periodically an asset-liability analysis is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles.

- In the U.S., as the pension plan is frozen, the investment strategy aims to increase the funded ratio toward termination liability while simultaneously attempting to minimize the volatility of the funded ratio (currently funded ratio is above 75%). Asset mix is fully based on bonds and cash equivalents. Over the past several years, the return of the plan has on average exceeded the expected return.
- In the UK, the funded status is above 75%. Asset mix is based on 35% of insurance contracts that cover obligations with pensioners, 45% of bonds and cash equivalents, 16% of equity instruments, and 4% of properties. The annualized performance of the plan exceeds the expected return on a 3-year basis.

9.2.4.2 Disaggregation of the fair value by category

	Plan assets allocation at December 31		Fair value of plan assets at December 31	
(in % and in million euros)	2018	2017	2018	2017
Cash and cash equivalents	2%	2%	3	5
Equity investments	9%	8%	16	17
Debt securities	69%	69%	123	135
Properties	2%	2%	4	5
Annuity contracts	18%	18%	33	35
TOTAL	**100%**	**100%**	**178**	**197**

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 2018 actual return on plan assets amounts to €9 million (€13 million in 2017).

9.2.5 ASSUMPTIONS USED IN ACTUARIAL CALCULATION

	Pension plan benefits		Medical post-retirement benefits	
	2018	2017	2018	2017
Weighted average discount rate	2.5%	2.1%	3.9%	3.5%
Weighted average long-term rate of compensation increase	1.2%	1.7%	N/A	N/A

Discount rate methodology

The projected benefit cash flows under the U.S. schemes are discounted using a specific yield curve based on AA rated corporate bonds. The discount rates used for the Euro zone and the UK are determined based on AA rate corporate bonds common indexes and are as follows:

(in %)	Pension plan benefits	Early retirement	Medical post-retirement benefits	Index Reference
Euro zone	1.60%	0.0%	N/A	Iboxx AA10+
UK	2.95%	N/A	N/A	Aon Hewitt AA curve
U.S.	3.88%	N/A	4.01%	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 €15 million;
- if the discount rate is 0.25% lower, the obligation would increase by €16 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. In 2018, all the 805.476 subscription options have been forfeited. As of December 31, 2018, there are no subscription options outstanding anymore.

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, 2018, 10,652,013 subscription options are still outstanding (respectively 6,231,678 options, 3,461,541 options, 103,794 options and 855,000 options related to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

Free Share Plan

Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in its sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global Free Share Plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor group during the acquisition period, 125 Technicolor shares would be delivered to eligible employees at the end of the acquisition period. The plan was not subject to performance conditions. No outstanding share rights as of December 31, 2018.

2016, 2017 and 2018 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, on January 6, 2017 and on April 25, 2018 the implementation of respectively 2016, 2017 and 2018 Long-Term Incentive Plan.

These three-year plans provide conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the cumulative achievement of Adjusted EBITDA and Free Cash Flow targets for the three years from 2016 through 2018 (LTIP 2016), from 2017 through 2019 (LTIP 2017), from 2018 through 2020 (LTIP2018) and the satisfaction of a continued employment condition for the full duration of the Plan (through April 30, 2019 for LTIP 2016, through April 30, 2020 for LTIP 2017 and through April 30, 2021 for LTIP 2018.

As of December 31, 2018, the outstanding share rights under the plans amounts to 2,338,278, 3,538,543 and 607,000 performance shares rights for respectively LTIP 2016, LTIP 2017 and LTIP 2018.

As of December 31, 2018, the total number of outstanding stock options amounted to a maximum of 10,652,013 options and the total number of rights to receive shares amounted to 6,483,821 rights granted to employees and Directors.

The details of these options and shares are disclosed hereafter.

	Type of plan	Grant date	Number of options initially granted	Number of options outstanding	Initial number of beneficiaries	Vesting date	Contractual option life	Exercise price(2)	Estimated fair values granted(2)
MIP Options*	Subscription options	June 17, 2010	1,216,700(1)	0	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.29	€2.22
MIP 2015 Options**	Subscription options	May 23, 2013 and June 7, 2013	16,398,000	6,060,418	94	May 2015 (50%) May 2016 (25%) 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%) May 2016 (25%) 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%) May 2016 (25%) May 2017 (25%)	8 years	€4.53	€1.73
MIP 2016 Options**	Subscription options	June 20, 2014	2,830,000	1,886,462	40	June 2016 (50%) June 2017 (25%) June 2018 (25%)	8 years	€5.79	€1.82
MIP 2016 Options**	Subscription options	October 21, 2014	1,915,000	1,159,903	24	October 2016 (50%) October 2017 (25%) 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%) October 2017 (25%) 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%) June 2018 (25%) June 2019 (25%)	8 years	€5.88	€1.91
MIP October 2017 Options**	Subscription options	December 3, 2015	1,710,000	855,000	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
2016 LTIP***	Performance shares	April 29, 2016	2,760,500	2,162,221	187	April 2019	-	-	€5.69
2016 LTIP***	Performance shares	July 27, 2016	66,000	39,739	12	April 2019	-	-	€5.47
2016 LTIP***	Performance shares	October 20, 2016	214,000	136,318	18	April 2019	-	-	€5.14
2017 LTIP***	Performance shares	January 6, 2017	162,000	135,643	10	April 2020	-	-	€3.78
2017 LTIP***	Performance shares	March 9, 2017	4,003,000	3,117,664	218	April 2020	-	-	€3.78
2017 LTIP***	Performance shares	April 26, 2017	200,000	200,000	1	April 2020	-	-	€4.33
2017 LTIP***	Performance shares	July 26, 2017	142,500	85,236	15	April 2020	-	-	€3.38
2018 LTIP***	Performance shares	April 25, 2018	307,000	307,000	2	April 2021	-	-	€1.27
2018 LTIP***	Performance shares	June 25, 2018	330,000	300,000	12	April 2021	-	-	€1.27

* *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 2018 and 2017:

	Number of options and free shares	**Weighted Average Exercise Price** *(in €)*
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	*7,389,710*	*4.23*
Granted*	4,507,500	N/A
Delivered (Free Share Plan)	(778,750)	N/A
Delivered (MIP)	(436,461)	3.19
Forfeited & other	(1,468,046)	5.87
Outstanding as of December 31, 2017 (with an average remaining contractual life of 4 years – excluding free shares)	19,431,172	4.48 (ranging from 0 to 7)
Of which exercisable	*11,087,249*	*4.27*
Granted*	637,000	N/A
Delivered (Free Share Plan)	-	N/A
Delivered (MIP)	-	N/A
Forfeited & other	(2,932,338)	5.48
Outstanding as of December 31, 2018 (with an average remaining contractual life of 3 years – excluding free shares)	17,135,834	4.30
Of which exercisable	*10,652,013*	*4.30*

* *Related to 2017 and 2018 Long-Term Incentive Plan (LTIP).*

Significant assumptions used

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

	Stock options plan granted in								
(in % and in euro)	**December 2015**	**June 2015**	**April 2015**	**October 2014**	**June 2014**	**March 2014**	**October2 013**	**May & June 2013**	**June 2010**
Weighted average share price at measurement date	7.05	6.13	6.06	4.71	5.68	4.88	4.06	3.20	5.50
Weighted average exercise price	7.11	5.88	5.83	4.92	5.79	4.53	3.93	3.19	6.29
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%	52%
Expected option life*	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Risk free rate	0.12%	0.17%	0.17%	0.13%	0.31%	0.62%	0.77%	0.62%	1.85%
Expected dividend yield	0.7%	0.8%	0.8%	0%	0%	0%	0%	0%	0%
Fair value of option at measurement date	2.27	1.91	1.88	1.45	1.82	1.73	1.40	1.06	2.22

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

Factors that have been considered in estimating expected volatility for the long-term maturity Stock Option Plans include:

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

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

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

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

For the 2016 performance shares granted as part of the 2016 LTIP, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €5.65 and a 3-years expected yearly dividend of €0.18.

For the 2017 performance shares granted as part of the 2017 LTIP, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €3.79 and a 3-years expected yearly dividend of €0.18.

For the 2018 performance shares granted as part of the 2018 LTIP, Technicolor considered an expected turnover of 10% based on historical data of related beneficiaries, an average initial share price of €1.27 and a 3-years expected yearly dividend of €0.

9.3.3 COMPENSATION EXPENSES CHARGED TO INCOME

The compensation charged to income for the services received during the period amount to €9 million (income) and €10 million (expense) for the years ended December 31, 2018 and 2017. 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 in 2017 and 2018. 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 2018 will be paid in 2019.

Compensation expenses allocated by the Group to Members of the executive committee (including those who left this function during 2018 and 2017), during 2018 and 2017 are shown in the table below:

(in million euros)	**2018**(2)	**2017**(2)
Short-term employee benefits(1)	9	10
Termination benefits	1	-
Share-based payment	(3)	4
TOTAL	**7**	**14**

(1) *In case of retirement the Group has an obligation almost nil as of December 31, 2017 and 2018.*
(2) *11 members in 2018 and 12 members in 2017.*

The share-based payment is a €3 million income in 2018, as the expense for services rendered related to incentive plans has been reversed further to non achieved targets.

The Members of the Executive Committee can benefit from severance packages in case of an involuntary termination and in absence of fault, which represent a total estimated amount of €8 million.

NOTE 10 Provisions & contingencies

Provisions are recorded at the balance sheet date when the Group has an obligation as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

The obligation may be contractual, legal, regulatory or it may represent a constructive obligation deriving from the Group's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the Group has indicated to other parties that it will accept certain responsibilities, and as a result, has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The recorded provision represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded but details of the obligation are disclosed in the notes to the consolidated financial statements.

Where the discounting effect is material, the recorded amount is the present value of the expenditures expected to be required to settle the related obligation. The present value is determined using pre-tax discount rates that reflect the assessment of the time value of money. Unwinding of discounts is recognized in the line item "Net financial income (expense)" in the consolidated statement of operations.

ACCOUNTING ESTIMATES AND JUDGMENTS

Technicolor's management is required to make judgments about provisions and contingencies, including the probability of pending and potential future litigation outcomes that, by their nature, are dependent on future events that are inherently uncertain. In making its determinations of likely outcomes of litigation and tax matters, management considers the opinion of outside counsel knowledgeable about each matter, as well as developments in case law.

PROVISIONS FOR RESTRUCTURING

Provisions for restructuring costs are recognized when the Group has a constructive obligation towards third parties, which results from a decision made by the Group before the balance sheet date and supported by the following items:

- the existence of a detailed and finalized plan identifying the sites concerned, the location, the role and the approximate number of headcounts concerned, the nature of the expenses that are to be incurred and the effective date of the plan; and
- the announcement of this plan to those affected by it.

The restructuring provision only includes the costs directly linked to the plan.

10.1 Detail of provisions

		Provisions for risks & litigations related to		Provisions for restructuring related to		
(in million euros)	**Provisions for warranty**	**Continuing operations**	**Discontinued operations**	**Continuing operations**	**Discontinued operations**	**Total**
As of December 31, 2017	**43**	**41**	**30**	**17**	**2**	**133**
IFRS 9 Reclassification			(4)			(4)
As of January 1, 2018	**43**	**41**	**26**	**17**	**2**	**129**
Current period additional provision	12	25	26	68	1	132
Release	(3)	(14)	(1)	(7)	-	(25)
Usage during the period	(16)	(20)	(13)	(43)	(3)	(95)
Other movements and currency translation adjustments	-	(3)	1	(7)	-	(9)
AS OF DECEMBER 31, 2018	**36**	**29**	**39**	**28**	**-**	**132**
Of which current	*36*	*26*	*23*	*28*	*-*	*113*
Of which non-current	*-*	*3*	*16*	*-*	*-*	*19*

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

10.2 Contingencies

GRI *[103-2 Anti-competitive behavior] [103-3 Anti-competitive behavior] [103-2 Environmental compliance] [103-3 Environmental compliance] [103-2 Socioeconomic compliance] [103-3 Socioeconomic compliance] [206-1] [307-1] [419-1]*

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:

POLAND TAX PROCEEDINGS

The French and Polish Competent Authorities have finally come to an agreement to conclude a Mutual Agreement Procedure initiated in 2009. This procedure aimed at eliminating double taxation further to a transfer pricing adjustment on 2003. This arrangement has definitely settled a decade-long dispute as well as its related ongoing litigations/procedures in Poland. The financial consequences of this agreement were booked in 2018 further to the requests of the Competent Authorities. This led to a cash collection of about €9 million (*i.e.* Zlotys 40.3 million) by the Polish subsidiary (half of which being late interests) versus a cash outflow of €4 million for the French subsidiary.

FRANCE VAT AUDIT

The French tax authorities audited the Company for 2009 and 2010 tax years and issued a VAT assessment amounting to €1 million (for 2009) and €1 million (for 2010) related to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged.

Following receipt of the recovery notice in September 2014, the Company paid this reassessment.

The Company therefore filed different claims: before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014), and before the administrative Tribunal of Cergy-Pontoise.

In September 2018 the French tax authorities decided to give up this reassessment and repaid the €2 million to the Company in December 2018.

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 (€77 million at the December 31, 2018 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against Technicolor entities for approximately NTD 564 million (€16 million at the December 31, 2018 exchange rate) plus interest penalty. Appeals were filed, and in October 2017, the Taiwan High Court entered judgment against TCETVT, Technicolor SA, TCE Bermuda, and General Electric International, Inc. for approximately NTD 718 million (€21 million at the exchange rate as of December 31, 2018) plus late interest penalty (5% interest per annum starting September 2009).

The Association, GEI, TCETVT, Technicolor SA and TCE Bermuda appealed the ruling to Taiwan's Supreme Court which, on August 16, 2018:

- confirmed the Taiwan High Court decision of awarding NTD 518 million (€15 million at the exchange rate as of December 31, 2018) in damages to 262 claimants;
- remanded the claims of 246 claimants for further proceedings at the High Court.

In May 2016, the Association brought a new suit against Technicolor entities and General Electric claiming damages in the amount of NTD 7.38 billion (€211 million at the December 31, 2018 exchange rate). The Association's complaint offered no new argument or facts from the pending claims.

Technicolor considers that it is General Electric's legal and contractual obligation to indemnify it and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

CATHODE RAY TUBES CASES

United States

In 2017, Technicolor entered into settlement agreements with the remaining plaintiffs in the legal actions that Technicolor had been defending in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry. With these final settlements, all CRT cases are now settled in the US. However, the District Court decision approving the settlement in 2015 of a class action brought by a group of indirect purchasers of CRT was remanded in February 2019 to the U.S. District Court by the California Court of Appeals so that the District Court may reconsider its approval of the settlement.

As a result of those settlements, the Group recognized in 2018 a cash impact of €7 million.

Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. Technicolor USA was dismissed from the case by the Dutch court in July 2016 on jurisdictional grounds. As appropriate and to the extent required, Technicolor SA will file responsive pleadings.

Vestel also brought suit in Turkey, which was dismissed on procedural grounds in January 2019.

Finally, Technicolor SA, along with other defendants, is defending on similar grounds a number of cases:

- in Germany against German manufacturers;
- in the Netherlands against Brazilian manufacturers; and
- in the United Kingdom against a Turkish manufacturer.

At this time, Technicolor is unable to assess the potential outcome from those cases and the resulting potential liability as the proceedings are at an early stage and the claims have been substantiated.

ENVIRONMENTAL MATTERS

Some of Technicolor's current and previously-owned manufacturing sites have a history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Soil and groundwater contamination was detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired from GE in a 1987 transaction. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. EPB and TCETVT continue to negotiate over the scope of that work. Technicolor has reached an agreement with General Electric with respect to allocation of responsibility related to the soil and groundwater remediation.

In addition to soil and groundwater contamination, the Group sells or has sold in the past products which are subject to recycling requirements and is exposed to changes in environmental legislation affecting these requirements in various jurisdictions.

The Group believes that the amounts reserved and the contractual guarantees provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be precisely adequate.

NOTE 11 Specific operations impacting the consolidated statement of cash-flows

GRI *[102-10] [102-49]*

11.1 Acquisitions and disposals of subsidiaries & investments

The details for the acquisition of subsidiaries and investments, net of cash position of companies acquired, are as below:

(in million euros)	2018	2017
LG	2	(15)
Cisco Connected Devices	-	(4)
Mr. X Inc.	-	(1)
Others	(1)	(5)
Acquisition of investments	**1**	**(25)**
Less cash position of companies acquired	-	-
ACQUISITION OF INVESTMENTS, NET	**1**	**(25)**

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

(in million euros)	2018	2017
Digital Cinema activity(1)	7	8
Gainspeed investment	-	1
Other	1	2
Disposal of investments	**8**	**11**
Less cash position of companies disposed off	(3)	-
DISPOSAL OF INVESTMENTS, NET	**5**	**11**

(1) Activity transfered to Deluxe in 2015, with annual earnout payments

11.2 Cash impact of debt repricing and financing operations

(in million euros)	**Note**	**2018**	**2017**
Proceeds from non-current borrowings[2]	(1.1)	-	644
Reimbursement of non-current borrowings to debt holders[4]	(1.1)	-	-
Cash impact of non-current borrowings variation		**-**	**644**
Proceeds from current borrowings[2]	(1.1)	-	2
Reimbursement of current borrowings to debt holders[4]	(1.1)	(122)	(612)
Cash impact of current borrowings variation		**(122)**	**(610)**
Increase of Capital (net of fees paid)[1]		-	1
Fees paid for debt[3]	(8.5)	(3)	(7)
TOTAL CASH IMPACT OF REFINANCING AND SHARE CAPITAL OPERATIONS		**(125)**	**28**

(1) Includes the MIP/LTIP cash impact for €1 million in 2017.

(2) Relates to the issuance of new Term Loan Debt on March 2017 and EIB loan on January 2017 for total amount of €646 million;

(3) Fees paid directly linked to the Group's debt have been recorded as financing cash flows:
In 2018, it includes mainly fees related to the the Group's credit lines for €2 million.
In 2017, it includes €4 million for the new Term Loan Debt issued in March 2017, €1 million for the Term Loan Debt done in December 2016, and €2 million for revolving credit facility fees.

(4) In 2018, €90 million related to the EIB loan were repaid and €2 million related to 2017 Term Loan Debt.
In 2017, in addition to debt contractual refunds, €601 million for the Old Term Loan Debt maturing in 2020 were repaid.

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

			Non cash variation					
(in million euros)	**December 31, 2017**	**Cash impact of borrowing variation**	**Capital leases recognition**	**IFRS Discount of Term Loan Debt**	**Currency Translation Adjustments**	**Transfer Current – Non Current**	**Other Movements**	**December 31, 2018**
Non Current Borrowing	1,077	-	21	(10)	11	(92)	(3)	1,004
Current Borrowing	20	(93)	10	(14)	1	92	4	20
TOTAL BORROWING	**1,097**	**(93)**	**31**	**(24)**	**12**	**-**	**1**	**1,024**

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

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, 2018 for which the Group is either obliged or conditionally obliged to make future cash payments but cannot be recognized in the balance sheet. This table includes firm commitments that would result in unconditional or conditional future payments but excludes all options since the latter are not considered as firm commitments or obligations. When an obligation leading to future payments can be cancelled through a penalty payment, the future payments included in the tables are those that management has determined most likely to occur.

		Amount of commitments by maturity			
(in million euros)	**2018**	**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)	306	81	108	54	63
Other unconditional future payments[1]	17	5	6	3	3
TOTAL UNCONDITIONAL FUTURE PAYMENTS	**323**	**86**	**114**	**57**	**66**
Conditional future payments					
Guarantees given and other conditional future payments	50	1	1	0	48
TOTAL CONDITIONAL FUTURE PAYMENTS	**50**	**1**	**1**	**0**	**48**

(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:

- a parental guarantee provided by Technicolor SA to secure the UK pension plan under section 75 for €47 million;
- various operational guarantees granted to customs administrations in order to exempt from duties goods transiting through customs warehouses for re-exportation, and transit guarantees in order that taxes on goods are only paid at their final destination in the import country. The maturity of these bank guarantees matches the one-month renewable term of the agreements.

Guarantees and commitments received amount to €64 million as of December 31, 2018. This amount is mainly related to the royalties from Trademarks licensees.

The above table is only related to continuing entities. The net contractual obligations and commercial commitments taken by discontinued entities as of December 31, 2018 amount to €26 million mainly related to the building hosting Research & Innovation Activities.

Total off-balance sheet unconditional future payments and conditional future payments as of December 31, 2017 amounted respectively to €334 million and €61 million on continuing entities.

NOTE 12 Discontinued operations and held for sale operations

GRI *[102-10] [102-48] [102-49]*

12.1 Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of (by sale or otherwise) or is held for sale.

In accordance with IFRS 5, to be disclosed as discontinued:

- the operation must have been stopped or be classified as "asset held for sale";
- the component discontinued must clearly be distinguishable operationally and for reporting purposes;
- it must represent a separate major line of business (or geographical area of business);
- it must be part of a single major plan of disposal or is a subsidiary acquired exclusively for resale.

The profit (loss) from discontinued operations is presented as a separate line item on the face of the statement of operations with a detailed analysis provided below. The statement of operations data for all prior periods presented are reclassified to present the results of operations meeting the criteria of IFRS 5 as discontinued operations.

In the statement of cash flows, the amounts related to discontinued operations are disclosed separately.

When a non-current asset or disposal group no longer meet the held for sale criteria, the asset or disposal group ceases to be classified as held for sale.

It is then measured at the lower of:

- its carrying value before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization that would have been recognized had the asset (or disposal group) not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell. Recoverable value is the higher of fair value less costs to sell and value in use.

Any adjustment to the carrying amount is included in profit and loss from continuing operations in which the assets ceased to be classified as held for sale.

On December 18, 2017, the Group announced being in negotiations for the divestiture of its Patent Licensing Division, which represents substantially all the revenues and income of its former reporting segment "Technology". The disposal is considered as "highly probable" according to IFRS 5. As a result, Patent Licensing has been presented as Discontinued Operations for all periods reported and assets and liabilities classified as Assets and Liabilities held for sale in the Consolidated Statement of Financial Position as of December 2017.

On July 30, 2018, the Group concluded the sale to InterDigital of its Patent Licensing Division for a total price of U.S.$220 million (€188 million) which generated a €210 million gain and a €116 million cash impact (see note 2.2 for details).

On February 11, 2019, the Group announced being in exclusive negotiations with InterDigital for the divestiture of his Research & Innovation activity. As the sale is highly probable according to IFRS 5, the Research & Innovation activity is classified as Discontinued Operations for all periods reported and assets and liabilities classified as Assets and Liabilities held for sale in the Consolidated Statement of Financial Position as of December 2018.

Other discontinued activities relate to remaining subsequent impacts of activities disposed of or abandoned such as Cathode Tubes activities from 2004 and 2005.

12.1.1 RESULTS OF DISCONTINUED OPERATIONS

	December 31,	
(in million euros)	**2018**	**2017***
Discontinued operations		
Revenues	18	109
Cost of sales	(15)	(52)
Gross Margin	**3**	**57**
Selling and administrative expenses	(14)	(18)
Research and development expenses	(20)	(24)
Restructuring costs	(1)	(2)
Net impairment gains (losses) on non-current operating assets	(4)	(5)
Other income (expense)	205	(5)
EARNING BEFORE INTEREST & TAX FROM DISCONTINUED OPERATIONS	**169**	**3**
Net financial income (expense)	(1)	(1)
Share of income (loss) from associates	-	-
Income tax	(11)	(7)
NET INCOME (LOSS)	**157**	**(5)**

* *In 2017 amounts are re-presented according to IFRS 5.*

In 2018, the statement of operations includes 7 months of the activity of Patent Licensing business and 12 months of the activity of Research& Innovation Activity. The gain on sale of the Patent Licensing business, which amounts to €210 million, is presented in Other income.

In 2017, the statement of operations includes the activities of Patent Licensing business and Research & Innovation on 12 months.

12.1.2 NET CASH FROM DISCONTINUED OPERATIONS

(in million euros)	December 31, 2018	2017*
Profit (loss) from discontinuing activities	**157**	**(5)**
Summary adjustments to reconcile loss from discontinuing operations to cash used in discontinuing operations:		
Depreciation and amortization	*1*	*8*
Impairment of assets	*4*	*5*
Net changes in provisions	(15)	12
Profit (loss) on asset disposals(1)	(210)	-
Other non-cash items (including tax)	10	3
Changes in working capital and other assets and liabilities	50	(113)
Income tax paid	(1)	6
NET OPERATING CASH GENERATED FROM DISCONTINUES ACTIVITIES (I)	**(4)**	**(84)**
NET INVESTING CASH USED IN DISCONTINUED ACTIVITIES (II)(2)	**115**	**(1)**
Proceeds from borrowings	-	3
Repayments of borrowings	(6)	(6)
NET FINANCING CASH GENERATED IN DISCONTINUED ACTIVITIES (III)	**(6)**	**(3)**
NET CASH FROM FROM DISCONTINUING ACTIVITIES (I+II+III)	**105**	**(88)**

* *In 2017 amounts are re-presented according to IFRS 5.*

(1) *In 2018, it includes the gain on sale of Patents Licensing business for €210 million.*

(2) *In 2018, it includes the cash impact from the sale of Patents Licensing Business for €115 million.*

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, 2018, the assets and liabilities of the Patents Licensing division included in the transaction described under note 1.1 have been classified as assets and liabilities held for sale.

(in million euros)	December 31, 2018	December 31, 2017
Patents		
Assets classified as held for sale	**28**	**7**
Liabilities classified as held for sale	**51**	**68**

As of December 31, 2018, assets and liabilities held for sale include:

- the assets and liabilities resulting from the cooperation agreement with InterDigital, *i.e.* the deferred income corresponding to the services to be rendered by the research cooperation (€42 million);
- the assets and liabilities of Research & Innovation activity.

As of December 31, 2017, the assets and liabilities of Patent Licensing business have been classified as assets and liabilities held for sale.

NOTE 13 Subsequent events

GRI *[102-10] [102-48] [102-49]*

On February 11, 2019, the Group announced being in exclusive negotiations with InterDigital for the divestiture of his Research & Innovation activity. This transaction would amend the contingent consideration to be received on the sale of the Patent Licensing business by reducing by 50% the future cash receipt and cancel the Research Cooperation Agreement as described above.

In 2018 financial statements, the Research & Innovation activity is classified in the Discontinued Operations together with the Patent Licensing business, as the sale is considered highly probable according to IFRS 5. 2017 financial statements have been restated accordingly. Research & Innovation's assets and liabilities, mainly the deferred income related to the future services to be rendered, have been transferred in Assets and Liabilities held for sale in 2018.

There were no other events that have a material impact on the financial status that occurred between the Statement of the Financial Position date and February 27, 2019, the date when the Board of Directors authorized the Consolidated Financial Statements for issue.

NOTE 14 Table of auditor's fees

	Deloitte		Mazars		Total	
(in thousands of euros)	2018	2017	2018	2017	2018	2017
Statutory audit, certification, consolidated and individual financial statements						
• Technicolor SA	788	819	1,059	952	1,847	1,771
• Subsidiaries	1,513	1,952	1,116	1,525	2,629	3,477
Subtotal	**2,302**	**2,771**	**2,175**	**2,477**	**4,477**	**5,248**
Services other than certification of financial statements as required by laws and regulations(1)						
• Technicolor SA	34	32	-	-	34	32
• Subsidiaries		6	5	18	5	24
Subtotal	**34**	**38**	**5**	**18**	**39**	**56**
Services other than certification of financial statements provided upon the entity's request(2)						
• Technicolor SA	135	263	445	23	580	286
• Subsidiaries	295	126	14	-	309	126
Subtotal	**430**	**389**	**459**	**23**	**889**	**412**
TOTAL	**2,766**	**3,198**	**2,639**	**2,518**	**5,405**	**5,716**

(1) Include capital increase and capital decrease reports, comfort letters and other services required by laws and regulation.
(2) Include services upon request of Technicolor or its subsidiaries (due diligence, legal and tax assistance, and various reports).

NOTE 15 List of main consolidated subsidiaries

GRI *[102-45]*

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

COMPANY - (Country)	% share held by Technicolor (% rounded to one decimal) 2018	2017
Fully consolidated		
Technicolor SA 8-10 rue du Renard, 75004 Paris (France)	Parent company	Parent company
Connected Home		
Technicolor Japan KK (Japan)	100.0	51.0
Technicolor Delivery Technologies (France)	100.0	100.0
Technicolor Connected Home Rennes SNC (France)	100.0	100.0
Technicolor Connected Home India Private Ltd (India)	100.0	100.0
Technicolor Korea Yuhan Hoesa (Korea, Republic of)	100.0	100.0
Technicolor Connected Home USA LLC (USA)	100.0	100.0
Technicolor Connected Home de Mexico SA De CV (Mexico)	100.0	100.0
Technicolor Asia Ltd (Hong kong)	100.0	100.0
Technicolor Delivery Technologies Australia Pty Limited (Australia)	100.0	100.0
Technicolor (China) Technology Co., Ltd. (China)	0.0*	100.0
Technicolor Brasil Midia E Entretenimento LTDA (Brazil)	100.0	100.0
Technicolor Delivery Technologies Belgium (Belgium)	100.0	100.0
Technicolor Malaysia Sdn Bhd (Malaysia)	100.0	100.0
Beijing Technicolor Management Co., Ltd.	100.0	100.0
Entertainment Services		
Technicolor Global Logistics, LLC (USA)	100.0	100.0
Technicolor Distribution Australia PTY LTD (Australia)	100.0	100.0
MPC (Shanghai) Digital Technology Co., Ltd (China)	89.8	89.8
Mikros Image SAS (France)	100.0	100.0
Mikros Image Belgium SA (Belgium)	100.0	100.0
Technicolor India Pvt Ltd (India)	100.0	100.0
Thomson Multimedia Distribution (Netherlands) BV (Netherlands)	100.0	100.0
Technicolor Disc Services International Ltd (UK)	100.0	100.0
Technicolor Mexicana, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Export de Mexico, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Trademark Management SAS (France)	100.0	100.0
The Mill Group, Inc. (USA)	100.0	100.0
Beam TV, Inc. (USA)	100.0	100.0
The Mill (Facility) LTD (USA)	100.0	100.0
Trace VFX LLC (USA)	100.0	100.0
Badger USA, Inc. (USA)	100.0	100.0
Technicolor, Inc. (USA)	100.0	100.0
Technicolor Home Entertainment Services, Inc. (USA)	100.0	100.0
Technicolor Home Entertainment Services de Mexico, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Videocassette of Michigan, Inc. (USA)	100.0	100.0

COMPANY - (Country)	% share held by Technicolor (% rounded to one decimal) 2018	2017
Technicolor Creative Services USA, Inc. (USA)	100.0	100.0
Technicolor Canada, Inc. (Canada)	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 Pty, Ltd (Australia)	100.0	100.0
Technicolor Holdings Ltd (UK)	100.0	100.0
Technicolor Video Services (UK) Ltd (UK)	100.0	100.0
Technicolor Ltd (UK)	100.0	100.0
Technicolor Distribution Services France SARL (France)	100.0	100.0
Technicolor Milan SpA (Italy)	100.0	100.0
The Moving Picture Company Limited (UK)	100.0	100.0
Technicolor Polska sp Z.o.o.(Poland)	100.0	100.0
Mr. X Gotham, LLC (USA)	100.0	100.0
Technicolor Animation Productions SAS (France)	100.0	100.0
Corporate & Other		
Thomson Licensing DTV SAS (France)	100.0	100.0
Technicolor Treasury USA, LLC (USA)	100.0	100.0
Technicolor USA, Inc. (USA)	100.0	100.0
Technicolor Asia Pacific Holdings Pte. Ltd (Singapore)	100.0	100.0
Gallo 8 SAS (France)	100.0	100.0
Sté Fr.d'Invest.et d'Arbitrage – Sofia SA (France)	100.0	100.0
Deutsche Thomson OHG (Germany)	100.0	100.0
Thomson Licensing ,LLC (USA)	100.0	100.0
RCA Trademark Management SAS (France)	100.0	100.0
Thomson Licensing SAS (France)	100.0	100.0
Accounted for under the equity method		
Technicolor SFG Technology Co. Ltd (China)	49.0	49.0
Vancouver Lab Inc. (Canada)	50.0	50.0
Canada Cinema Distribution Inc. (Canada)	50.0	50.0
3DCD LLC (USA)	50.0	50.0
Techfund Capital Europe FCPR (France)	19.8	19.8

* *Entities acquired or sold by the Group.*

6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

GRI *[102-56]*

This is a translation into English of the Statutory Auditors' report on the consolidated financial statements of Technicolor issued in French and it is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information required by European regulations and French law, such as information about the appointment of Statutory Auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2018

To the Technicolor Shareholders' Meeting,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Technicolor for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

OBSERVATION

Without prejudice to the opinion just expressed, we draw attention to Note 1.2.2.1 "Main standards, amendments and interpretations effective and applied as of January 1, 2018" to the consolidated financial statements which describes the impacts of first application of the new IFRS standards IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments".

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment testing of goodwill

Note 4 to the consolidated financial statements

RISK IDENTIFIED

Goodwill is recorded in the balance sheet as of December 31, 2018 at a net carrying amount of €886 million, compared with total assets of €3.759 million. Goodwill is recognized in the currency of the acquired subsidiary/associate and measured at cost less accumulated impairment losses and translated into euros at the effective rate at the end of the period. Goodwill is not amortized but is tested annually for impairment. The Group performs impairment tests on goodwill as disclosed in Notes 4.1 (Goodwill) and 4.4 (Impairment on non-current operating assets) of the notes to the consolidated financial statements.

We considered the valuation of goodwill to be a key audit matter given the relative importance of these assets in the consolidated financial statements and since the determination of their recoverable amount, generally based on discounted cash flow forecasts, is based on assumptions, estimates and management assessments and judgements, notably concerning business forecasts, long-term growth rates and discount rates.

We focused, in particular, on goodwill of the Entertainment Services segment due to the finite useful life of this asset, to the uncertainties surrounding the future of the physical media of the DVD Services division and to the unexpected importance of the decrease in volumes, notably in the distribution activity, which lead to a division goodwill impairment of €77 million in the 2018 financial consolidated statements.

OUR RESPONSE

We reviewed the implementation of impairment tests by the Group and focused our procedures on the divisions where intangible assets represent a significant portion of net assets and are highly sensitive to changes in budget assumptions.

We reviewed the Group's process for establishing business plans and assessed the reasonableness of the key assumptions and estimates by:

- verifying the consistency of cash flow forecasts with past performance and 3-years plan approved by the Board of Directors,
- comparing growth rates used to extrapolate cash flows beyond the forecast period and discount rates with market data and our benchmarks. And,
- reviewing sensitivity analysis disclosed in the notes to the consolidated financial statements.

We verified the appropriateness of disclosures in the notes to the consolidated financial statements.

These analyses were performed with the assistance of our valuation experts.

Accounting for disposals or disposal transactions

Notes 2.2 and 12 to the consolidated financial statements

RISK IDENTIFIED

On July 30, 2018, Technicolor finalized the sale of its Patent Licensing business to InterDigital, for a consideration recognized in the accounts of €188 million. Net income from discontinued operations for fiscal year 2018 therefore includes the related business flows up to this date, and the net gain on disposal of this business of €210 million, before tax.

Notes 2.2 (Change in the scope of consolidation in 2018) and 12 (Discontinued operations and held for sale operations) to the consolidated financial statements set out the accounting treatment of the transaction and, in particular, its different components:

1.the consideration paid on the disposal date

2.the potential earn-out

3.the license granted by InterDigital to Technicolor relating to patent user rights sold to InterDigital

4.and the research cooperation agreement.

We considered the accounting treatment of the disposal to be a key audit matter for the following reasons:

- the material amount of the disposal gain;
- the complexity of the assumptions used to model the various components of the disposal price and in particular the projections of use of these licenses;
- the potential material impact on the Group's results of an error in judgement or a change in estimate in the data underlying the valuation of the license granted by InterDigital to Technicolor relating patent user rights sold to InterDigital..

OUR RESPONSE

We reviewed the various legal documents relating to the sale. We examined the methods implemented by the Group to recognize the disposal transaction and focused our procedures on the calculation of the net gain on disposal, the accounting treatment of the potential earn-out and the valuation of the license granted by InterDigital to Technicolor relating to patent user rights sold to InterDigital.

To verify the determination of the capital gain on disposal, our work consisted in:

1.Testing the arithmetical accuracy of the difference between the disposal price and the carrying amount of the assets removed from the balance sheet, net of transaction costs and testing the existence and valuation of transaction costs;

2.Analyzing the items selected by Technicolor leading to the valuation of a zero-price earn-out, based on an analogy with the provisions of IFRS 15 "Revenue from Contracts with Customers" relating to variable consideration treatment;

3.Assessing the reasonableness of the main estimates and the relevance of Management's approach, by verifying the consistency of the assumptions used by Management for the valuation as of July 30, 2018 and December 31, 2018 of the license granted by InterDigital to Technicolor on patents sold to InterDigital compared to:

- sales volume projections and the discount rate with the cash flows used in the asset impairment tests, as detailed in the Key Audit Matter relating to Goodwill Impairment Testing
- the royalty rates used by comparing them notably with the rates historically recorded in the Patent Licensing activity.

4.And, concerning the research cooperation agreement used for the determination of the transfer price, on one hand assessing the consistency with the historical data of the flows used for the valuation of the services to be provided under the agreement and, on the other hand, checking the consistency with the contractual pricing conditions of the consideration to be received for future research services.

In addition, we examined the flows for the period from January 1, 2018 to July 30, 2018 presented in discontinued operations and verified the correct presentation of the transfer entries in the financial statements.

Specific verifications

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance statement provided for in Article L. 225-102-1 of the French Commercial Code is included in the disclosures relating to the Group presented in the management report, it being specified that, in accordance with Article L. 823-10 of the Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information contained therein which should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of Technicolor by the Shareholders' Meeting held on May 29, 1985 for Mazars and on June 20, 2012 for Deloitte & Associés.

As at December 31, 2018, Deloitte & Associés were in the 7th year of total uninterrupted engagement and Mazars were in the 34th year of total uninterrupted engagement, including 20 years since the securities were admitted to a regulated market.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

OBJECTIVE AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee, which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

The Statutory Auditors

Paris - La Défense, March 25, 2019	Courbevoie, March 25, 2019	
Deloitte et Associés	Mazars	
French original signed by	French original signed by	
Bertrand Boisselier	Guillaume Devaux	Jean-Luc Barlet
Partner	Partner	Partner

6.4 TECHNICOLOR SA PARENT COMPANY FINANCIAL STATEMENTS

GRI *[201-1]*

6.4.1 Income statement

(in million euros)	*Note*	December 31, 2018	2017
Revenues	(2)	55	54
Other operating revenues		2	4
Total operating income		**57**	**58**
Wages and salaries		(17)	(23)
Other operating expenses		(57)	(64)
Depreciation, amortization and provisions		(5)	(10)
Loss from operations		**(22)**	**(39)**
Interest income (expense)		(29)	(15)
Dividends from subsidiaries		39	265
Depreciation on financial assets		115	(1,576)
Other net financial gain (losses)		(2)	-
Net financial profit (loss)	**(3)**	**123**	**(1,326)**
NET PROFIT (LOSS) AFTER FINANCIAL RESULT		**101**	**(1,365)**
Capital gain (loss) on asset disposals		(1)	(1)
Exceptional profit (expenses)		8	-
Exceptional profit (loss)	**(4)**	**7**	**(1)**
Income tax	(5)	45	23
NET PROFIT (LOSS)		**153**	**(1,343)**

The accompanying notes on pages 255 to 275 are an integral part of these financial statements.

6.4.2 Statement of financial position

(in million euros)	Note	December 31, 2018	2017
ASSETS			
Intangible assets		20	27
Depreciation, amortization and provisions		(12)	(18)
Intangible assets, net value	**(6)**	**8**	**9**
Property and Equipment		-	17
Depreciation, amortization and provisions		-	(14)
Property and equipment, net value	**(6)**	**-**	**3**
Shares in subsidiaries, net value		2,752	2,085
Other financial assets		6	8
Financial assets, net value	**(7)**	**2,758**	**2,093**
NON-CURRENT ASSETS		2,766	2,105
Trade Receivables	(12.1)	29	44
Current accounts and loans with subsidiaries	(12.1)	779	847
Depreciation of current accounts and loans with subsidiaries	(12.1)	(62)	(60)
Other current assets	(12.1)	32	55
Cash and cash equivalents		133	55
CURRENT ASSETS		911	941
PREPAYMENTS, DEFERRED CHARGES AND UNREALIZED LOSSES ON FOREIGN EXCHANGE	*(12.3)*	4	5
TOTAL ASSETS		3,681	3,051
EQUITY & LIABILITIES			
Common stock *(414,461,178 shares, at December 31, 2018, at per value of €1.00)*		414	414
Additional paid-in capital		-	917
Legal reserve		-	7
Other reserves and retained earnings		(202)	217
Net profit/(loss) for the year		153	(1,343)
Total shareholders'equity	**(8.1)**	**365**	**212**
Other equity instruments	(8.3)	500	500
SHAREHOLDERS' EQUITY AND EQUITY INSTRUMENTS		865	712
PROVISIONS FOR LOSSES AND CONTINGENCIES	(11)	22	29
Current accounts and loans with subsidiaries	(9.1)	1,245	1,199
Financial debts	(9.1)	987	1,068
Trade payables	(12.1)	16	19
Other current liabilities	(12.1)	545	22
Deferred income and unrealized gains on foreign exchange		1	2
LIABILITIES		2,794	2,310
TOTAL EQUITY & LIABILITIES		3,681	3,051

The accompanying notes on pages 255 to 275 are an integral part of these financial statements.

6.4.3 Statement of changes in equity

(in million euros, except number of shares)	Number of shares	Nominal Value	Common Stock	Additional paid-in capital	Legal reserves	Other reserves	Retained earnings	Net income (loss) for the year	Total
At December 31, 2016	**413,245,967**	**1**	**413**	**917**	**-**	**100**	**-**	**149**	**1,579**
Allocation of 2016 balance	-	-	-	-	7	-	117	(149)	(25)
Shares capital increased by issuance of new shares for 2013 Free Share Plan purpose	778,750	1	1	(1)	-	-	-	-	-
Shares capital increased by issuance of new shares for MIP purpose	436,461	1	-	1	-	-	-	-	1
Net profit of the year	-	-	-	-	-	-	-	(1,343)	(1,343)
At December 31, 2017	**414,461,178**	**1**	**414**	**917**	**7**	**100**	**117**	**(1,343)**	**212**
Allocation of 2017 balance	-	-	-	(917)	(7)	(100)	(319)	1,343	-
Net profit of the year	-	-	-	-	-	-	-	153	153
AT DECEMBER 31, 2018	**414,461,178**	**1**	**414**	**-**	**-**	**-**	**(202)**	**153**	**365**

See note 8.1 for detail on the changes in equity.

The accompanying notes on pages 255 to 275 are an integral part of these financial statements.

6.5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

GRI *[103-1 Economic performance] [103-2 Economic performance] [103-3 Economic performance] [201-1]*

NOTE 1 General Information

Technicolor is a leader in Media & Entertainment Services, developing and monetizing next-generation video technologies. Technicolor SA is the holding company of the Group and manages the cash of the Group's subsidiaries.

These notes are an integral part of these annual financial statements. They contain additional information relating to the statements of financial position and of operations and give a true and fair view of the Company's assets, financial position and results. Information which is not mandatory is disclosed only if material.

1.1 Main events of the year

LOAN REIMBURSEMENT

In December 2018, Technicolor SA has reimbursed the €90 million loan from European Investment Bank ("EIB") maturing in 2023 (see note 9.2).-

TRANSFER OF TRADEMARK LICENSING ACTIVITY TO TECHNICOLOR SA

From October 1, 2018, Technicolor SA has undertaken from RCA Trademark Management SAS the role of licensing Agent for Trademarks licensed by the Group.

SALE OF PATENT LICENSING BUSINESS TO INTERDIGITAL

On July 30, 2018, the Group concluded the sale to InterDigital of its Patent Licensing business excluding some mobile patents, a small number of patents for nascent technologies and some patents associated with patents pools, for a total price of €188 million. On February 11, 2019, the Group announced being in exclusive negotiations with InterDigital for the divestiture of its Research & Innovation activity. This transaction would amend the contingent consideration to be received on the sale of the Patent Licensing business by reducing by 50% the future expected cash receipts.

1.2 Accounting Policies

1.2.1 BASIS OF PREPARATION

The annual financial statements are drawn up according to the accounting standards defined by the French General Chart of Accounts (*Plan Comptable Général*) and the French Commercial Code. The guidelines and recommendations of the *Autorité des normes comptables*, the *Ordre des Experts Comptables* and the *Compagnie Nationale des Commissaires aux Comptes* are also applied.

The financial statements were approved by the Board of Directors of Technicolor SA on February 27, 2019. Pursuant to French law, the financial statements will be considered as definitive when approved by Company's shareholders at the Ordinary Shareholders' Meeting called to approve 2018 financial statements.

The methods used to prepare the 2018 accounts remain unchanged compared to previous year.

The Company applies the provisions of the ANC 2015-05 regulation, approved by decree on December 28, 2015. This regulation, mandatory from January 1, 2017, aims to specify the accounting treatments of forward financial instruments and hedging operations. In this context, the Company has supplemented information in the notes relating to hedging transactions (see notes 9.4 and 12.4). The impact of this regulation on the Company's balance sheet and income statement is not significant.

These financial statements are presented in euro, the functional currency of Technicolor SA and have been rounded to the nearest million.

1.2.2 USE OF ESTIMATES

The process of drawing up the parent company financial statements involves using certain estimates and assumptions to calculate the figures presented in the Statements of Financial Position and of Operations. The Company periodically reviews its valuations and estimates based on its past experience and various other factors considered reasonable and relevant for the determination of the fair estimates of the assets and liabilities' carrying value and of the revenues and expenses. The actual results could significantly differ from these estimates depending on different conditions and assumptions.

1.2.3 ACCOUNTING FOR FOREIGN CURRENCIES TRANSACTIONS

Global treasury management

Management of the Group's market and liquidity risks is centralized in its Group Treasury Department in France in accordance with Group procedures covering, among other aspects, responsibilities, authorizations, limits, permitted financial instruments and tracking tools.

All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, the Investment Committee and the Executive Committee *via* various reports showing the Company's exposures to these risks with details of the transactions undertaken to reduce them.

To reduce interest rate and currency exchange rate risk, the Group enters into hedging transactions using derivative instruments. However Technicolor's policy is not to use derivatives for any purpose other than for hedging its commercial and financial exposures:

- from an operational point of view, the Company is contracting foreign exchange guarantees with its subsidiaries, under which subsidiaries' transaction risk is hedged for a given period (up to twelve months or longer when justified). These commitments are described further in note 12.4;
- the Group treasury is then hedging the Company exposure towards its subsidiaries with first ranking banks using currency derivative contracts. Ultimately there is no or neglectable residual remaining exposure for the Company.

Impacts of translation of foreign currency transactions

Foreign currency transactions are translated into euros at the exchange rate effective on the trade date. Receivables and payables in foreign currency are revalued at closing rate. The differences arising on the translation compared to the historical rate are recorded as translation adjustments in the balance sheet (a provision for exchange risk is recognized when unfavorable translation differences occur on receivables or debt).

Realized gains and losses on foreign exchange transactions are booked under "Other net financial gain (losses)".

Corporate Treasury manages its foreign currency exposure globally and does not take foreign exchange risk on its financial debt and loans in foreign currencies. Accordingly, the Term Loan Debt in foreign currency of the holding is only used to grant loans and current accounts in the foreign currency of the foreign affiliates and finally the global exchange result is totally symmetrical and neutral in the income statement.

Forward foreign currency contracts (set up between subsidiaries and the Group Treasury Department to cover their trade exposures) as well as external transactions with banks are accounted for by the Group Treasury Department. They are valued at market price at closing rate with gains and losses booked entirely in the statement of operations together with the result on the underlying hedged item. The forward points are recognized in the financial result prorate-temporis over the period of the contract.

Should a derivative exceptionally not qualify as hedge (isolated open position), its market value is reported in Other current assets and liabilities, in counterparty of the deferred income/charges. Any unrealized losses are covered by a provision for exchange risk. The realized gain or loss at maturity is recognized in financial result.

Information on exchange derivative instruments will be found in note 9.4.

NOTE 2 Revenue

(in million euros)	2018	2017
Intra-group invoicing	44	49
Trademark royalties	7	-
Other external revenues	4	5
TOTAL REVENUES	**55**	**54**
Including revenues in France	*27*	*31*

NOTE 3 Financial result

(in million euros)	2018	2017
Dividends received	39	265
Depreciation on financial investments, treasury shares, current accounts and risk provisions regarding subsidiaries, net of reversal	115	(1,563)
Depreciation of other assets	-	(13)
Net interest income/(expenses)	(29)	(15)
Other net financial profit/(expenses)	(2)	-
NET FINANCIAL PROFIT (LOSS)	**123**	**(1,326)**
The financial result is mainly impacted by the following subsidiaries:		
• **Thomson Licensing SAS**		
dividends	-	255
depreciations on shares in 2018 and 2017.	(111)	(1,417)
• **Thomson Sales Europe SAS**		
depreciations on shares in 2018 and 2017.	(1)	459
• **Technicolor USA Inc.**		
depreciations on shares in 2018 and 2017.	(155)	(126)
• **Technicolor Delivery Technologies SAS**		
depreciations on shares in 2018 and 2017.	(15)	(23)
• **Société Française d'Investissement et d'Arbitrage – Sofia SA**		
reversal of depreciation on shares in 2018 and 2017.	13	4
• **Gallo 8 SAS**		
reversal of depreciation on shares in 2018 and 2017.	390	7

NOTE 4 Exceptional result

Exceptional items include income or charges of which the nature and amount are not recurring.

(in million euros)	2018	2017
Capital gains on disposals of intangible and financial assets	(1)	(1)
Restructuring costs (accruals net of reversals and expenses for the year)	(1)	(3)
Other net extraordinary profit/(expenses)	9	3
TOTAL EXCEPTIONAL PROFIT (LOSS)	**7**	**(1)**

In 2018 and 2017, the other net extraordinary profit/(expense) corresponds mainly to the reversal of provisions on legacy risks.

NOTE 5 Income tax

Under French tax law, Technicolor SA is the head Company of the French tax consolidation group consisting in 16 companies. Therefore, Technicolor SA is responsible to the French Tax Authorities for all corporate income tax matters and is allowed to collect from other members of the French tax consolidation group the amount of corporate income tax they would have paid if they were taxable separately on a standalone basis.

The Company tax losses to carry forward indefinitely by the French tax consolidation group are estimated at €1,683 million as of December 31, 2018 due mainly to the Cathode Ray Tubes activity disposed in 2005.

5.1 Breakdown of booked income tax

(in million euros)	2018	2017
Income tax booked by French subsidiaries and passed on to Technicolor SA(1)	52	26
Subsidiaries' research tax credit	16	19
Provision for tax-integrated companies	(8)	(4)
Unused foreign tax credits	-	(4)
Other(2)	(15)	(14)
TOTAL INCOME TAX	**45**	**23**

(1) *Under French consolidation regime, Technicolor gets a tax income from consolidated French subsidiaries, in particular towards Thomson Licensing SAS (€38 million).*

(2) *Corresponds mainly to research tax credit to be repaid to subsidiaries. The amount to be received for the tax credit to boost competitiveness and employment (CICE) is not significant for 2018.*

The provision for the income tax expense under tax consolidation for 2018 will be offset mainly with foreign withholding tax credits and research tax credits.

In the absence of tax integration, the Company would show a nil net income tax expense.

5.2 Variation of deferred or latent tax bases

Temporarily non-deductible expenses related to Technicolor SA are the following:

(in million euros)	December 31, 2017	Variation	December 31, 2018
• To be deducted the following year			
Paid vacations	2	-	2
Provisions for risks	7	(2)	5
Other	2	-	2
• To be deducted at a later date			
Provisions for retirement	3	-	3
Provisions for subsidiary risks	6	(6)	-
Depreciation on current accounts	5	1	6
Provisions for risks	7	(1)	6
Other	14	3	17

NOTE 6 Property, equipment and intangible assets

INTANGIBLE ASSETS

Intangible assets consist mainly of capitalized IT development projects, the cost of software, trademarks and rights to use patents.

Ongoing software development projects are classified under "Intangibles in progress". Once development is achieved, the software is capitalized or delivered to the subsidiaries concerned. Software developed or used internally is amortized from the date of use. Other IT development costs are capitalized and amortized on a straight-line basis over a maximum of three years, with some exceptions. Minor IT expenses are amortized over the financial year they are put in use.

Software acquired or developed as well as licenses are amortized on a straight-line basis over the duration of their protection or over their useful life, whichever is shorter.

(in million euros)	**Intangible assets**	**Tangible assets**
At December 31, 2017, Net	**9**	**3**
Cost	*27*	*17*
Accumulated depreciation	*(18)*	*(14)*
Acquisitions	2	-
Disposals (net of cumulated amortization)	(1)	-
Depreciation and amortization	(2)	(3)
AT DECEMBER 31, 2018, NET	**8**	**-**
Cost	*20*	-
Accumulated depreciation	*(12)*	-

Tangible assets were consisting mainly of furniture and expenses for setting up and remodeling the head office in Issy-les-Moulineaux. They had been amortized over nine years, the lease term for the building, on a straight-line basis.

Following transfer of Group headquarter from Issy-les-Moulineaux to Paris, related tangible assets have been scrapped.

As Technicolor SA sub-rents only a portion of the new Headquarter to one of its subsidiaries, no tangible assets were recognized in its balance sheet.

NOTE 7 Financial assets

Financial assets include investments in subsidiaries that the Company intends to keep as well as other financial assets, such as loans.

Investments are recorded at acquisition cost. When the value in use of such investments is less than their gross value, a valuation allowance is set up for the difference. Provision for current accounts and loans are made if the net financial position is negative. In addition, a provision for risk is set aside for the surplus over the residual net negative balance.

Investments in subsidiaries and associates held for the long-term are valuated based on their value in use which is determined case by case based on the portion of equity represented by the shares, on re-evaluation of net assets or on recoverable value.

7.1 Variation of financial assets

(in million euros)	**Shares in subsidiaries**	**Other financial assets**[1]	**Total financial assets**
At December 31, 2017, Net	**2,085**	**8**	**2,093**
Cost	*11,367*	*80*	*11,447*
Accumulated depreciation	*(9,282)*	*(72)*	*(9,354)*
Acquisitions/recapitalizations[2]	552	-	552
Disposals[3]	(4)	(1)	(5)
Depreciation[4]	(289)	(1)	(290)
Reversals of depreciation provisions[5]	408	-	408
AT DECEMBER 31, 2018, NET	**2,752**	**6**	**2,758**
Cost	*11,915*	*79*	*11,994*
Accumulated depreciation	*(9,163)*	*(73)*	*(9,236)*

(1) In 2018, includes, net of depreciation, €5 million of collateral and guarantees and €1 million of Technicolor treasury shares (see note 8.2).

(2) Corresponds mainly, to the acquisition of the following subsidiaries: Technicolor Canada Inc. (€418 million) and The Moving Picture Company Ltd (€100 million) and the recapitalization of Technicolor USA Inc. (€33 million).

(3) Corresponds to the liquidation of Thomson Investment India B.V.I. subsidiary (€4 million) and an impact of (€1 million) concerning the Technicolor treasury shares.

(4) In 2018, depreciation on shares in subsidiaries concerns mainly the subsidiaries Technicolor USA Inc. (€155 million), Thomson Licensing SAS (€111 million) and Technicolor Delivery Technologies SAS (€15 million). Depreciation of other financial assets relates to Technicolor treasury shares.

(5) In 2018, reversal of depreciation on shares in subsidaries concerns mainly the subsidiaries Gallo 8 SAS (€390 million) and Société Française d'Investissement et d'Arbitrage – Sofia SA (€13 million).

The value in use of Thomson Licensing SAS was determined on the estimated fair value (future discounted cash flow increased of the cash available). This recoverable value takes into account notably the earnout related to the sale of Patent Licensing business, dated July 2018, and the announcement of the sale of R&I business. The depreciation of the shares equals to 111 million euros. A 10% decrease of the earnout would generate additional depreciation of 13 million euros.

In relation with the shares in subsidiaries, depreciation on current accounts and loans to subsidiaries amounts to €62 million (see note 12.1).

7.2 Maturities of receivables included in other financial assets

(in million euros)	
2019	18
2020 and later	5
GROSS VALUE	**23**
Depreciation	(18)
NET VALUE	**5**

7.3 Subsidiaries and investments at December 31, 2018

(in million euros, except number of shares)	Holding percentage (%)	Holding Number of shares	Gross value	Net value	Equity after allocation of results	Revenues of the year	Net income	Gross advances, loans and current accounts
Affiliates (more than 50% holding percentage)								
Technicolor USA, Inc.(1)	100.00%	1,005	5,217	481	481	2,207	(177)	176
Thomson Licensing SAS(1)(2)	100.00%	2,800,000	2,444	174	174	31	53	42
Gallo 8 SAS(1)	100.00%	32,516,195	1,091	805	805	481	419	-
Technicolor Delivery Technologies SAS(1)(3)	96.31%	16,661,120	823	203	153	1,005	(67)	-
Sté Fr.d'Invest.et d'Arbitrage – Sofia SA(1)	100.00%	3,017,994	543	71	71	3	5	-
Technicolor Canada, Inc.(2)(5)	87.74%	47,801	418	418	51	386	-	14
Thomson Angers SAS(4)	100.00%	4,630,001	289	-	-	N/A	N/A	-
Technicolor Trademark Management SAS	100.00%	13,616,129	214	214	266	4	3	-
Thomson Multimedia Distribution (Netherlands) BV	100.00%	500	187	6	6	3	-	-
Thomson Television España SA	100.00%	9,928,478	128	-	(56)	-	-	56
Technicolor Brasil Midia E Entretenimento LTDA	100.00%	34,589,668	100	92	132	146	22	-
The Moving Picture Company Ltd(2)	100.00%	200	100	100	43	144	11	-
Technicolor Entertainment Services Spain SA	100.00%	120,000	66	-	-	1	-	-
Thomson Consumer Electronics (Bermuda) Ltd	100.00%	1,000	66	26	26	-	(4)	-
Technicolor Home Entertainment Services of America SAS	100.00%	2,096,294	72	72	74	95	1	-
Mikros Image SAS(1)	100.00%	1,260,785	42	8	8	46	(3)	7
Technicolor Asia Pacific Holdings Pte Ltd	100.00%	37,948,000	37	37	49	70	6	-
RCA Trademark Management SAS	100.00%	1,668,025	25	25	36	17	8	-
Technicolor Hong Kong Ltd	100.00%	1,000,000	7	-	-	-	-	-
Thomson Sales Europe SAS(1)	100.00%	2,466	6	-	-	-	-	-
Technicolor Animation Productions SAS	100.00%	17,020,409	19	19	19	-	-	-
Technicolor Milan S.r.l.	100.00%	6,000	2	-	-	2	-	-
Thomson Purchasing and Liaison Company N.V.	100.00%	1,000	2	-	-	-	-	-
Total affiliates	**N/A**	**N/A**	**11,898**	**2,751**	**N/A**	**N/A**	**N/A**	**295**
Investments (between 10% and 50% holding percentage)								
TechFund Capital Europe FCPR	19.80%	500	-	-	N/A	N/A	N/A	N/A
Other	N/A	N/A	16	1	N/A	N/A	N/A	N/A
Total investments	**N/A**	**N/A**	**16**	**1**	**N/A**	**N/A**	**N/A**	**N/A**
TOTAL	**N/A**	**N/A**	**11,914**	**2,752**	**N/A**	**N/A**	**N/A**	**N/A**

N/A: Not applicable.

(1) When shares are those of a consolidated Technicolor sub-group, the figures correspond to the sub-group, except for the gross advances, loans and current accounts.
(2) Net value based on Discounted Cash Flow adjusted with available cash.
(3) The 3.69% other shares are held by Sofia SA.
(4) Thomson Angers is in the process of being liquidated.
(5) The 12,26% other shares are held by Technicolor Delivery Technologies SAS.

NOTE 8 Shareholders' equity and equity instrument

8.1 Capital and additional paid-in capital

On December 31, 2018, the capital of Technicolor SA was €414,461,178 (414,461,178 shares with a per value €1).

On December 31, 2017, the capital of Technicolor SA was €414,461,178 (414,461,178 shares with a per value €1). In 2017, change in equity was as follow:

- the share capital was increased by 436,461 new shares as part of the Management Incentive Plan (MIP 2015) and the additional paid-in capital by €955,850;
- the share capital was increased by 778,750 new shares delivered to eligible employees of the Group, as part of the Free Share Plan "MyTechnicolorShares".

8.2 Treasury shares

Treasury shares are recorded at purchase cost. A depreciation charge is recorded when the purchase cost is higher than the average stock price for the last month of the financial period. Gains and losses on disposal are booked under "extraordinary profit/(expense)".

	2018	2017
Number of treasury shares at opening	978,051	752,768
Net movement of the year related to the share repurchase program[(2)]	*96,943*	*225,283*
Number of treasury shares at closing	1,074,994	978,051
Net Value in euros[(1)]	1,121,643	2,968,385

(1) The gross value of treasury shares held at December 31, 2018 is €56,405,049 (€57,029,458 as of December 31, 2017), depreciated for €55,283,406 (€54,061,073 as of December 2017).

(2) The renewal of the share repurchase program, previously authorized by the Combined Shareholder's Meeting on May 24, 2017, was not proposed to the Combined Shareholder's Meeting on April 25, 2018. Therefore the share repurchase program was suspended as of that date.
In 2018, 1,114,523 shares were repurchased for a total amount of €2,367,109 and 1,017,580 shares were sold for a total amount of €2,308,920 (in 2017, impact of the repurchase program was an increase of treasury shares by 225,283 for a net cash impact of €849,744).

Treasury shares are hold for the purpose of meeting the obligations under debt securities giving access to capital or stock-option schemes or any other form of allocation of shares to employees and Directors of the Company.

8.3 Other equity instruments

The deeply subordinated perpetual notes (Titres Super Subordonnés – TSS) are booked as other equity instruments. Further to the restructuring of the Company's debt in 2010, the characteristics of these perpetual notes are now as follow :

- they are not repayable other than (i) at Technicolor's sole option in specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in 2010.

8.4 Dividends and other distributions

No dividend was proposed by the Board of Directors in 2018, concerning the fiscal year 2017.

In 2017, €25 million were paid to shareholders concerning the fiscal year 2016.

NOTE 9 Borrowings & Financial instruments

Technicolor's debt consists primarily of Term Loan Debt in U.S. dollars and in euros, issued in December 2016 and March 2017, maturing in 2023. A loan in the amount of €90 million from the European Investment Bank ("EIB") issued by Technicolor SA in January 2017 was prepaid in December 2018.

9.1 Summary of the debt

(in million euros)	2018	2017
Term Loan Debt	983	974
EIB Loan	-	90
Accrued interest	4	4
Current Accounts and loans with subsidiaries	1,245	1,199
TOTAL FINANCIAL DEBT	**2,232**	**2,267**
Of which due and payable after 1 year		
Term Loan Debt and EIB Loan	*980*	*1,061*
Loans with subsidiaries	*217*	*205*

9.2 Main features of Term Loan Debt

(in million euros)	Amount in local currency	Currency	Amount(1)	Interest rate type	Final maturity
Term loan	450	EUR	450	EURIBOR(2) + 350bps	December 2023
Term loan	275	EUR	275	EURIBOR(2) + 300bps	December 2023
Term loan	295	USD	258	LIBOR(3) + 275bps	December 2023
			983		

(1) *Exchange rate as of December 31, 2018.*
(2) *3 months EURIBOR is subject to a 0% floor.*
(3) *3 months LIBOR is subject to a 0% floor.*

9.2.1 ANALYSIS BY MATURITY OF FINANCIAL DEBT

	2018	2017
(in million euros)	Term Loan Debt	Term Loan Debt and EIB loan
Within one year	3	2
1 to 2 years	2	3
2 to 3 years	3	2
3 to 4 years	3	3
4 to 5 years	972	2
More than 5 years	-	1,052
TOTAL DEBT	**983**	**1,064**
Of which current debt	*3*	*2*
Of which non-current debt	*980*	*1,062*

9.2.2 FINANCIAL COVENANTS AND OTHER LIMITATIONS

In respect of the:

- term Loan Debt Agreement entered into in December 2016 as amended in March 2017 and
- the RCF entered into in December 2016,

together the "Debt instruments", the Group is required to meet financial covenants and is subject to several limitations described below.

Security Package

Technicolor granted security interests to secure the Debt Instruments with the pledge of the shares of the main subsidiaries of Technicolor SA and of certain intra-group loans and material cash pooling bank accounts.

Early repayment and mandatory prepayments

In case of default or change of control of Technicolor, creditors will have the ability to immediately demand payment of all or a portion of the outstanding amounts.

The events of default apply in whole or in part to Technicolor SA. The events of defaults include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by Technicolor SA to meet the payment dates of the Debt Instruments or of any other financial indebtedness or to comply with material obligations related to the Debt Instruments;
- any auditor's report qualification made to the Technicolor SA's ability to continue as a going concern or the accuracy of the information given.

Under the mandatory prepayment terms of the Debt Instruments, the Group is required to apply funds towards the repayment of outstanding amounts of the loans under the Debt Instruments in certain circumstances, including the following:

- asset disposals: the net proceeds in respect of any disposal of any of its assets to an unaffiliated third party will be applied, subject to a minimum threshold, to repay the outstanding amounts of the term loans unless the proceeds are reinvested in assets useful for its business within 365 days;
- excess cash flow: a percentage of the Company's excess cash flow will be applied to prepay the term loans. The applicable percentage depends on the leverage ratio of the Group, and ranges from 25% to 50%. The percentage steps down to 0% if certain levels of leverage ratio are reached. Excess cash flow is defined for purposes of the term loans prepayments, as the aggregate of net cash from operating and investing activities, subject to certain adjustments and minus the total funding costs, which comprise all voluntary or mandatory prepayments of the term loans during the year;
- other: net proceeds in respect of payments related to a casualty event (giving rise to insurance reimbursements or condemnation awards) shall be applied to the repayment of the debt under the Debt Instruments, subject to certain minimum thresholds and with certain carve-outs.

Technicolor can also, at its election, prepay all or part of its outstanding Term Loan Debt without penalty.

Covenants

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

The RCF contains a single affirmative financial covenant which requires that the total gross debt be no more than 4.00 times Adjusted EBITDA on a trailing twelve-month basis ("Leverage covenant") on June 30 and December 31 of each financial year, but this covenant is only applicable if there is an outstanding drawing of more than 40% of the RCF amount on June 30 or December 31 of each financial year.

The €35 million credit line agreement signed with Crédit Agricole d'Île-de-France in July 2017 contains the same financial covenant but this covenant is only tested on December 31 of each financial year.

Leverage covenant

Total gross debt of the Group at December 31, 2018 must be no more than 4.00 times the Adjusted EBITDA of the Group for the twelve months ending December 31, 2018.

Gross Debt	€1,024 million
Covenant Adjusted EBITDA*	€266 million
Gross Debt/Covenant Adjusted EBITDA Ratio	3.85

* *Adjusted EBITDA in respect of the leverage covenant definition.*

Since 3.85 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

Other Restrictions

In addition to certain information provision covenants, the agreements governing the Debt Instruments include certain negative covenants that restrict the ability of Technicolor SA to undertake various actions regarding indebtedness, investments and material changes in the general nature of the business. These restrictions are subject in each case to certain exceptions and limitations.

In particular, the Group is subject to restrictions on its ability to, among other things and subject to certain exceptions:

- make restricted payments, if certain ratios are not met, in excess of certain cumulative amounts, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- incur additional financial debt in excess of certain cumulative amounts and if certain ratios are not met and with certain carve outs; and
- make certain investments in joint ventures not controlled by the Group and in which the Group has no veto right on material decisions, except to the extent the Group's consolidated leverage ratio is under a threshold which decreases over time and subject to a certain cumulative amount and with certain carve-outs.

9.3 Interest rate hedging operations

The Group has two interest rate hedging instruments outstanding at December 31, 2018. These instruments hedge future interest charges of the Group, which are principally indexed on a floating rate as shown in the table in note 9.2.

The main characteristics are the following ones:

	Notional	Hedge	Issuance	Maturity	Fair value(1)
Interest rate swap	€240 million	Receive 3m EURIBOR(2) /pay 0.22%	May 2018	November 2021	(0.8)
Cap	U.S.$145 million	3m LIBOR capped at 3.00%	May 2018	November 2021	0.4
FAIR VALUE					**(0.4)**

(1) *Market value in million of euros at December 31, 2018.*
(2) *EURIBOR floored at 0%.*

9.4 Commitments relating to financial instruments

As commented in note 1.2.3, the Company uses exchange derivative instruments to hedge the foreign exchange risk arising in particular of the guarantees given to affiliate companies of the Group. As of December 31, 2018, these derivative instruments can be detailed as follows:

	Currency	Notional(1)	Maturity	Market value(2)
Forward and swaps instruments	USD/EUR	353	2019	(1)
Forward and swaps instruments	USD/CAD	(125)	2019	(2)
Forward and swaps instruments	others			-
FAIR VALUE				**(3)**

(1) Forward buy/sale (net amount) in millions of the 1st currency.
(2) Market value in million of euros as of December 31, 2018.

As of December 31, 2018, the Company does not have any outstanding instruments that are not documented as hedges.

NOTE 10 Employees benefits

10.1 Information on employees

	2018	2017
Engineers and managers	94	128
Employees and supervisory staff	16	28
TOTAL HEADCOUNT	**110**	**156**

10.2 Stock option plan

MID-TERM MANAGEMENT INCENTIVE PLAN (MIP-SP1)

Under the thirteen-resolution approved by the Shareholder's Meeting of May 22, 2008, the Board of Directors meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1) granting non-market performance units made up of a combination of cash and stock options. Subject to the continuance of employment, the rights under the plan were vested on June 18, 2014 for each beneficiary in the proportion set by the Board of Directors on February 21, 2013 following the determination of the level of achievement of the non-market performance conditions on December 31, 2012. In 2018, all the 805,476 subscription options have been forfeited. As of December 31, 2018, there are no subscription options outstanding anymore.

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, 2018, 10,652,013 subscription options are still outstanding (respectively 6,231,678 options, 3,461,541 options, 103,794 options and 855,000 options related to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

FREE SHARE PLAN

Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in its sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global Free Share Plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor group during the acquisition period, 125 Technicolor shares would be delivered to eligible employees at the end of the acquisition period. The plan was not subject to performance conditions. No outstanding share rights as of December 31, 2018.

2016, 2017 AND 2018 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, on January 6, 2017 and on April 25, 2018 the implementation of respectively 2016, 2017 and 2018 Long-Term Incentive Plan.

These three-year plans provide conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the cumulative achievement of Adjusted EBITDA and Free Cash Flow targets for the three years from 2016 through 2018 (LTIP 2016), from 2017 through 2019 (LTIP 2017), from 2018 through 2020 (LTIP 2018) and the satisfaction of a continued employment condition for the full duration of the Plan (through April 30, 2019 for LTIP 2016, through April 30, 2020 for LTIP 2017 and through April 30, 2021 for LTIP 2018).

As of December 31, 2018, the outstanding share rights under the plans amounts to 2,338,278, 3,538,543 and 600,000 performance shares rights for respectively LTIP 2016, LTIP 2017 and LTIP 2018.

As of December 31, 2018, the total number of outstanding stock options amounted to a maximum of 10,652,013 options and the total number of rights to receive shares amounted to 6,483,821 rights granted to employees and Directors.

The details of these options and shares are disclosed hereafter.

	Type of plan	Grant date	Number of options initially granted	Number of options outstanding	Initial number of beneficiaries	Vesting date	Contractual option life	Exercise price(2)	Estimated fair values granted(2)
MIP Options*	Subscription options	June 17, 2010	1,216,700(1)	0	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.29	€2.22
MIP 2015 Options**	Subscription options	May 23, 2013 and June 7, 2013	16,398,000	6,060,418	94	May 2015 (50%) May 2016 (25%) 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%) May 2016 (25%) 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%) May 2016 (25%) May 2017 (25%)	8 years	€4.53	€1.73
MIP 2016 Options**	Subscription options	June 20, 2014	2,830,000	1,886,462	40	June 2016 (50%) June 2017 (25%) June 2018 (25%)	8 years	€5.79	€1.82
MIP 2016 Options**	Subscription options	October 21, 2014	1,915,000	1,159,903	24	October 2016 (50%) October 2017 (25%) 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%) October 2017 (25%) 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%) June 2018 (25%) June 2019 (25%)	8 years	€5.88	€1.91
MIP October 2017 Options**	Subscription options	December 3, 2015	1,710,000	855,000	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
2016 LTIP***	Performance shares	April 29, 2016	2,760,500	2,162,221	187	April 2019	-	-	€5.69
2016 LTIP***	Performance shares	July 27, 2016	66,000	39,739	12	April 2019	-	-	€5.47
2016 LTIP***	Performance shares	October 20, 2016	214,000	136,318	18	April 2019	-	-	€5.14
2017 LTIP***	Performance shares	January 6, 2017	162,000	135,643	10	April 2020	-	-	€3.78
2017 LTIP***	Performance shares	March 9, 2017	4,003,000	3,117,664	218	April 2020	-	-	€3.78
2017 LTIP***	Performance shares	April 26, 2017	200,000	200,000	1	April 2020	-	-	€4.33
2017 LTIP***	Performance shares	July 26, 2017	142,500	85,236	15	April 2020	-	-	€3.38
2018 LTIP***	Performance shares	April 25, 2018	307,000	307,000	2	April 2021	-	-	€1.27
2018 LTIP***	Performance shares	June 25, 2018	330,000	300,000	12	April 2021	-	-	€1.27

* *Mid-Term Incentive Plan (MIP-SP1) (see description above).*

** *Management Incentive Plans (MIP) (see description above).*

*** *Long-Term Incentive Plan (LTIP) (see description above).*

(1) *Maximum potential number.*

(2) *Exercise prices and number of options outstanding were modified following the 2015 capital increases.*

The exercise prices of the various plans were set without the application of a discount.

In accordance with Article L. 225-184 of the French Commercial Code:

- in 2018, no options were exercised;
- in 2017, 436,461 options were exercised as part of the Management Incentive Plan MIP 2015.

10.3 Key management compensation

Total compensation that will be paid in 2019 to Board Members of the Company for the 2018 financial year amounted to €685,500. The amounts due to non-resident for French tax purposes are subject to a withholding tax.

The amount of the fixed and variable compensation paid out by Technicolor SA to the CEO for the fiscal year 2018 amounts to €284,800.

The CEO was a beneficiary of the Long-Term Management Incentive Plan (LTIP 2016) approved by the Board of Directors on April 29, 2016. He has been granted 270,000 performance share rights under this plan. The vesting of these performance share rights was subject to the terms and conditions laid down in the plan rules. Inter alia, they specified that the performance shares should vest on April 30, 2019 subject to a condition of presence within the Group and the achievement of two performance objectives, with respect to Adjusted EBITDA and Free Cash Flow. The performance conditions were not achieved and no share will be vested under this plan.

The CEO, as other managers of the Group, is a beneficiary of the 2017 Long-Term Incentive Plan (LTIP 2017) approved by the Board of Directors on March 9, 2017. He has been granted 380,000 share rights under this plan. The vesting of these performance share rights is subject to the terms and conditions laid down in the plan rules. Inter alia, they specify that the performance shares will vest on April 30, 2020 subject to a condition of presence within the Group and the achievement of two performance objectives, with respect to Adjusted EBITDA and Free Cash Flow.

NOTE 11 Provision & Contingencies

11.1 Detail of provision

PROVISIONS

Provisions are recorded at the balance sheet date when the Company has an obligation as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Company's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities, and as a result, has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The recorded provision represents the best estimate of the expenditure required to settle the obligation at the closing date. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded but details of the obligation are disclosed in the notes to the financial statements.

RESTRUCTURING PROVISIONS

Provisions for restructuring costs are recognized when the Company has a constructive obligation towards third parties, which results from a decision made by the Company before the closing date and supported by the following items:

- the existence of a detailed and finalized plan identifying the sites concerned, the location, the role and the approximate number of headcounts concerned, the nature of the expenses that are to be incurred and the effective date of the plan; and
- the announcement of this plan to those affected by it.

The restructuring provision only includes the costs directly linked to the plan. Restructuring costs encompass estimated shut-down costs, the impact of shorter useful life for property and equipment and the costs linked to employees' lay-off.

POST-EMPLOYMENT OBLIGATIONS

The costs for employee pensions retirement at Technicolor are accounted for progressively as employees acquire their rights to benefits. The valuation method applied takes into account future changes in payroll obligations. Post-employment benefits are accounted for when rights to benefits are acquired and payment thereof becomes probable.

Such payments and provisions are based on the estimated salaries and seniorities of employees at their date of departure.

Actuarial assumptions are as follows:

- discount rate: 1.6%;
- projected long-term inflation rate: 2%;
- salary rate of increase: 3.5%.

The Company records its commitments for jubilee awards (médailles du travail), in compliance with the ANC Recommendation n° 2013-02 issued on November 7, 2013. These charges are recognized separately from retirement provisions and actuarial differences are booked immediately in the statement of operations.

(in million euros)	As of December 31, 2017	Increases	Usage during the period	Reversals and reclassifications	As of December 31, 2018
Provisions for retirement benefit and jubilee	**3**	**-**	**-**	**-**	**3**
Subsidiaries and other risks	-	-	-	-	-
Restructuring measures relating to employees	1	1	(2)	-	-
Related to activities disposed of(1)	6	-	-	(2)	4
Other(2)	19	1	(2)	(3)	15
Other provisions for risks	**26**	**2**	**(4)**	**(5)**	**19**
TOTAL PROVISIONS FOR LOSSES AND CONTINGENCIES	**29**	**2**	**(4)**	**(5)**	**22**

(1) Provision relating to the disposal of businesses, notably the former Cathode Ray Tubes activity. The reversal relates to a provision regarding a receivable that has been reclassified as a depreciation of the asset.

(2) Mainly concerns a provision for litigation (see note 11.2).

11.2 Contingencies

FRANCE VAT AUDIT

The French tax authorities audited the Company for 2009 and 2010 tax years and issued a VAT assessment amounting to €1.3 million (for 2009) and €1.1 million (for 2010) related to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged.

Following receipt of the recovery notice in September 2014, the Company paid this reassessment.

The Company therefore filed different claims: before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014), and before the administrative Tribunal of Cergy-Pontoise.

In September 2018 the French tax authorities decided to give up this reassessment and repaid the €2.4 million to the Company in December 2018.

TAOYUAN COUNTY FORMER 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 (€77 million at the December 31, 2018 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against Technicolor entities for approximately NTD 564 million (€16 million at the December 31, 2018 exchange rate) plus interest penalty. Appeals were filed, and in October 2017, the Taiwan High Court entered judgment against TCETVT, Technicolor SA, TCE Bermuda, and General Electric International, Inc. for approximately NTD 718 million (€21 million at the exchange rate as of December 31, 2018) plus late interest penalty (5% interest per annum starting September 2009).

The Association, GEI, TCETVT, Technicolor SA and TCE Bermuda appealed the ruling to Taiwan's Supreme Court which, on August 16, 2018:

(i) confirmed the Taiwan High Court decision of awarding NTD 517.75 million (€15 million at the exchange rate as of December 31, 2018) in damages to 262 claimants;

(ii) remanded the claims of 246 claimants for further proceedings at the High Court.

In May 2016, the Association brought a new suit against Technicolor entities and General Electric claiming damages in the amount of NTD 7.38 billion (€211 million at the December 31, 2018 exchange rate). The Association's complaint offered no new argument or facts from the pending claims.

Technicolor considers that it is General Electric's legal and contractual obligation to indemnify it and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

CATHODE RAY TUBES CASES

United States

In 2017, Technicolor entered into settlement agreements with the remaining plaintiffs in the legal actions that Technicolor had been defending in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry. With these final settlements, all CRT cases are now settled in the US. However, the District Court decision approving the settlement in 2015 of a class action brought by a group of indirect purchasers of CRT was remanded in February 2019 to the U.S. District Court by the California Court of Appeals so that the District Court may reconsider its approval of the settlement.

As a result of those settlements, the Group recognized in 2018 a cash impact of €7 million.

Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. Technicolor USA was dismissed from the case by the Dutch court in July 2016 on jurisdictional grounds. As appropriate and to the extent required, Technicolor SA will file responsive pleadings.

Vestel also brought suit in Turkey, which was dismissed on procedural grounds in January 2019.

Finally, Technicolor SA, along with other defendants, is defending on similar grounds a number of cases:

(i) in Germany against German manufacturers;
(ii) in the Netherlands against Brazilian manufacturers; and
(iii) in the United Kingdom against a Turkish manufacturer.

At this time, Technicolor is unable to assess the potential outcome from those cases and the resulting potential liability as the proceedings are at an early stage and the claims have been substantiated.

NOTE 12 Other information

12.1 Trade accounts and other current assets and liabilities

Trade receivables and other current operating assets are valued at historical cost. A depreciation charge is recorded when recoverable value is lower than book value.

Current liabilities mainly consist of debts with a maturity of less than one year. This caption includes tax and social security liabilities, trade payables and fixed assets payables.

Income or charges are accrued when the service has been provided to or supplied by the Company before the end of the financial year and when they can be measured with sufficient assurance.

Current assets mainly include current accounts of Group subsidiaries for €717 million (net of depreciation for €62 million).

Accrued income are booked in the following captions:

(in million euros)	2018	2017
Trade receivables	**29**	**44**
of which accrued income	4	5
Other current assets	**32**	**54**
of which accrued income	21	43

Accrued charges are booked in the following captions:

(in million euros)	2018	2017
Trade payables	**16**	**19**
of which accrued charges	5	4
Other current liabilities	**545**	**22**
of which tax and social accrued charges	11	10
of which other accrued charges	11	1

Compliance with supplier and customer invoices contractual payment terms:

At year end:

- the amount including VAT of overdue supplier invoices represents 2.7% of fiscal year purchases amount excluding VAT;
- the amount including VAT of overdue customer invoices represents 0.8% of fiscal year revenue sales excluding VAT.

12.2 Related parties

All significant transactions with related parties are concluded with fully owned subsidiaries.

12.3 Prepayments, deferred charges and unrealized losses on foreign exchange

In 2018, corresponds to €2 million prepaid expenses and €2 million deferred charges on debt issuance costs.

In 2017, was corresponding to €3 million prepayments, €2 million deferred charges on debt issuance costs.

12.4 Off balance-sheet contractual obligations and commercial commitments

(in million euros)	2018	2017
Unconditional future payments		
Operating Leases	1	9
Other unconditional future payments	-	-
TOTAL UNCONDITIONAL FUTURE PAYMENTS	**1**	**9**
Conditional future payments		
Guarantees given regarding undertakings by related entities	730	458
Other conditional future payments	-	-
TOTAL CONDITIONAL FUTURE PAYMENTS	**730**	**458**

As part of its business activities, Technicolor SA may issue performance guarantees for its subsidiaries as well as comfort letters.

In addition, as part of its management of the currency exchange rate risk, Technicolor SA implements over a fixed period foreign exchange guarantees with its subsidiaries under which their trade exposures are hedged at a determined currency exchange rate. The most significant commitments are thereafter summarized:

Subsidiaries	**Currency to deliver**	**Currency to receive**	**Commitment to deliver**(1)	**Commitment to receive**(1)	**Maturity**
Technicolor Delivery Technologies SAS					
	EUR	USD	302	353	2019
	USD	EUR	551	473	2019
Technicolor Delivery Technologies Australia Pty Ltd					
	AUD	USD	46	33	2019
	USD	AUD	62	85	2019
The Moving Picture Company Ltd					
	GBP	USD	12	16	2019
	USD	GBP	37	29	2019
Technicolor Japan KK					
	USD	JPY	26	2,914	2019
Technicolor Polska Sp. Z o.o					
	EUR	PLN	13	57	2019
	PLN	EUR	73	17	2019
Technicolor Canada, Inc.					
	USD	CAD	81	108	2019
	CAD	USD	222	168	2019
Technicolor Mexicana, S. de R.L. de C.V.					
	MXN	USD	563	27	2019
Technicolor Export de Mexico, S. de R.L. de C.V.					
	USD	MXN	10	198	2019
	MXN	USD	82	4	2019
Technicolor Connected Home de Mexico S.A. de C.V.					
	MXN	USD	123	6	2019

(1) *Expressed in millions of the corresponding currency.*

Technicolor SA has granted a parental guarantee to secure pension amounts due under section 75 in the United Kingdom. The amount of the commitment given by TSA as of December 31, 2018 is €47 million.

NOTE 13 Statutory Auditors fees

	Deloitte		Mazars	
(in million euros)	2018	2017	2018	2017
Audit services	1	1	1	1
TOTAL	**1**	**1**	**1**	**1**

Audit services include all services charged by the Statutory Auditors in completion of their audit of annual consolidated financial statements and the services provided by the Statutory Auditors in meeting the Group's legal and regulatory requirements, including the review of interim financial statements and the audit of the Company's financial statements.

NOTE 14 Subsequent events

There were no events that have a material impact on the financial status that occurred between the Statement of the Financial Position date and February 27, 2019, the date when the Board of Directors approved the Financial Statements.

6.6 PARENT COMPANY FINANCIAL DATA OVER THE FIVE LAST YEARS (UNDER ARTICLES R. 225-81 AND R. 225-102 OF THE FRENCH COMMERCIAL CODE)

Type of information (in euros, except number of shares, earning per share and number of employees)	2014	2015	2016	2017	2018
I – Financial position at year end					
a. Share capital*	335,907,670	411,443,290	413,245,967	414,461,178	414,461,178
b. Number of shares issued	335,907,670	411,443,290	413,245,967	414,461,178	414,461,178
c. Maximum number of shares to issue in the future					
Share-based payment	20,933,241	16,885,573	13,968,054	12,562,940	10,652,013
Free share	2,007,152	1,022,250	3,638,875	6,868,232	6,483,821
II – Statements of operations					
a. Revenues (excluding VAT)	65,947,358	60,366,804	77,630,479	53,706,814	54,905,341
b. Profit (Loss) before tax, amortization and provisions	177,502,850	604,666,914	58,004,385	(289,776,803)	(10,335,190)
c. Income tax profit	54,721,037	61,844,665	51,827,666	23,157,010	44,568,125
d. Profit (Loss) after tax, amortization and provisions	(173,415,412)	(186,468,424)	148,974,598	(1,343,907,218)	153,242,014
e. Dividend paid and distributions	16,795,384	24,686,597	24,794,758	-	-
III – Earning (loss) per share*					
a. Profit (Loss) after tax, but before amortization and provisions	0.69	1.93	0.27	(0.64)	0.08
b. Profit (Loss) after tax, amortization and provisions	(0.52)	(0.54)	0.36	(3.25)	0.37
c. Dividend paid and distributions	0.05	0.06	0.06	-	-
IV – Employees					
a. Average number of employees	259	211	156	156	110
b. Wages and salaries	26,354,389	29,287,684	21,136,752	18,235,451	11,424,744
c. Social security costs	9,898,102	12,465,898	9,795,329	9,259,771	5,510,038

* *No changes in the number of shares in capital during 2018.*

6.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

GRI *[102-56]*

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Technicolor for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee

Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Assessment of investments in subsidiaries

Note 7 to the financial statements

RISK IDENTIFIED

Shares in subsidiaries represent one of the most significant line items of the December 31, 2018 balance sheet with a net amount of €2,752 million, which represents 75% of total assets. They are recorded at their historical acquisition cost and impaired based on their value in use.

As indicated in Note 7 to the financial statements, the value in use of investments in subsidiaries is determined case by case based on the portion of equity represented by the shares or on the recoverable value. If the carrying amount exceeds the value in use, an impairment loss is set up for the difference.

The economic environment in which the Group operates is rapidly changing. The subsidiaries can therefore experience changes in their activity with a negative impact on operating income and on their forecast.

As indicated in note 1.1 of the financial statements, Technicolor concluded in July 2018 the sale to InterDigital of its Patent Licensing business and announced in February 2019 being in exclusive negotiations with InterDigital for the divestiture of its Research & Innovation activity. This transaction would amend the contingent consideration to be received on the sale of the Patent Licensing business by reducing by 50% the future expected cash receipts. Consequently, as of December 31, 2018, the value of Thomson Licensing SAS shares was determined based on its recoverable value, including the last two events impacting the estimate of the earn-out relating to the Patent Licensing disposal.

In this context and given the significant amount of shares in subsidiaries in Technicolor accounts, we considered the valuation of shares in subsidiaries to be a key audit matter

OUR RESPONSE

To assess the reasonableness of the value in use of the shares in subsidiaries, based on the information communicated to us, our work mainly consisted in:

- Verifying that shares in subsidiaries acquisition of the period are recorded at their acquisition cost;
- Analysing the procedures used by the Group to realise impairment tests, examining how these impairment tests are performed and verifying the relevance of the method used depending on the share tested;
- For the shares valuated based on the portion of equity they represent,, verifying that the equity retained agrees with the accounts of the entities that were audited or the subject of analytical procedures and that adjustments proceeded on equity, if need be, are documented properly;
- For the shares valuated on their recoverable value, obtaining the cash flow forecasts established by the Management and appreciating their consistency, or verifying the concordance of the hypothesis used by the Management with the Expert reports;
- Testing the arithmetical accuracy of the value of shares calculation.

We also assessed the appropriateness of information disclosed in the note 7 of financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS PROVIDED TO SHAREHOLDERS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-4 of the French Commercial Code (Code de commerce).

REPORT ON CORPORATE GOVERNANCE

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (code de commerce), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

OTHER INFORMATION

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of the Company by the annual general meeting held on June 20, 2012 for Deloitte & Associés and on May 29, 1985 for Mazars.

As at December 31, 2018, Deloitte & Associés and Mazars were in the 7th year and 34rd year of total uninterrupted engagement including 20 years since the company's shares had been listed.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors

Paris - La Défense, March 25, 2019
Deloitte et Associés
French original signed by
Bertrand Boisselier
Partner

Courbevoie, March 25, 2019
Mazars
French original signed by
Guillaume Devaux
Partner
Jean-Luc Barlet
Partner

6.8 AUDITORS

6.8.1 Table of Auditors' fees

For a detailed table of auditors' fees, please refer to note 14 to the Group's consolidated financial statements.

6.8.2 Statutory Auditors

Deloitte & Associés 6 place de la Pyramide 92908 Paris – La Défense represented by Mr. Bertrand Boisselier.

Mazars 61 rue Henri-Régnault – Tour Exaltis 92400 Courbevoie represented by Messrs. Jean-Luc Barlet and Guillaume Devaux.

STARTING DATE OF STATUTORY AUDITORS' FIRST MANDATE

Deloitte & Associés: 2012.

Mazars: 1985.

DURATION AND EXPIRATION DATE OF STATUTORY AUDITORS' MANDATE

Deloitte & Associés: re-appointed by the Combined Shareholders' Meeting of April 26, 2018 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2023.

Mazars: re-appointed by the Annual General Shareholders' Meeting held on April 29, 2016 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2021.

6.8.3 Substitute Statutory Auditors

CBA 62 rue Henri Régnault – Tour Exaltis, 92140 Courbevoie

DURATION AND EXPIRATION DATE OF SUBSTITUTE STATUTORY AUDITORS' MANDATE

CBA: appointed by the Combined Shareholders' Meeting of April 29, 2016 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2021.

Pursuant to Article L. 823-1 of the French Commercial Code, BEAS, Substitute Statutory Auditor of Deloitte & Associés, was not renewed nor replaced by the Combined Shareholders' Meeting of April 26, 2018.

7

ADDITIONAL INFORMATION

A change of registered office and a new installation **at the heart of Paris**

Shares included in the SBF 120 and Next 150 indices

115 subsidiaries and companies accounted for under the equity method

7.1 COMPANY PROFILE

GRI *[102-1] [102-3] [102-5] [102-7] [102-50] [102-52]*

Legal and business name: TECHNICOLOR

Registered office:
8-10, rue du Renard
75004 Paris, France
Tel.: +33 (0)1 88 24 30 00
E-mail: shareholder@technicolor.com
Twitter: twitter.com/technicolor

Domicile, legal form and applicable legislation: Technicolor is a French corporation (*société anonyme*), governed by the French Commercial Code, by all laws and regulations pertaining to corporations, and its bylaws.

The Company is registered with the Trade Registry (*Registre du commerce et des sociétés*) of Paris under No. 333 773 174. Its APE Code, which identifies a Company's type of business and activities, is 7010Z, corresponding to the business of corporate administration.

Date of incorporation and term of the Company: Technicolor was formed on August 24, 1985. It was registered on November 7, 1985 for a term of 99 years, expiring on November 7, 2084.

Fiscal year: January 1 to December 31.

Stock Exchange: Technicolor is listed on the Euronext Paris exchange (symbol: TCH). Technicolor is also trading on OTCQX International Premier, a premium listing Over-the-Counter securities service (symbol: TCLRY).

For more information, please refer to Chapter 1: "Presentation of the Group", section 1.4.1: "Share capital and shareholders" of this Registration Document.

Activity: Technicolor, a worldwide Technology leader operating in the Media & Entertainment industry, is at the forefront of digital innovation. Technicolor's activities are organized in two business segments, namely Entertainment Services and Connected Home. All other activities and corporate functions (unallocated) are presented within the "Corporate & Other" segment. For a detailed description of the Group's segments, please refer to section 1.2: "Organization & business overview". In fiscal year 2018, Technicolor generated revenues from continuing operation of €3,988 million. As of December 31, 2018, the Group had 17,745 employees in 27 countries.

7.2 LISTING INFORMATION

7.2.1 Markets for the Company's securities

Technicolor's shares are listed on Euronext Paris (Compartment B), under the designation "Technicolor", ISIN Code FR0010918292, with the trading symbol TCH.

Technicolor's shares are eligible for the Long-only Deferred Settlement Service. With this service, the purchaser may on the determination date, which is the fifth trading day prior to the last trading day of the month, inclusive, either (i) settle the trade no later than the last trading day of such month, or (ii) upon payment of an additional fee, extend to the determination date of the following month the option either to settle no later than the last trading day of such month or postpone again the selection of a settlement date until the next determination date. Such option may be maintained on each subsequent determination date upon payment of an additional fee.

Equity securities traded on a deferred settlement basis are considered to be transferred only after they are registered in the purchaser's account. Under French securities regulations, any sale of a security traded on a deferred settlement basis during the month of a dividend payment date is deemed to occur after the dividend has been paid. Thus if the deferred settlement sale takes place during the month of a dividend payment, but before the actual payment date, the purchaser's account will be credited with an amount equal to the dividend paid and the seller's account will be debited by the same amount.

Prior to any transfer of securities listed on Euronext Paris held in registered form, the securities must be converted into bearer form and accordingly recorded in an account maintained by an intermediary accredited with Euroclear France SA, a registered central security depositary. Trades of securities listed on Euronext Paris are cleared through L.C.H. Clearnet and settled through Euroclear France SA using a continuous net settlement system.

In France, Technicolor's ordinary shares are included in the SBF 120 and Next 150 Index, and the CAC Media, CAC Consumer Services, CAC MID&SMALL and CAC Mid 60 Indices.

Since 2014, ADSs have been traded on OTCQX International Premier, a premium OTC securities listing service (symbol: TCLRY).

7.2.2 Listing on Euronext Paris

The tables below set forth, for the periods indicated, the high and low prices (in euros) for Technicolor's outstanding shares on Euronext Paris.

	Euronext Paris					
	Volume of transactions			Share price *(in euros)*		
Years ending December 31	*(in million euros)*	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2014	1,231.30	248,831,865	975,811	4.99	6.18	3.52
2015	1,375.13	227,934,940	890,371	6.03	7.57	4.27
2016	1,473.64	263,351,060	1,024,712	5.62	7.46	4.55
2017	1,141.00	319,022,476	1,251,069	3.71	5.28	2.60
2018	1,230.75	894,859,813	3,509,254	1.50	3.33	0.81

Source: Euronext.

	Euronext Paris					
	Volume of transactions			Share price *(in euros)*		
Years ending December 31	*(in million euros)*	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2016						
First quarter	473.97	81,604,784	1,316,206	5.89	7.46	4.76
Second quarter	392.48	69,505,908	1,069,322	5.63	6.30	4.85
Third quarter	268.66	46,054,451	697,795	5.85	6.25	5.35
Fourth quarter	338.53	66,185,917	1,034,155	5.14	6.05	4.55
2017						
First quarter	391.12	96,909,544	1,490,916	4.14	5.28	3.48
Second quarter	219.88	49,827,649	803,672	4.49	4.80	3.57
Third quarter	238.70	72,984,964	1,122,846	3.30	4.09	2.84
Fourth quarter	291.30	99,300,319	1,576,196	2.92	3.28	2.60
2018						
First quarter	406.51	214,238,008	3,400,603	2.45	3.33	1.33
Second quarter	432.31	325,587,952	5,168,063	1.36	1.61	0.99
Third quarter	182.32	164,649,914	2,533,075	1.11	1.29	0.99
Fourth quarter	209.62	190,383,939	2,974,749	1.09	1.36	0.81

Source: Euronext.

	Euronext Paris					
	Volume of transactions			Share price *(in euros)*		
Last six months	*(in million euros)*	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2018						
September	49.03	45,819,418	2,290,974	1.06	1.21	1.01
October	84.48	75,337,375	3,275,538	1.11	1.26	1.02
November	78.77	70,060,944	3,184,588	1.12	1.36	0.90
December	46.37	44,985,620	2,367,664	1.04	1.22	0.81
2019						
January	33.76	34,715,299	1,577,968	0.97	1.06	0.87
February	26.38	26,704,225	1,335,211	0.98	1.09	0.90

Source: Euronext.

7.3 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2018 AND 2017

7.3.1 Notification of interests acquired in the share capital of French companies in 2018

In compliance with Article L. 233-6 of the French Commercial Code, the Group notifies that it acquired no interests in any French Company in 2018.

7.3.2 Notification of interests acquired in the share capital of French companies in 2017

In compliance with Article L. 233-6 of the French Commercial Code, the Group notifies that it acquired no interests in any French Company in 2017.

7.4 MEMORANDUM AND BYLAWS

This section contains the information required by paragraph 21.2: “Memorandum and Bylaws” of European Commission Regulation (EC) no. 809/2004 of April 29, 2004.

Copies of the Company’s bylaws in French are available from the Trade Registry of Paris, France.

7.4.1 Corporate purpose

Technicolor’s purpose is, directly or indirectly, in France and in any other country:

- the taking of equity holdings or interests in any business of any nature in any form whatsoever, whether in existence or to be created;
- the acquisition, management, and transfer of any and all real property rights and assets and any and all financial instruments, and the execution of any and all financing transactions;
- the acquisition, transfer and use of any and all Intellectual Property rights, licenses or processes;
- the manufacture, purchase, importation, sale and export, anywhere, of any and all materials and products, as well as the rendering of any and all services.

Technicolor may act directly or indirectly, for its own account or for the account of third parties, whether alone or through an equity holding, agreement, association or Company, with any other legal entity or individual, and carry out, in France or abroad, in any manner whatsoever, any and all financial, commercial, industrial, real property, and personal property transactions within the scope of its purpose or involving similar or related matters (Article 2 of the bylaws).

7.4.2 Board of Directors and Executive Committee members

Information relating to administrative bodies can be found in Chapter 4: "Corporate governance and compensation", section 4.1.: "Corporate Governance" of this Registration Document.

7.4.3 Rights, privileges and restrictions attached to shares

VOTING RIGHTS

"Each shareholder shall have as many votes as the shares that he possesses or represents by proxy. In accordance with paragraph 3 of article L. 225-123 of the French Commercial Code, it is not granted any double voting right for shares for which it is justified of a registered form during at least two years in the name of the same shareholder." (Article 20 of the bylaws).

Under French law, treasury shares are not entitled to voting rights.

OTHER RIGHTS OF SHAREHOLDERS

"In addition to the right to vote that is attributed by law, each share gives the right to the ownership of the corporate assets, to share in the profits, and to the liquidation proceeds, in an amount equal to the portion of the share capital represented by such share.

Whenever it may be necessary to own a certain number of shares in order to exercise a right, it is the responsibility of the shareholders who do not own an adequate number of shares, as the case may be, to group their shares in the amount necessary.

The ownership of a share entails, by operation of law, adherence to the bylaws of the Company and to the decisions of the General Shareholders' Meeting and the Board of Directors, acting by delegation of the General Shareholders' Meeting." (Article 9 of the bylaws).

7.4.4 Actions necessary to change the rights of shareholders

Any amendment to the bylaws must be voted in or authorized by the shareholders' meeting under the conditions of quorum and majority required by the laws or regulations in force for Extraordinary Shareholders' Meetings.

7.4.5 Shareholders' meetings

NOTICE OF SHAREHOLDERS' MEETINGS

"Shareholders' meetings are convened and deliberate pursuant to applicable laws and regulations." (Article 19 of the bylaws).

ATTENDANCE AND VOTING AT SHAREHOLDERS' MEETINGS

"Every shareholder has the right, upon proof of his identity, to participate in General Shareholders' Meetings, by attending in person, by mailing in a voting form, by designating a proxy or (...) by electronic vote during a meeting.

Such participation, in any form whatsoever, is subject to the registration or the recording of the shares, either in the Company's registered share account, or in a bearer share account held by an authorized intermediary, within the time limits and under the conditions provided for by applicable regulations. In the case of bearer shares, the registration or the recording of the shares is confirmed by a certificate of participation delivered by the authorized intermediary." (Article 19 of the bylaws).

7.4.6 Bylaws requirements for holdings exceeding certain percentages

"Without prejudice to applicable law, any legal entity or individual, whether acting alone or in concert, who comes to own directly or indirectly a number of shares or voting rights equal to or greater than 0.5% of the total number of shares or voting rights of the Company, must so inform the Company. This obligation is governed by the same provisions as those governing the legal obligation; the threshold crossing declaration is to be made within the same deadline as for the legal obligation, by registered letter with return receipt requested, by facsimile or by telex, indicating whether the shares or the voting rights are held for the account of, under the control of, or in concert with other legal entities or individuals. An additional notice is required for each additional holding of 0.5% of the share capital or voting rights, without limitation.

This duty to inform applies under the same conditions when the equity holding or the voting rights cross below the thresholds mentioned in the preceding paragraph.

In the event of a failure to comply with the duty to inform provided above, the shareholder may, under the conditions and within the limits of applicable laws and regulations, be deprived of the right to vote in respect of the shares exceeding the relevant threshold. This penalty is independent of any penalty that may be decided by judicial decision upon request by the Chairman, a shareholder, or the *Autorité des marchés financiers*.

For the purpose of determining the thresholds referred to above, shares or voting rights held indirectly and shares or voting rights associated with the shares or voting rights actually held, as defined by the provisions of Articles L. 233-7 *et seq*. of the French Commercial Code, are taken into account.

The declarant must certify that the declaration includes all of the securities giving access immediately or in the future to the share capital of the Company held or owned within the meaning of the preceding paragraph. The declarant must also indicate the date or dates of acquisition.

Mutual fund management firms are required to report this information in respect of all of the voting rights attached to the shares of the Company held by the funds that they manage." (Article 8.2 of the bylaws).

7.5 MATERIAL CONTRACTS

Readers are invited to refer to the description of the agreements relating to the Term Loan documentation described in Chapter 2: "Operating and financial review and prospects", section 2.3.3 "Financial resources" of this Registration Document.

7.6 ADDITIONAL TAX INFORMATION

Total amounts, by category of expenditure, reinstated in the taxable profits following a definitive tax adjustment under Article 223 quinquies of the Tax Code

None.

Total amount of certain non-deductible expenses under Articles 39-4 and 223 quater of the Tax Code

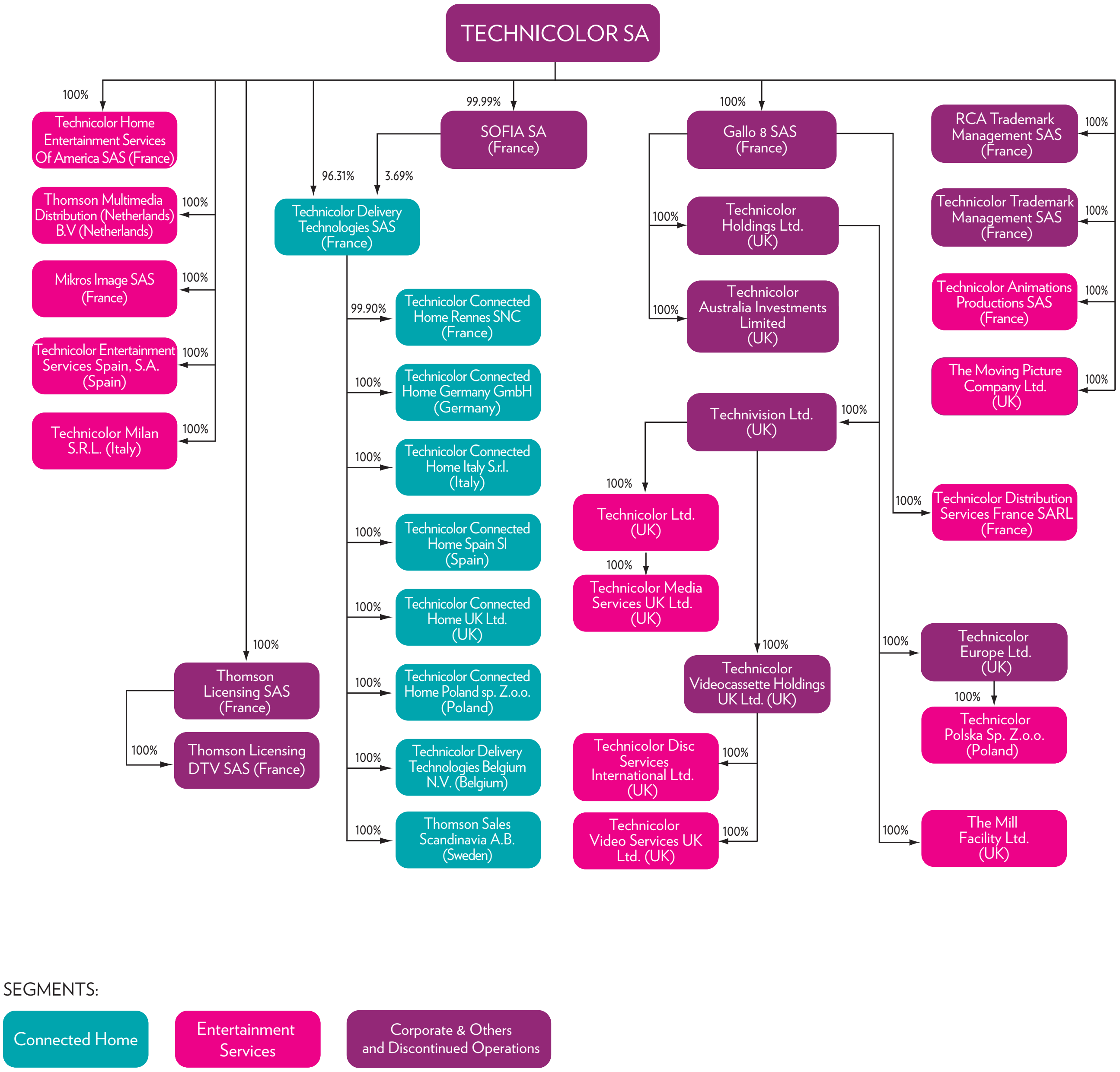
The non-deductible expenses referred to in Article 39-4 of the French General Tax Code amounted to €134,861.78 in 2018 for the Company and corresponded to non-deductible lease payments on private vehicles.

7.7 ORGANIZATION OF THE GROUP

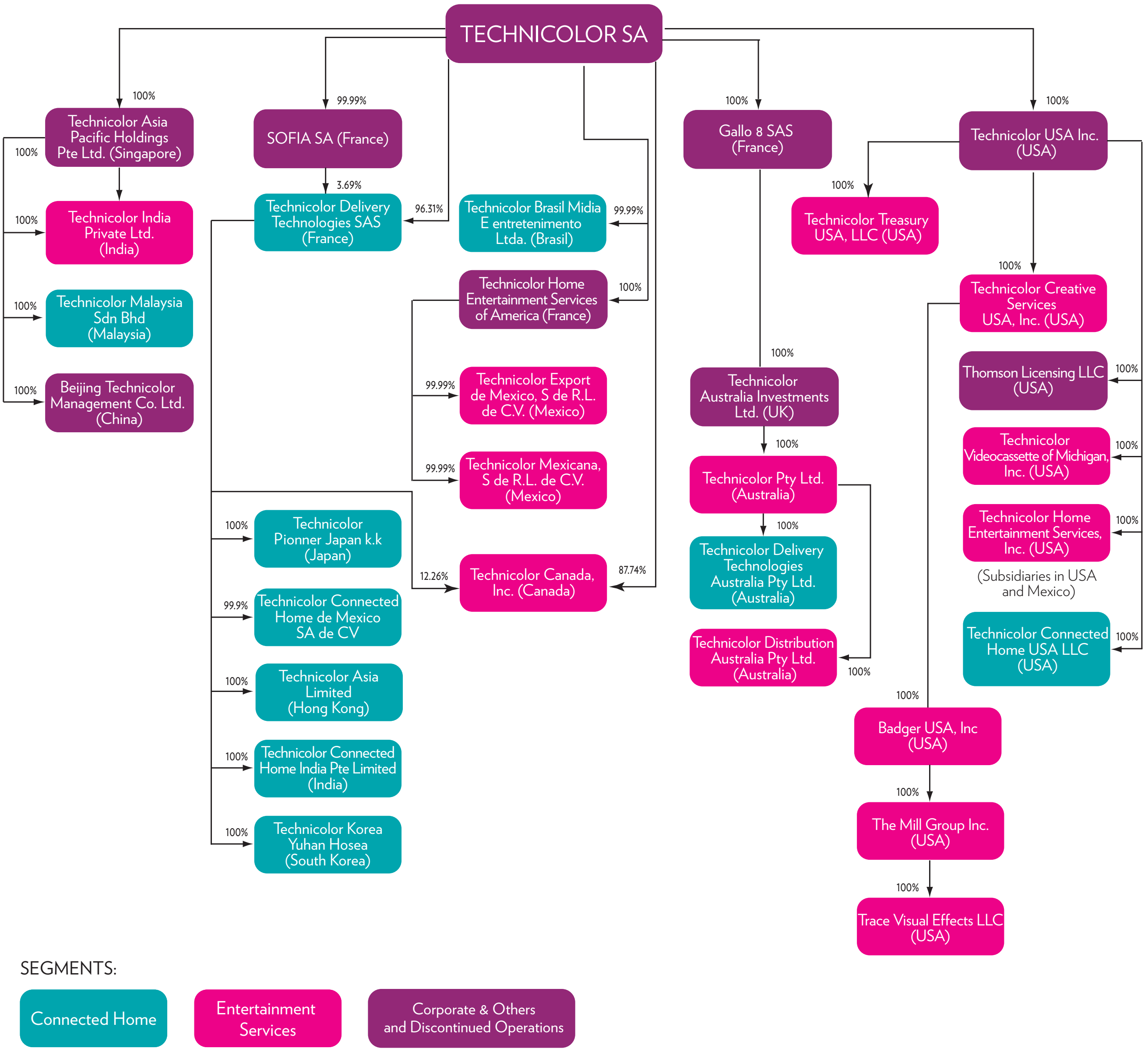
7.7.1 Legal organizational chart of the Group as of December 31, 2018

GRI *[102-45]*

MAIN LEGAL ENTITIES - EUROPE



MAIN LEGAL ENTITIES - ASIA AND AMERICA



7.7.2 Operational organization

GRI *[102-45]*

The Group's organizational chart below contains the Group's main operating subsidiaries, classified by segments. These subsidiaries are directly held by Technicolor or indirectly held through holding companies as of December 31, 2018. They have been selected based on their contribution to the Group's revenues (external and intra-group) or on their workforce. Revenues from these subsidiaries represented 99% of the group's revenues (external and intra-group) in 2018.

The list of main consolidated subsidiaries is described in Chapter 6, note 15 to the Group's consolidated financial statements. A summary table sets forth the list of the Group's subsidiaries broken down by the geographic location of the entity (please refer to Chapter 6, note 2.1 to the consolidated financial statements).

Main financial data (revenues, profit (loss) from continuing and discontinuing activities, geographic breakdown of assets and liabilities) as well as goodwill and trademarks are broken down for each segment in the Group's consolidated financial statements in notes 3, 4.1 and 4.2, respectively.

	Entertainment Services	Connected Home	Other
France	Technicolor Distribution Services France SARL Mikros Image SAS Technicolor Animation Productions SAS	Technicolor Delivery Technologies SAS	RCA Trademark Management SAS
Europe except France	Technicolor Polska s.p. Z.o.o. The Moving Picture Company Ltd. Technicolor Video Services (UK) Ltd. Technicolor Ltd. The Mill (Facility) Ltd.		
America	Technicolor Global Logistics, LLC Technicolor Videocassette of Michigan, Inc. Technicolor Home Entertainment Services Inc. Technicolor Creative Services USA Inc. Technicolor Canada Inc. (1) Technicolor Home Entertainment Services de Mexico S. de R.L. de C.V. Technicolor Home Entertainment Services Southeast, LLC The Mill Group Inc.	Technicolor Brasil Midia E Entretenimento Ltda Technicolor Connected Home USA LLC Thomson Telecom Mexico, S.A. de C.V. Technicolor Canada Inc. (1)	Technicolor USA Inc
Asia	Technicolor Pty, Ltd.	Technicolor Delivery Technologies Australia Pty, Ltd Technicolor Pioneer Japan KK Technicolor Korea Yuhan Hoesa	

(1) *This entity hosts operations on the two segments Entertainment Services and Connected Home.*

PARENT COMPANY

On December 31, 2018, Technicolor SA had 110 employees. It mainly hosts the activities of group management, support functions, group treasury and part of the Connected Home segment. The Company's income statement (as presented in the corporate financial statements) shows a net profit of €153 million in 2018 (compared with a net loss of €1,343 million in 2017) (for more information regarding the parent company, refer to Technicolor SA's corporate financial statements and notes to the financial statements in Chapter 6: "Financial statements", sections 6.4 "Technicolor SA parent company financial statements" and 6.5 "Notes to the parent company financial statements" of this Registration Document).

MAIN CASH FLOWS BETWEEN THE COMPANY AND THE SUBSIDIARIES

The Company ensures the financing of its subsidiaries by loans and current accounts (net payable position of €488 million before depreciation at December 31, 2018) and equity instruments and received €39 million in dividends in 2018 (compared with €265 million in 2017). The Company has organized a system of centralization of the treasury in the main countries where it operates and implements hedge transactions for the Group, in accordance with defined management rules.

The Company also provides services to companies affiliated to the Group in Information Systems, purchases, management, treasury, people and various counsels. These services are invoiced either on the basis of a percentage of the income or/and of the net profit of the subsidiaries, through a fixed fee, or charged for each service.

For more details, see note 12.2 to the Company's statutory accounts for related party transactions.

7.8 PROPERTY, PLANT AND EQUIPMENT

Operating facilities and locations

GRI *[102-4]*

Technicolor occupies, as owner or tenant, a number of office buildings, manufacturing plants, and distribution and warehousing sites around the world. Technicolor is constantly reviewing its real estate needs in order to improve efficiency and minimize costs.

In 2018, Technicolor took a number of key actions to optimize its global real estate footprint.

The key actions taken to reduce the Group's real estate footprint in 2018 included:

Operating Facilities	Primary Activity	Type of Action
Broomfield CH (CO, United States)	Office/Lab	Closure
Burbank PS (CA, United States – 100 W. Alameda)(1)	Production	Closure
Burbank PS (CA, United States – 1109 Flower St.)(1)	Production	Closure
Burbank CORP (CA, United States – 2801 Thornton)	Storage	Closure
Chiswick HES/CORP (United Kingdom)	Office	Closure
Culver City PS (CA, United States – 10200 Culver Blvd.)	Production	Closure
Indianapolis CORP (IN, United States – Regus Temp Space)	Office	Closure
Issy-les-Moulineaux CORP (France)(2)	Office	Closure
Iver Heath PS (United Kingdom – Render Farm)	Production	Closure
Leiden CH (Netherlands)	Office	Closure
Livonia HES (MI, United States)	Office	Closure
Mexico City CH (Mexico – Moliere)	Office	Closure
Miami CH (FL, United States)	Office	Closure
Milan CH (Italy)	Office	Closure
Montreal PS (Canada – 2101 Ste Catherine)	Office/Production	Closure/Downsize
Montreal PS (Canada – 2107 Ste Catherine)	Office/Production	Closure
Mumbai PS (India – Ujuguar Silk Mills – Property #3)	Production	Closure
Mumbai PS (India – Ujuguar Silk Mills – Property #6)	Production	Closure
Netanya CH (Israel)	Office	Closure
New Orleans PS (LA, United States)	Production	Downsize
New York PS (NY, United States – 214 Sullivan St.)	Production	Closure
Olyphant HES (PA, United States)	Whse/Distribution	Downsize
Princeton TECH (NJ, United States)	Office	Closure
Scarborough HES (Canada)	Office	Closure
Shenzhen CH (China)	Office/Lab	Closure

Operating Facilities	Primary Activity	Type of Action
Singapore CH (Singapore)	Office/Lab	Closure
Tokyo TECH (Japan)	Office	Closure
Vancouver PS (Canada – 916 Davie)	Storage	Closure

(1) 100 W. Alameda and 1109 Flower St. – Lease to be surrendered 28-Feb-2019.
(2) Issy-les-Moulineaux – Lease to be surrendered 14-Jan-2019.

In 2018, Technicolor has added the following sites (in some cases, relocating from other locations as indicated by the footnotes), increasing the total footprint:

New Sites	Primary Activity	Total Square feet
LaVergne HES (TN, United States)	Warehouse/Distribution	100,799
Bangalore PS (India)	Production	92,699
Paris PS (France – Rue du Renard)(1)	Production	89,340
Montreal PS (Canada)(2)	Production	83,279
Mexicali HES (Maran 5 – Mexico)	Warehouse	50,000
Adelaide/Kidman Park PS (Temp Space – Australia)	Production	6,900
Culver City PS (CA, United States)	Production	8,551
Shenzhen CH (China)(3)	Office/Lab	5,672
Guadalajara CH (Mexico)	Office	2,992
Burnaby PS (Canada)(4)	Warehouse	2,517
Mexico City CH (Mexico)(5)	Office	1786
Munich HES (Germany)(6)	Office	745
Milan CH (Italy)(7)	Office	624
Princeton CORP (NJ, United States)(8)	Office	350

(1) Replaced Issy-les-Moulineaux (195,428 SF)
(2) Includes 3 phases of space at 740 St. Maurice (46,566 SF); Phase 1 – 18,845 SF delivered in 2018; Phases 2 and 3 to be delivered in 2019 & 2020.
(3) Replaced Shenzhen location (3,112 SF).
(4) Replaced Mexico City location (6,459 SF).
(5) Replaced Vancouver location (1,727 SF).
(6) Replaced Munich location (2,5019 SF).
(7) Replaced Milan location (2,906 SF).
(8) Replaced Princeton location (16,933 SF).

In 2018, Technicolor has experienced continued growth in the Production Services business, expanding the already existing locations below and increasing the total footprint.

Expanded Sites	Primary Activity
Canada-Montreal-MPC	Production
India-Bangalore-MPC	Production

End 2018, the global real estate footprint is 12.09 million square feet compared to 12.2 million square feet end 2017, *i.e.* decrease of 0.70%. This decrease reflects the closure and downsize of multiple sites.

The Group operates various manufacturing, production, distribution facilities in order to deliver products and services to customers. In addition, Technicolor relies on external partners for manufacturing some of its finished products, particularly for Connected Home.

Technicolor's objective is to optimize the location and the organization of its operations, to reduce its production costs and working capital requirements, maximize the quality, flexibility and responsiveness of its products and services, while minimizing negative impacts that could affect the environment or the health and safety of its employees and contractors.

At the end of 2018, Technicolor is owner or tenant of the following key facilities:

Main Operating Facilities	Primary Activity	Own/Lease	Square Feet
Memphis-HES (TN, United States)	Warehouse/Distribution/Manufacturing	Lease	3,643,434
Huntsville-HES (TN, United States)	Warehouse/Distribution/Manufacturing	Lease	1,665,135
Toronto-HES (Canada)	Warehouse/Distribution	Lease	793,582
LaVergne-HES (TN, United States)	Warehouse/Distribution	Lease	800,799
Mexicali-HES (Mexico)	Warehouse/Distribution/Manufacturing	Lease	663,840
Bangalore-PS (India)	Production	Lease	285,079
Rugby-HES (United Kingdom)	Warehouse/Distribution	Lease	282,675
Guadalajara-HES (Mexico)	Manufacturing	Own	272,850
Jozefoslaw-HES (Poland)	Manufacturing	Own	269,000
Cesson-Sevigne-CH (France)	Lab	Lease	199,929
Montreal-PS (Canada)	Production/Office	Lease	197,211
Lawrenceville-CH (GA, United States)	Lab/Office	Lease	173,308
Tultitlan-HES (Mexico)	Warehouse/Distribution	Lease	150,070
Paris/Boulogne-PS (France)	Production/Office	Lease	140,656
Prestons-HES/CH (Australia)	Warehouse/Distribution	Lease	137,016
Hollywood/SGS-PS (CA, United States)	Production/Office	Lease	116,833
London-PS (United Kingdom)	Production/Office	Lease	109,771
Toronto-PS (Canada)	Production	Lease	106,129
Hollywood/LA-PS (CA, United States)	Production/Office	Lease	86,835
Sydney-HES (Australia)	Distribution	Lease	75,062
Beijing-CH (China)	Office	Lease	73,163
Culver City/LA-PS (CA, United States)	Production/Office	Lease	69,578
New York-PS (NY, United States)	Production	Lease	57,181
Burbank-PS/CORP (CA, United States)	Production/Office	Lease	52,359
Manaus-CH (Brazil)	Manufacturing	Own	50,000
Murfreesboro-HES (TN, United States)	Distribution	Lease	50,000
Camarillo-HES (CA, United States)	Office	Lease	49,490
Vancouver-PS (Canada)	Production	Lease	49,083
Melbourne-HES (Australia)	Manufacturing/Distribution	Lease	47,182
Chennai-CH (India)	Lab/Office	Lease	45,000
Edegem-CH (Belgium)	Office	Lease	38,513
Calexico-HES (CA, United States)	Distribution	Lease	37,146

Summary of Operating Facilities	Square Feet	Percentage of Surface
Office	833,336	6.89%
Lab	188,796	1.56%
Manufacturing	4,384,840	36.27%
Production	1,008,897	8.35%
Warehouse/Distribution	5,673,593	46.93%
ALL PROPERTIES	**12,089,462**	**100%**

Office: *sites dedicated to corporate and support functions activities and product development.*
Lab: *research sites.*
Manufacturing: *sites dedicated to DVDs/Blu-raysTM, set-top box and gateways manufacturing.*
Production: *sites dedicated to digital work for Production Services (post production, Visual Effects , Animation, etc.).*
Warehouse/Distribution: *sites dedicated to DVDs/Blu-rays™ distribution/warehousing.*

MANUFACTURING, PRODUCTION AND DISTRIBUTION

GRI *[102-7]*

Technicolor's manufacturing, production, and distribution facilities accounted for 91.55% of its facilities space, at the end of 2018. The location of each significant facility can be found in the table above.

Technicolor's respective business segments have varying approaches to performing these activities; each is discussed in turn below.

DVD Replication and Distribution

Global distribution and supply chain activities are provided in-house and through a network of contracted Third-Party Logistic Providers (3PLs). In markets where distributed unit volumes are sufficient, Technicolor completes all distributions and logistics activities in-house. In smaller markets, or where other considerations prevail, these activities are completed by 3PL's on Technicolor's behalf. In North America and Australia, the Group distributed 100% in-house; in Europe, approximately 62% in-house and approximately 38% by 3PL's.

Post Production, VFX and Animation

Following the rapid shift to digital production since 2010, the Company has downsized or transferred Digital Cinema distribution, Media Services and photochemical films activities. 2018 activities were focused on picture and sound post production services and on VFX and Animation services. For more information, please refer to section 1.2.1.1 "Production Services" of this Registration Document.

Set-Top Box, Gateways, and Connected Devices

In 2018, Technicolor shipped a total of about 39.1 million modems and gateways, Set-Top Box, and other Connected Devices. Overall, around 9.6% of the Group's total volume has been manufactured in-house, with the rest of its volumes being outsourced to partners in Asia, Mexico and Argentina.

The total in-house manufacturing and replication output for the Group can be found in the table below for 2018:

In-house Manufacturing and Replication	Number of Units
Entertainment Services	
DVD replication	787 million DVDs
Blu-ray^{TM} Replication	342 million Blu-ray^{TM} discs
Theatrical post production (picture & sound)	Over 300 feature films
Broadcast & streaming post production (picture & sound)	Over 470 series, pilots& other non-theatrical projects
VFX shots for theatrical feature films	Over 12,000 shots
VFX shots for TV & streaming content	Over 3,100 shots
VFX/Post for advertising	Over 5,750 commercial spots
Animation for films, TV & streaming	Over 2,600 minutes delivered
Animation asset creation services for films, TV & streaming	Over 5,200 computer-generated assets
Games production (Animation)	Over 1,600 minutes delivered
Games production (asset creation services)	Over 9,750 computer-generated assets
Connected Home	
Modems and gateways, Set-Top Box and other Connected Devices	3.77 million units

7.9 SUPPLIERS AND CUSTOMERS PAYMENT TERMS

In compliance with article L. 441-6-1 of the French Commercial Code, the information on suppliers and customers payment terms is detailed in the table hereafter.

	Article D. 441 I.-1°: Supplier invoices received, overdue but unpaid at year end						**Article D. 441 I.-2°: Customer invoices sent, overdue but unpaid at year end**					
(in euros)	**Zero day (indicative) Dec. 31, 2018**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**	**Zero day (indicative) Dec. 31, 2018**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**
(A) Overdue payments by period												
Number of invoices concerned	25					81	2					13
Total amount including VAT of invoices concerned	3,155,612.37	1,143,505.78	202,527.49	0	227,648.75	1,573,682.02	18,951.50	427,584.05	0	0	27,282.50	454,866.55
Percentage of fiscal year purchases amount excluding VAT	5.40%	2%	0.3%	0.0%	0.4%	2.7%						
Percentage of fiscal year revenue sales excluding VAT							0.0%	0.8%	0.0%	0.0%	0.0%	0.8%
(B) Disputed or unrecorded invoices excluded from (A)												
Number of invoices excluded						-						7
Total amount including VAT of invoices excluded						-						2,209,901.41
(C) Reference payment terms used (contractual or required by law – article L. 441-6 or article L. 443-1 from French Commercial Code)												
Payment terms used for calculation of payment delays. (Specify)						Contractual payment terms						Contractual payment terms

7.10 AVAILABLE DOCUMENTS

The bylaws and other corporate documents of the Company, any evaluation or statement prepared by an expert at the request of the Company, part of which is included or mentioned in this Registration Document, and, more generally, all documents sent or made available to shareholders pursuant to French law may be consulted at the Company's registered office, 8-10, rue du Renard, 75004 Paris, France.

Moreover, historical financial information and regulated information of the Group is available on the Company's website (www.technicolor.com).

Paper versions of this Registration Document are available free of charge. This Registration Document may also be consulted on the Technicolor website.

7.11 SOURCES REGARDING COMPETITIVE POSITION

This Registration Document contains statements regarding market trends, market share, market position and products and businesses. Unless otherwise noted herein, market estimates are based on the following outside sources, in some cases in combination with internal estimates:

- IHS Screen Digest, FutureSource Consulting, PwC, Wilkofsky Gruen Associates, Thomson Reuters, Strategy Analytics, Statista, Magna Global, IDATE, Parks Associates, IAB, Nielsen, eMarketer, Harvard Business Review, McKinsey, IDC, and Visual Effects Society for overall market trends in the Media & Entertainment and Technologie industries;
- FutureSource Consulting for information on DVD replication and distribution services;
- IHS Screen Digest, Parks Associates, Generator Research, IDC, Gartner, IDG and Informa for information on consumer electronics (TV, Tablets, smartphones);
- Parks Associates, Dell'Oro Group and Infonetics Research for information on set-top-boxes, DSL and cable modems, routers & gateways.

7.12 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

GRI *[102-53]*

7.12.1 Declaration by the person responsible for the Registration Document and the Annual Financial Report

Mr. Frédéric Rose, Chief Executive Officer, Technicolor.

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to affect the fairness of the presentation.

I certify, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of its consolidated subsidiaries, and that the management report, hereby enclosed, fairly presents the evolution of the business, results and financial position of the Company and its consolidated subsidiaries, and describes the principal risks and uncertainties that they face.

I have received a letter of completion of assignment from the Statutory Auditors, in which they state that they have verified the information relating to the financial position and the financial statements set out in this Registration Document and have read the Registration Document in its entirety.

Paris, March 29, 2019
Chief Executive Officer of Technicolor,
Frédéric Rose

7.12.2 Person responsible for information

GRI *[102-53]*

Mr. Laurent Carozzi, Chief Financial Officer of Technicolor, 8-10, rue du Renard – 75004 Paris France Tel.: +33 (0)1 88 24 30 00

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REGISTRATION DOCUMENT CROSS REFERENCE TABLE

Under Article 28 of European Commission regulation (EC) 809/2004, the following information is incorporated by reference in the Regulation Document:

- the consolidated financial statements of the year 2017 and the Statutory Auditors' reports on the consolidated financial statements are contained in the Chapter 6: "Financial Statements" of the Registration Document of the year 2017 (pages 176 to 251); and
- the consolidated financial statements of the year 2016 and the Statutory Auditors' reports on the consolidated financial statements are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2016 (pages 178 to 255); and
- the annual accounts of the Company for the year 2017 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 6: "Financial Statements" of the Registration Document of the year 2017 (pages 252 to 284); and
- the annual accounts of the Company for the year 2016 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2016 (pages 258 to 281).

The Registration Document of the year 2017 was filed with the *Autorité des marchés financiers* on March 21, 2018 under No. D.18-0160.

The Registration Document of the year 2016 was filed with the *Autorité des marchés financiers* on March 31, 2017 under No. D.17-0276.

To facilitate the reading of the Registration Document, the cross reference tables below refer to the main headings required by Annex 1 of European Commission Regulation 809/2004 implementing the "Prospectus" Directive and includes the elements of:

- the annual financial report, the management report and the corporate governance report integrated into this Registration Document; as well as
- the information required by Articles L.225-102-1 and R.225-105 (disclosure on extra-financial performance) and L.225-102-4 (vigilance plan) of the French Commercial Code.

Cross-reference table referring to the main headings required by Annex 1 of European Commission Regulation 809/2004

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Information required under Appendix 1 of regulation (EC) 809/2004		**Corresponding sections and Chapters of the Registration Document**	**Page no.**
1.	**PERSON RESPONSIBLE**		
1.1	Names and positions of the persons responsible for the information	Chapter 7, section 7.12.2	297
1.2	Declaration by the persons responsible	Chapter 7, section 7.12.1	297
2.	**STATUTORY AUDITORS**		
2.1	Name and address	Chapter 6, section 6.8	281
2.2	Resignation or departure of Statutory Auditors	Chapter 6, section 6.8.3	281
3.	**SELECTED FINANCIAL INFORMATION**		
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3.2	Interim financial information	N/A	
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5.	**INFORMATION ABOUT THE ISSUER**		
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5.1.3	Issuer's incorporation date and length of life	Chapter 7, section 7.1	284
5.1.4	Domicile, legal form, applicable legislation, country of incorporation, registered office's address and telephone number	Chapter 7, section 7.1	284
5.1.5	Main events in the development of the Company activities	Chapter 1, section 1.1.2	10
5.2	Investments		
5.2.1	Principles investments realized during each year of the period covered by the historical financial information until the date of the document	Chapter 6, section 6.2 notes 2, 4.1, 4.2, 4.3 and 11 to the consolidated financial statements	187; 195; 196; 198; 238
5.2.2	Major investments in progress, including the geographic distribution of these investments and their financing method	N/A	
5.2.3	Major investments planned by the issuer and for which the management bodies have already taken a firm commitment	N/A	

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Registration Document	Page no.
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6.1	Principal activities		
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6.4	Dependency from certain contracts	Chapter 2, section 2.3.3 and Chapter 3, section 3.1.1	39; 44
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7.	**ORGANIZATIONAL STRUCTURE**		
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7.2	List of main subsidiaries	Chapter 7, section 7.7.2 and Chapter 6, section 6.2 note 15 to the consolidated financial statements	291; 245
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9.	**OPERATING AND FINANCIAL REVIEW**		
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9.2.2	Reasons for material changes in net sales or revenues	Chapter 2, section 2.2	30
9.2.3	Policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	N/A	
10.	**CASH AND CAPITAL**		
10.1	Information concerning capital resources (short and long-term)	Chapter 6, section 6.2 note 7 to the consolidated financial statements and section 6.5 note 8 to the statutory financial statements	209; 263
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10.3	Information on borrowing conditions and financing structure	Chapter 2, section 2.3 and Chapter 6, section 6.2, notes 8.3 and 8.5 to the consolidated financial statements	37; 217; 220
10.4	Restrictions on use of capital resources, having materially impact on business operations	Chapter 2, section 2.3.3 and Chapter 3, section 3.1.3	39; 51
10.5	Expected sources of financing	N/A	
11.	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES**	**Chapter 1, section 1.2, Chapter 2, section 2.2.3 and Chapter 6, section 6.2 note 3.3.1 to the consolidated financial statements**	**11; 30; 194**

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Registration Document	Page no.
12.	**TREND INFORMATION**		
12.1	Main trends in production, sales and inventory, and in costs and selling prices, since the end of the last fiscal year	N/A	
12.2	Known trends, uncertainties, demands, commitments or events that might have a material effect on prospects for the current fiscal year	Chapter 1, section 1.3 and Chapter 2, section 2.4	20; 41
13.	**PROFIT FORECASTS OR ESTIMATES**	**N/A**	
14.	**ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**		
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19.	**RELATED PARTY TRANSACTIONS**	**Chapter 6, section 6.2 note 5.2 to the consolidated financial statements**	**205**
20.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**		
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20.2	*Pro forma* financial information	N/A	
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20.4.1	Statement of audit of historical financial information	Chapter 6, sections 6.3 and 6.7 and Chapter 7, sections 7.12	247; 277; 297
20.4.2	Other information contained in the Registration Document and not extracted from the issuer's audited financial statement	N/A	

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Registration Document	Page no.
20.4.3	Financial data contained in the Registration Document and not extracted from the issuer's audited financial statement	N/A	
20.5	Age of latest audited financial information	Chapter 6, section 6.1	172
20.6	Interim and other financial information	N/A	
20.6.1	Quarterly or half yearly financial information established since the date of the last audited financial statement	N/A	
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20.7	Dividend distribution policy	Chapter 1, section 1.4.4	27
20.7.1	Dividend amount per share for each year of the fiscal year covered by the historical financial information	Chapter 1, section 1.4.4	27
20.8	Legal and arbitration proceedings	Chapter 3, section 3.2 and Chapter 6, section 6.2 note 10.2 to the consolidated financial statements	56; 236
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21.	**ADDITIONAL INFORMATION**	**Chapter 7**	**284**
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21.1.6	Information about the capital of any group Member subject to an option or agreement providing an option	N/A	
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21.2	Articles of incorporation and bylaws		
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23.1	Information on any statement or report included in the document	N/A	
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25.	**INFORMATION ON HOLDINGS**	**N/A**	

Annual Financial Report cross-reference table

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In application of Article 222-3 of the AMF's General Regulations, the Annual Financial Report referred to in paragraph 1 of Article 451-1-2 of the French Monetary and Financial Code contains the information described in the following pages of the Registration Document:

Annual Financial Report	**Corresponding sections and Chapters of the Registration Document**	**Page no.**
Statement of the person responsible for the Registration Document	**Chapter 7, section 7.12.1**	**297**
MANAGEMENT REPORT		
• Analysis of results, financial conditions, key performance indicators (financial and non-financial), parent company and consolidated group risks, climate change risks, internal control and risk management procedures for the Company and its consolidated subsidiaries (Article L. 225-100-1 of the French Commercial Code)	Chapter 2 and Chapter 3 Chapter 5 Chapter 6, note 10.2 to the consolidated financial statements	30; 44; 124; 236
• Information about share buybacks (Article L. 225-211, paragraph 2, of the French Commercial Code)	Chapter 1, section 1.4.2	25
FINANCIAL STATEMENT		
• Statutory financial statements	Chapter 6, sections 6.4 and 6.5	252; 255
• Statutory Auditors' report on the statutory financial statements	Chapter 6, section 6.7	277
• Consolidated financial statements	Chapter 6, sections 6.1 and 6.2	172; 178
• Statutory Auditors' report on the consolidated financial statements	Chapter 6, section 6.3	247

Cross-reference table referring to the elements of the management report

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Information in the management report	**Corresponding sections and Chapters of the Registration Document**	**Page No.**
Objective and exhaustive analysis of the business, results' trend and financial situation including the debt situation of the Group during the fiscal year (Articles L. 225-100-1 and L. 233-6 of the French Commercial Code)	Chapter 2, section 2.2	30
Report on the subsidiaries' activity and results (Article L. 233-6 al. 2 of the French Commercial Code)	Chapter 2, section 2.2	30
Analysis of the Company's situation during the last fiscal year, its expected development and the important events occurred since the closing date (Article L. 232-1-II of the French Commercial Code)	Chapter 1, section 1.3 and Chapter 2, sections 2.5 and 2.6	20; 41
Activities in research and development (Article L. 233-26 and L. 232-1-II of the French Commercial Code)	Chapter 1, section 1.2.2 and Chapter 2, section 2.2.3	16; 33
Non financial key performance indicators (environmental information) (Articles L. 225-100-1, L. 225-102-1, al. 5 and R. 225-105 of the French Commercial Code)	Chapter 5, sections 5.4 and 5.5	147; 152
Non financial key performance indicators (social information) (Article L. 225-100-1; L. 225-102-1, al. 5 and R. 225-104 of the French Commercial Code)	Chapter 5, sections 5.2 and 5.3	128; 145
Financial key performance indicators (Article L. 225-100-1 of the French Commercial Code)	Chapter 2, section 2.2	30
Financial risks linked to climate change and what has been implemented to reduce them (Article L. 225-100-1 of the French Commercial Code)	Chapter 3, section 3.1.4, Chapter 5, section 5.4 and Chapter 6, note 10.2 to the consolidated financial statements	53; 147; 236
Characteristics of internal control procedures and risk management (Article L. 225-100-1 of the French Commercial Code)	Chapter 3, sections 3.1 and 3.3	44; 57

Information in the management report	Corresponding sections and Chapters of the Registration Document	Page No.
Main risks and uncertainties (Article L. 225-100-1 of the French Commercial Code)	Chapter 3	44
Information on the risks in the event of interest rate fluctuation, exchange rate fluctuation and market price fluctuation (Article L. 225-100-1 of the French Commercial Code)	Chapter 3, section 3.1.2	50
Transactions executed by the Executive Officers on the shares of the Company (Article L. 621-18-2 of the Monetary and Financial Code)	Chapter 4, section 4.1.1.5	85
Retention requirement by the Executive Directors of free shares and/or stock options which were awarded (Article L. 225-197-1-II al. 4 and L. 225-185 al. 4 of the French Commercial Code)	Chapter 4, section 4.1.1.5	85
Stock Options awarded to employees and Executive Officers (Article L. 225-197-1 and L. 225-185 of the French Commercial Code)	Chapter 4, sections 4.1.1.5, 4.2.1 and 4.2.3	85; 103; 115
Shares held by employees (Article L. 225-102 of the French Commercial Code)	Chapter 5, section 5.2.1.6	134
Items of calculation and results of adjustment in case of an issuance of securities giving access to capital	Chapter 1, section 1.4.1	21
Distribution of share capital and information on the crossing thresholds declared to the Company (Article L. 233-13 of the French Commercial Code)	Chapter 1, section 1.4.1	21
Amount of dividends and distribution for the last three fiscal years (Article 243 bis of the French Tax Code)	Chapter 1, section 1.4.4	27
Parent company's results over the last five fiscal year (Article R. 225-102 of the French Commercial Code) and comments on the results	Chapter 6, section 6.6	276
Information on payment terms (Article L. 441-6-1 of the French Commercial Code)	Chapter 7, section 7.9	296
Information on the number of treasury shares on transactions executed during the fiscal year (Article L. 225-211, al. 2 of the French Commercial Code)	Chapter 1, section 1.4.2	25
Information on participations acquired in the share capital of French companies (Article L. 233-6 of the French Commercial Code)	Chapter 7, section 7.3	286
List of main consolidated subsidiaries	Chapter 6, section 6.2, note 15 to the statutory financial statements	245
Additional tax information (Article 34-9 and 223 *quater* and *quinquies* of the Tax Code)	Chapter 7, section 7.6	288
Policy for preventing technological accidents risks, including the Company's ability to cover its responsibility and means to manage the indemnification of victims (Article L. 225-102-2 of the French Commercial Code)	N/A	

Cross-reference table referring to the elements of the corporate governance report

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Information in the corporate governance report	Corresponding sections and Chapters of the Registration Document	Page No.
Directors' compensation and commitments of any kind (Article L. 225-37-3 of the French Commercial Code)	Chapter 4, section 4.2.1	103
List of Directorships or functions performed by each Director during the last fiscal year (Article L. 225-37-4 of the French Commercial Code)	Chapter 4, section 4.1.1.3	75
Regulated agreements (Article L. 225-37-4 of the French Commercial Code)	Chapter 4, section 4.1.3	96
Table of the delegations granted to the Board of Directors by the shareholders' meetings and the use of those delegations (Article L. 225-37-4 of the French Commercial Code)	Chapter 1, section 1.4.3	26
Distinction made or not between the Chief Executive Officer and the Chairman of the Board of Directors (Article L. 225-37-4 of the French Commercial Code)	Chapter 4, section 4.1.1.1	68
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Glossary

GLOSSARY

In this Registration Document, unless otherwise stated, "Technicolor" and the "Group" refers to Technicolor SA together with its consolidated affiliates. The "Company" refers solely to Technicolor S.A., holding company of the Group.

ABBREVIATIONS

€: euro

£: pound sterling

$: American dollar

ADR: American Depositary Receipt

ADS: American Depositary Shares (representing one share of the Company)

AMF: French Financial Markets Authority

EHS: environment, health and safety

IFRS: International Financial Reporting Standards

M&E: Media & Entertainment

Production Services: services relating to visual effects, animation and video or audio postproduction

DVD Services: replication, packing and distribution services for CD, DVD and Blu-ray™

R&I: Research & Innovation

CGI: computer-generated imagery

CPE: customer-premises equipment

VR: virtual reality

AR: augmented reality

OTT: over-the-top

IoT: Internet of Things

SD: standard definition

HD: high definition

UHD: ultra high definition

CRT: cathodic ray tubes

RCF: revolving credit facility

EIB: European Investment Bank

TSO: Technicolor Security Office

AFEP-MEDEF Code: Corporate Governance Code for public companies published by the *Association française des entreprises privées* (AFEP) and the *Mouvement des entreprises de France* (MEDEF)

HES: Home Entertainment Services now DVD services

GRI: Global Reporting Initiative

CSR: Corporate Social Responsibility

HR: Human Resources

KPI: key performance indicators

SME: environmental management system

VFX: visual effects

CD: compact disc

DOCSIS: Data Over Cable Service Interface Specification

DTV: Digital TV

CDM: computer display monitor

ATSC: Advanced Television Systems Committee

DVB: Digital Video Broadcasting

LTIP: Long-Term Incentive Plan

MIP: Management Incentive Plans

AGM: Annual General Meeting

DPS: Dividend per share

EBITDA: Earnings before interest, tax, depreciation and amortization

EBIT: Earnings before interest and tax

R&D: Research & Development

SBI: significant business incident

LSF: "Loi de sécurisation financière"

NYSE: New York Stock Exchange

TRM: Technicolor Risk Management

GRC: Governance, Risk and Compliance

UK: United Kingdom

US/USA: United States of America

GE: General Electric

EU: European Union

SA: joint-stock company

SAS: simplified joint-stock company

USD: U.S. Dollar

EUR: Euro

GBP: Pounds Sterling

CAD: Canadian Dollar

NTD: New Taiwan Dollar

CADE: Brazilian Competition Authority

BRL: Brazilian real

MXN: Mexican peso

MPC: The Moving Picture Company

1-9

4K: resolution of 4,096 × 2,160, *i.e.* slightly higher than the UHD, but with a cinema format. Thin black stripes will appear at the top and the bottom of the screen.

A

Augmented Reality: superposition of reality and elements (sounds, 2D images, 3D images, videos, *etc.*) calculated by a real-time computer system. It often refers to various methods that enables virtual objects to be realistically embedded in a sequence of images.

AAA games: classification term used for video games with the highest or which have received good ratings from professional critics.

AFEP-MEDEF Code: set of recommendations about corporate governance and compensation of executive officers of listed companies, published by the *Association française des entreprises privées* (AFEP) and the *mouvement des entreprises de France* (MEDEF).

At constant perimeter and constant exchange rate: no changes in all group companies which shall be included in the consolidated financial statements prepared and presented by the parent company at a constant exchange rate compared to the last period. It allows to show what would have been the evolution of the company without acquiring other companies or divesting activities within the same foreign exchange environment than the previous period.

B

Blu-ray^{TM}: digital disk format ranging from 7,5 gigabytes of capacity (single layer) to 128 gigabytes (quad layer).

C

Compact Disc (CD): is an optical disk used to store digital data. Capacity ranging from 0.21 to 0.91 gigabyte, mostly 0.74 gigabyte.

Connected television: refers to both the television connected directly or indirectly to the Internet and the television offer coming from Internet operators broadcast by TVIP technology.

Continuing operations: operations carried out by the operating units for which the executive officers desire to continue the activity, as opposed to operations decided by the executive offices as being discontinued or sold.

Customer-Premises Equipment (CPE): terminal equipment on the client side used to connect to the network of an Internet service provider.

D

Decoder: physical device/electronic box reproducing encrypted or compressed signals for television.

DOCSIS 3.1: standard that defines interface, communication and configuration rules and protocols, for data transport system and Internet access using old television network by coaxial cable. This leads to add a high-speed data transfers to the existing cable television system.

DRAM memory: type of memory usually used for the data or the program code that a computer's processor, workstations, servers need in order to operate.

DVB: set of digital television standards issued by the European consortium DVB and used in many countries. Its main competitors are the ATSC standards (used in the United States and in Canada) and the ISDB standards (used in Japan and Brazil).

E

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA): defines the earning of a company before the deduction of interests, taxes, depreciation expenses and provisions on fixed assets (but after provisions on inventories and accounts receivables).

F

Free Cash-flow: balancing item indicating the self-financing capacity of a company.

French Financial Markets Authority: independent public authority regulating actors and products on the French financial center.

G

G.fast: DSL Internet connection technology on copper peer. This allows to reach 500 to 1000 Mbps for distances under 100 meters in terminal part of optical fiber connectivity FTTB (optical fiber to the building) or 100 Mbps for distances under 500 meters (optical fiber to sub-distributor).

Global Reporting Initiative (GRI): global initiative to report the economical, environmental and social performances.

H

High Definition: digital image format which have a definition superior to 720 lines x 1,280 pixels. The resolution of a full HD image can reach 1,080 lines x 1,920 pixels.

High-speed gateway: physical device/electronic box enabling the Internet access, also called router or modem.

I

International Financial Reporting Standards (IFRS): accounting standards that shall be applied by listed companies when establishing their accounts in order to harmonize the presentation of their financial statement.

Internet of Things: the extension of the Internet to things and places in the physical world.

L

LIBOR/EURIBOR: main benchmarks interest rate on the money market. They are used as a reference for various contracts and particularly for business credit.

Long-Term Incentive Plan (LTIP): compensation granted to companies' executives, based on their long-term performance. This plan can be spread over several years, and to obtain this compensation, the executive officer shall meet the criteria set out in the plan. He may not receive anything if he does not achieve any of the objectives mentioned above.

M

Mastering: it is the process of transferring one or a set of recordings on a media which shall be used for series production or broadcasting. Its primary purpose is to make this set homogeneous.

N

NAND Flash Memory: Semiconductor-based storage technology which does not requires power supply to store data. It is thus called "non-volatile", because in contrast with a random access memory (DRAM), the data are not erased when the memory is not supplied by electric power anymore.

Net carrying value: gross value of an asset (e.g. purchase price or cost price), minus the amount of amortizations and/or depreciations.

Net treasury: it is the available cash after deduction of the gross debt.

O

Operating income: income calculated from revenues and other recurring operating income from which are deducted the recurring operating expenses

Operating margin: ratio between operating income and turnover. This ratio indicates the economic performance before considering financial income, taxes, and exceptional events.

Over The Top (OTT): bypass service, distribution method for audiovisual contents on Internet without the participation of a traditional network operator.

R

Replication: CD replication is a physical production process that consist in pressing the discs during the manufacture from glass.

S

Standard Definition (SD): 480p resolution.

SWAPS: financial derivative from a contract to exchange a stream of cash flows between two parties, which are generally banks or financial institutions.

T

Total effective rate: interest rate whose main utility is to reflect the real cost of a loan.

U

UHD: resolution of 3,840x2,160, which is thus 4 times more pixels than with the Full HD technology. This 16:9 format is used particularly in order to watch movies on a television.

V

Virtual Reality: computer technology that stimulates the user's physical presence in an environment artificially generated by software.

W

WiFi Repeater: device enabling the extension of wireless coverage.

Working capital requirements: current asset minus current liability (including current provisions, excluding cash-flow, short-term debt and financial instruments).

X

xDSL: refers to DSL ("digital subscriber line") and to all the techniques set up for a digital transport of information over a wireline telephone connection or a dedicated line.

NOTES

NOTES

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