2016 REGISTRATION DOCUMENT

including the Annual Financial Report

Forward-looking statements 2
Statements regarding competitive position 3
Global Reporting Initiative (GRI) guidelines and disclosures 4

1 PRESENTATION OF THE GROUP AND ITS ACTIVITIES 5
1.1 Selected financial information 6
1.2 History and strategy of the Company 8
1.3 Business overview 13

2 OPERATING AND FINANCIAL REVIEW AND PROSPECTS 25
2.1 Overview 26
2.2 Trends in Technicolor eco-systems 26
2.3 Summary of results 28
2.4 Seasonality 29
2.5 Geographic breakdown of revenues and effect of exchange rate fluctuations 29
2.6 Events subsequent to December 31, 2016 31
2.7 Notification of interests acquired in the share capital of French companies in 2016 31
2.8 Notification of interests acquired in the share capital of French companies in 2015 31
2.9 Results of operations for 2015 and 2016 32
2.10 Liquidity and capital resources 39
2.11 Priorities and objectives 2017 44

3 RISK FACTORS 45
3.1 Risk related to the financial structure 46
3.2 Market risks 48
3.3 Risks related to the business 49
3.4 Other risks 56
3.5 Insurance 59

4 CORPORATE GOVERNANCE AND INTERNAL CONTROL 61
4.1 Board of Directors 62
4.2 Chairman's report on corporate governance, internal control and risk management 79
4.3 Statutory Auditors' report prepared in accordance with Article L. 225-235 of French Commercial Code (Code de commerce) on the report prepared by the Chairman of the Board of Directors of the Company 92
4.4 Compensation and benefits of Corporate Officers 93
4.5 Executive Commitee 105

5 TECHNICOLOR AND ITS SHAREHOLDERS 109
5.1 Share capital 110
5.2 Listing information 118

6 SOCIAL INFORMATION AND SUSTAINABILITY 121
6.1 Employees and workforce 122
6.2 Environmental matters 142
6.3 Stakeholder relations and local impacts of the Company's activities 154
6.4 Supplier and sub-contractor relations 156
6.5 Educational initiatives 158
6.6 Report by one of the Statutory Auditors, appointed as independent third-party, on the consolidated Human Resources, environmental and social information included in the management report 159

7 ADDITIONAL INFORMATION 163
7.1 Property, plant and equipment 164
7.2 Memorandum and bylaws 167
7.3 Material contracts 169
7.4 Additional tax information 169
7.5 Organization of the Group 170
7.6 Available documents 173
7.7 Information on accounting services 173
7.8 Table of auditors' fees 174
7.9 Persons responsible for the Registration Document and the Annual Financial Report 175

8 FINANCIAL STATEMENTS 177
8.1 Technicolor 2016 consolidated financial statements 178
8.2 Notes to the consolidated financial statements 184
8.3 Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2016 256
8.4 Technicolor SA parent company financial statements 258
8.5 Notes to the parent company financial statements 261
8.6 Parent company financial data over the five last years (under articles R. 225-81 and R. 225-102 of the French Commercial Code) 282
8.7 Statutory Auditors' report on the financial statements for the year ended December 31, 2016 283
8.8 Statutory Auditors' special report on regulated agreements and commitments 285

9 REGISTRATION DOCUMENT CROSS REFERENCE TABLE 287

Société Anonyme with a share capital of €413,245,967
Registered Office: 1-5 , rue Jeanne d'Arc
92130 Issy-Les-Moulineaux
Nanterre Register of Commerce and Companies No. 333 773 174

REGISTRATION DOCUMENT **2016**
including the Annual Financial Report

This Registration Document (Document de Référence) was filed with the Autorité des marchés financiers (AMF) on March 31, 2017 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*".

FORWARD-LOOKING STATEMENTS

GRI [G4-18]

In this Registration Document, unless otherwise stated, the "Company" refers to Technicolor SA and "Technicolor" and the "Group" refer 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 292 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 293 mentions the elements of this report); and

(iii) the Chairman's report on corporate governance, internal control procedures and risk management issued pursuant to Article L. 225-37 of the French Commercial Code (this report is included in Chapter 4: "Corporate governance and internal control procedures" in section 4.2: "Chairman's report on corporate governance, internal control and rise management" on page 79 *et seq.*).

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.

STATEMENTS 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 Technology 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.

GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES AND DISCLOSURES

GRI [G4-15] [G4-32]

Technicolor follows the Global Reporting Initiative (GRI) G4 guidelines, a worldwide standard for reporting on sustainability. The Group reports on the GRI G4 general standard disclosures and specific standard disclosures, including disclosures on management approach (DMA) and indicators clustered into six categories (economic, environmental, labor practices and decent work, human rights, society and product responsibility).

The Group's Sustainability Report includes the GRI G4 Content Index 'In accordance' with the GRI G4 guidelines – Comprehensive option, and is available on the Technicolor website:

GRI Disclosure labels are included in the Registration Document and in the Sustainability Report. Disclosures labels (for example [G4-3], [G4-EN1], [G4-DMA Compliance]) help readers locate the information that they are looking for as indicated in the GRI G4 Content Index. They contribute to give more control over the transparency and integrity of the Group's sustainability data.

http://www.technicolor.com/en/who-we-are/corporate-social-responsibility.

1 PRESENTATION OF THE GROUP AND ITS ACTIVITIES

1.1 SELECTED FINANCIAL INFORMATION 6

1.2 HISTORY AND STRATEGY OF THE COMPANY 8

- 1.2.1 Company profile 8
- 1.2.2 Historical background 8
- 1.2.3 Organization 9
- 1.2.4 Strategy 11

1.3 BUSINESS OVERVIEW 13

- 1.3.1 Connected Home 14
- 1.3.2 Entertainment Services 16
- 1.3.3 Technology 18
- 1.3.4 Other 22
- 1.3.5 Discontinued operations 23

1.1 SELECTED FINANCIAL INFORMATION

GRI [G4-9] [G4-30]

The following selected consolidated financial data are derived from the Company's consolidated financial statements as of and for each of the years ended December 31, 2016, 2015 and 2014. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as approved by the European Union. You should read the following selected consolidated financial data together with Chapter 2: "Operating and Financial Review and Prospects" of this Registration Document. The basis of preparation of the consolidated financial statements and the Company's significant accounting policies are discussed in notes to the consolidated financial statements. These selected financial data represent only a summary and, therefore, should be read together with the Company's consolidated financial statements and the notes thereto which are included in this Registration Document. The changes in consolidation scope and discontinued operations are presented in notes 2 and 12, respectively, of the Company's consolidated financial statements.

(in million euros)	2016	2015[5]	2014
Statement of Operations (selected items)[1]			
Revenues from continuing operations	4,890	3,652	3,332
Adjusted EBITDA[2]	565	565	550
Earnings before interest & tax from continuing operations (EBIT)	262	258	302
Net finance income (expense)[3]	(156)	(87)	(117)
Income tax	(44)	19	(48)
Net income (loss) from continuing operations	64	189	137
Net income (loss) from discontinued operations[1]	(90)	(43)	(9)
Net income (loss)	(26)	146	128
Profit (loss) from discontinued operations[1]			
■ Discontinued results related to the Grass Valley businesses	-	-	(1)
■ Discontinued results related to the other discontinued businesses	(90)	(43)	(8)
Earnings per Ordinary Share			
Weighted average number of shares outstanding – (basic net of treasury stock)[4]	411,932,346	357,355,262	347,817,962
Earnings (loss) (Group share) per share from continuing operations (in euros)			
■ Basic	0.15	0.54	0.41
■ Diluted[4]	0.15	0.53	0.41
Total earnings (loss) (Group share) per share (in euros)			
■ Basic	(0.07)	0.42	0.38
■ Diluted[4]	(0.07)	0.41	0.38
Balance sheet (selected items)			
Total non-current assets	2,616	2,737	1,674
Total current assets (excluding cash and cash equivalents)	1,394	1,413	1,063
Cash and cash equivalents	371	385	328
TOTAL ASSETS	**4,381**	**4,535**	**3,065**
Total non-current liabilities	1,779	2,004	1,589
Total current liabilities	1,898	1,794	1,257
Shareholders' equity	701	733	223
Of which share capital	*413*	*411*	*336*
Non-controlling interest	3	4	(4)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**4,381**	**4,535**	**3,065**
Dividends / distributions			
Dividends / distributions per share (in euros)	0.06	0.05	-

(1) 2016, 2015 and 2014 are presented in accordance with IFRS 5 and therefore presents activities abandoned or sold separately from continuing activities. For the year 2016, there has been no change in discontinued perimeter compared to 2015 and 2014. It mainly comprised Cathode Ray Tubes activities and TV activities sold in 2004 and 2005 (please refer to section 2.9.7: "Profit (Loss) from discontinued operations" for more details on this topic).
(2) Please refer to the definition in section 2.9.9: "Adjusted indicators" of Chapter 2: "Operating and Financial Review and Prospects" of this Registration Document.
(3) Comprises "Net interest expense" and "Other net financial income (expense)". Please refer to note 8.4 of the Group's consolidated financial statements for more information.
(4) Refer to note 7.3 of the Group's consolidated financial statements for more information on the dilutive instruments affecting earnings per share on a diluted basis.
(5) The 2015 amounts are restated and do not correspond to the figures published in 2015 financial statements, since, pursuant to IFRS 3, adjustments to the valuation of 2015 acquisitions through the purchase price allocation were made during 2016 as detailed in note 2.3 of the Group's consolidated financial statements.

1.2 HISTORY AND STRATEGY OF THE COMPANY

1.2.1 COMPANY PROFILE

GRI [G4-3] [G4-5] [G4-7] [G4-9] [G4-28] [G4-30]

Legal and business name: TECHNICOLOR

Registered office:
1-5, rue Jeanne d'Arc
92130 Issy-les-Moulineaux, France
Tel.: +33 (0)1 41 86 50 00 Fax: +33 (0)1 41 86 58 59
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Domicile, legal form and applicable legislation: Technicolor is a French corporation *(société anonyme),* governed by the French Commercial Code pertaining to corporations, by all laws and regulations pertaining to corporations, and its bylaws.

The Company is registered with the Trade Registry *(Registre du commerce et des sociétés)* of Nanterre under No. 333,773,174. Its APE Code, which identifies a company's type of business and activities, is 7010Z, corresponding to the business of corporate administration.

Date of incorporation and term of the Company: Technicolor was formed on August 24, 1985. It was registered on November 7, 1985 for a term of 99 years, expiring on November 7, 2084.

Fiscal year: January 1 to December 31.

Stock Exchange: Technicolor is listed on the Euronext Paris exchange (symbol: TCH). Technicolor is also trading on OTCQX International Premier, a premium listing Over-the-Counter securities service (symbol: TCLRY).

For more information, please refer to Chapter 5: "Technicolor and its shareholders", section 5.2.1: "Markets for the Company's securities" 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 three operating segments, namely Connected Home, Entertainment Services, and Technology. All other activities and corporate functions (unallocated) are presented within the "Other" segment. For a detailed description of the Group's segments, please refer to section 1.2.3: "Organization". In fiscal year 2016, Technicolor generated consolidated revenues of €4,890 million. As of December 31, 2016, the Group had 17,017 employees in 32 countries.

1.2.2 HISTORICAL BACKGROUND

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

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 in the development of technologies and the supply of digital production (visual effects and animation), video and sound postproduction and distribution solutions and services for a variety of leading content creators, Pay-TV operators and Over-the-Top and Network Service Providers.

Refocusing our Businesses

Since 2010, Technicolor's scope of activities has shifted towards technologies, products and services related to content creation and distribution for the Media & Entertainment industry through a series of acquisitions and disposals. In 2012 and 2013, Technicolor exited broadcast services, television-over-IP and voice-over-IP.

In 2014, Technicolor consolidated its Digital Production, Postproduction and Digital Distribution businesses into a single division named Production Services, thus bringing together a broader range of services to its content creator customers. In the same year, the Group acquired Mr. X, a leading North American provider of high-end Visual Effects ("VFX") to premier television and international film clients.

In 2015, Technicolor chose to focus its Production Services Division on Visual Effects, Animation and Postproduction Services activities, and implemented several structural enhancements, including the shutdown of most Media Services activities, the deconsolidation of Digital Cinema activities through a joint venture agreement with Deluxe, the exiting from legacy activities, and the divestiture of IZ ON Media. Technicolor went on to strengthen its market positions in VFX and Animation, with the acquisitions of Ouido Productions, a French-based production house specialized in animated TV series, and Mikros Image, a French leading production and postproduction services company specialized in animated feature films and VFX for Advertising, with main locations in Paris (France) and Montreal (Canada). The Group expanded its DVD Services activities with the addition of the packaged media replication and distribution activities of two new major customers in North America. In order to support these customers, the Group acquired North American optical disc manufacturing and distribution assets from Cinram Group, Inc.

Strategic Acquisitions

In February 2015, Technicolor announced its Drive 2020 strategic plan, aimed at improving the scale of Connected Home by pursuing capital-efficient consolidation opportunitie and at growing Production Services by increasing its offering in the Animation, Games, Brand and Advertising segments through organic market share growth complemented with inorganic initiatives. For the purpose of implementing this strategic plan, Technicolor completed in the second half of 2015 two large, strategic acquisitions which were successfully integrated in 2016: Cisco Connected Devices, the Customer Premise Equipment business of Cisco, joined Technicolor's Connected Home Division, and Technicolor's Production Services Division acquired London-based The Mill.

- The Mill, acquired in September 2015 for a total consideration of €253 million, is the world's largest VFX and content creation studio for Advertising and Brand. This acquisition provided immediate scale on a worldwide basis in VFX for Brand and Advertising, and strongly complemented Technicolor's portfolio of brands, while adding specialist industry segment offering and expertise across emerging technologies such as Virtual Reality.
- In November 2015, Technicolor reinforced the market leading positions of its Connected Home segment through the acquisition of Cisco Connected Devices, for an adjusted consideration of $532 million (equivalent to €489 million), in a stock and cash transaction. Though this deal, Technicolor gained access to a complementary product portfolio and expertise in Cable and Internet Protocol technologies, and immediately increased its industrial and technological scale across all major geographies, particularly in North America, the largest market in volume and value.

Financing Structure

Technicolor restructured its debt in connection with a *Sauvegarde* Plan approved by the Nanterre Commercial Court in February 2010. Following several refinancing and repricing transactions, Technicolor fully reimbursed the remainder of its *restructured* debt in the first semester of 2014, which prompted the Nanterre Commercial Court to declare that the *Sauvegarde* Plan execution was finalized by anticipation.

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

In September 2015, Technicolor issued additional term loan debt in amounts of $200 million and €84 million to finance the acquisition of The Mill, and the following month an additional €113 million term loan was issued to partially finance the acquisition of Cisco Connected Devices. Most recently, in December 2016, €450 million (€446 million at IFRS value) in new term loans with enhanced financial and operational flexibility were issued by Technicolor, the proceeds of which were used to repay $479 million ($459 million at IFRS value) of existing term loans. Simultaneously, a new revolving credit facility of €250 million was entered into, including more flexible operational covenants aligned on the new term loans' covenants. These covenants will enter into force when the debt pre-dating December 2016 is fully repaid.

In 2015 following the Group's acquisitions, S&P and Moody's confirmed Technicolor's credit ratings of B+ and B1 respectively. In April 2016, S&P upgraded the Group's rating to BB- with stable outlook and in August, Moody's upgraded the Group's rating to Ba3, with a positive outlook. These rating upgrades facilitated the Group's partial refinancing of its existing term loan debt completed in the second half of 2016.

For more information about the refinancing and the Group's debt covenants, please refer to Chapter 2.10: "Liquidity and Capital resources" and to Chapter 8: "Financial Statements", section 8.2: "Main events of the year".

1.2.3 ORGANIZATION
GRI [G4-2] [G4-4]

Technicolor is a worldwide technology leader operating in the Media & Entertainment ("M&E") industry. The Group develops technologies and solutions pivotal to its customers' needs including content creators and distributors, Pay-TV operators, Over-the-Top and Network Service Providers. These technologies and solutions are also embedded in mass-market services, devices and platforms, broadering its innovation reach beyond its own product categories. The Group has a valuable Intellectual Property ("IP") portfolio, especially rich in image and video compression and processing, networking and communication, content management, interactivity, user interaction, security and display technologies. The Research & Innovation Division aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences.

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.

In the Entertainment Services segment, Technicolor is a leading provider of services to content creators and distributors, including Visual Effects/Animation and video and sound Postproduction Services ("Production Services"), as well as the replication, packaging and distribution of CD, DVD and Blu-ray™ discs ("DVD Services").

In the Technology segment, Technicolor operates its fundamental research activities ("Research & Innovation"), a world-class Patent Licensing and Trademark Licensing business, with unique expertise to patent the Group's innovation and monetize its IP portfolio, which includes all of patents, software, hardware, content or trademark that underpins a technology, product or service.

The three operating segments of the Group (Connected Home, Entertainment Services, and Technology) are discussed below:

	Operating Businesses			
	Connected Home	Entertainment Services		Technology
		Production Services	DVD Services	
Activity	Solutions & Services including technologies for differentiation and efficiency	Full set of award winning services for films, TV, advertising and games	Entire supply chain for DVD, Blu-Ray and Disc replication	Monetization through Licencing Portfolios
Revenue Stream Example	Revenue primarly generated from the design, integration, manufacture and supply of products such as gateways as set-top boxes	Revenue primarly generated from Visual effects & Animation. Postproduction and Games Customer agreements are typically project specific	Most customers agreements are multi-year contracts with volume and/or term commitments No major renewal before 2018	Bilateral Licencing agreements related to the IP portfolio including patents, trademark and technology
Key customers	MVPD and NSO	Studios, TV broadcasters, advertising agencies, OTT services providers and games Publishers	Hollywood studios	Consumer Electronic Manufacturers & Service Providers

All other continuing activities and unallocated corporate functions are presented within the "Other" segment.

Connected Home (54% of 2016 Consolidated Revenues)

The Connected Home segment, which generated consolidated revenues of €2,637 million in 2016, designs and supplies solutions enabling the delivery of digital video entertainment, data, voice and Smart Home services across the Cable, Satellite, Telecom and Over-the-Top ("OTT") markets.

Connected Home segment offers a complete portfolio of customer premise equipment including:

Video Customer Premise Equipment ("CPE") such as digital set top boxes;

Broadband modems and gateways, managed wireless tablets and other Connected Devices;

Technicolor also develops software solutions enabling multi-device communication.

In 2016, Connected Home shipped a total of 50.5 million products, up from an all-time high of 31.8 million units sold in 2015.

For more information about the Connected Home segment, please refer to section 1.3.1: "Connected Home".

Entertainment Services (40% of 2016 Consolidated Revenues)

The Entertainment Services segment, which generated consolidated revenues of €1,966 million in 2016, 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 around the following divisions:

- Production Services: full set of award-winning services around Visual Effects and Animation activities, as well as digital video and sound Postproduction Services;
- DVD Services: replication, packaging and distribution of video, game and music CD, DVD and Blu-ray™ discs.

For more information about the Entertainment Services segment, please refer to section 1.3.2: "Entertainment Services".

Technology (6% of 2016 Consolidated revenues)

The Technology segment, which generated consolidated revenues of €285 million in 2016, is responsible for driving technology to commercialization in a selected number of domains, especially video, interoperability, local networks and machine learning/digital personalization.

Technicolor generates revenues by licensing its Intellectual Property ("IP") portfolio that addresses the highly scalable elements of the market ecosystem such as Consumer Electronics ("CE") devices and media-related services. According to the Group's estimates, over 50% of CE manufacturers worldwide integrate Technicolor's IP.

The Technology segment is organized around the following divisions:

- Research & Innovation includes the Group's fundamental research activities, which are recorded as a cost center in the Technology segment;
- Patent and Trademark Licensing which generates revenues by licensing the Group's IP portfolio.

For more information about the Technology segment, please refer to section 1.3.3: "Technology".

Other

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

For more information, please refer to section 1.3.4: "Other".

1.2.4 STRATEGY

GRI [G4-2]

Technicolor takes advantage of a dual business model to create a virtuous growth cycle:

- **operating businesses:** each of Technicolor's operating businesses, including Connected Home, Production Services and DVD Services, is a leader in its respective market. Each of Technicolor's operating businesses benefit from longstanding reputation and deep expertise, best-in-class operational efficiency and cost structure, and experience in developing new technologies in collaboration with the Group's Research & Innovation labs. Through these operating businesses, Technicolor provides technology, services and products to the most influential ecosystem players within the Media & Entertainment industry, including Motion Picture Studios, TV broadcasters, Advertising companies, Game publishers, Pay-TV programmers and operators, Network service providers, and Over-the-Top service providers;
- **developing and licensing innovative technologies and IP:** innovation is vital in the Group's strategy. Leveraging its Research & Innovation centers and its operating businesses, Technicolor is able to generate industry-leading and business impactful innovations. Due to its recognized expertise in next generation video technologies and the market leading positions of its operating businesses in the Media & Entertainment sector, the Group is able to influence the ecosystems in which it participates and drive the adoption and the monetization of its technologies. Additionally, Technicolor benefits from an expansive licensing reach and growing demand for innovative technologies, due to the proliferation of Connected Devices and Over-the-Top ("OTT") services in its core Media & Entertainment market segments. These operating businesses are key to promoting and driving adoption of Technicolor-developed technologies. In addition, through its operating businesses, the Group's Research & Innovation labs are exposed to market-focused innovation opportunities, which allows them to focus on developing of technologies with the highest potential for adoption and monetization.

In 2015, Technicolor announced the launch of the Drive 2020 strategic plan with the objective of maintaining and extending the Group's leadership position in next generation video and audio technologies, driven by the strength of its operating business.

Under the Drive 2020 plan, Technicolor is pursuing a cross-portfolio strategy based on two key pillars:

1. grow operating businesses through continued innovation and market share expansion;
2. expand its leadership position to serve adjacent markets in Media & Entertainment.

Grow operating businesses through continued innovation and market share expansion

Technicolor is pursuing a strategy to strengthen its leadership positions across its Connected Home, Production Services and DVD Services operating businesses.

In regards with Connected Home, the Group further executed on its strategy to participate in market consolidation through the integration of Cisco Connected Devices, the Customer Premises Equipment ("CPE") business of Cisco. Further to the acquisition and subsequent integration of Cisco Connected Devices, Technicolor has materially increased its industrial scale, market share and global customer and device reach and penetration. This acquisition also positions Connected Home as a market leader in the Network Service Providers CPE market, notably in the U.S. where the Group has significantly strengthened its position from its pre-acquisiton base. The acquisition has also increased its market position in Latin America and Europe, and provides Connected Home with a significant business and technology leadership position and a meaningful role in the evolution of the CPE market globally. Further, Connected Home continues to deliver industry leading products, including major 4K set top box contracts, the announcement of the world's first High Dynamic Range ("HDR") set top boxes, the provision of the AirTV player, an Android TV-powered device that integrates Over-the-top content with over-the-air TV, and development with Amazon of connected devices and open gateways that leverage the power of cloud computing and infrastructure to provide new computing, messaging and data services to consumers. Technicolor's objective is to develop solutions that deliver amazing experiences, while managing technological complexity into an easy-to-use package.

In Production Services, Technicolor will drive market share expansion in Creative Services *via* both organic and inorganic growth pathways. In 2015, Technicolor acquired The Mill, a global leader in Visual Effects for the Brands and Advertising industry. This acquisition is highly complementary to Technicolor's established position as a leader in Creative Services for the Media & Entertainment industry under its Production Services Division and flagship brands MPC, Mr. X and Mikros Image. The acquisition of The Mill provides further market scale, technology and creative talent and expertise to the Group's Production Services Division, and reinforces its position as leader in Creative Services across multiple verticals, while positioning Production Services for further organic market share growth. At the core of Production Services' organic growth strategy is a continued focus on innovation, driven by significant growth in next generation content creation services, including Virtual Reality ("VR") and Augmented Reality ("AR"), as well as Over-The-Top video, which segments will be primary drivers of creativity, innovation and consumer behavior for the foreseeable future. Technicolor is already becoming a creative force in VR and AR, with a number of exploratory projects and commissioned works underway with clients across the Media & Entertainment and brands and advertising segments. Further, Production Services is exploring developments in a cloud-based production platform which aims to improve workflow efficiency, enable global collaboration, enhance customer service, while improving talent and capacity utilization and reducing costs.

In DVD Services, the Group will maintain its market-leading position through the addition of new customer relationships in core client verticals, and maintaining ongoing best-in-class operational efficiency to generate a sustained level of cash. For example, Technicolor added the replication and distribution of packaged media products of two large customers to its North American portfolio in late 2015. In order to support these customers, Technicolor acquired relevant North American optical disc manufacturing and distribution assets from Cinram Group, Inc. This has allowed the Group to serve additional customers in North America and bolster the long-term continuity and efficiency of the packaged media supply chain for Technicolor and its customers in North America.

Expand leadership position to serve adjacent markets in Media & Entertainment

Technicolor will leverage its market leadership in its core businesses to enter and expand activities in adjacent markets.

In Connected Home, Technicolor aims to grow by leveraging its customer relationships and product development expertise to provide a broader range of products and services, including OTT devices, which can potentially be bundled with the Group's existing OTT technologies, and to potentially provide VR and AR devices and associated hardware, along with a range of access network solutions, diversifying the Group's existing services and expanding the scope of the Group's activities.

Over the next five years, the Production Services Division aims to leverage its client relationships and technical expertise to grow its offering in the Animation, Games and Brands and Advertising segments, while expanding its geographic reach. In addition, Production Services will build on its reputation as a comprehensive provider of Visual Effects, Animation and Postproduction services by serving the growing Over-The-Top segment and the high-end production market for Virtual Reality and Augmented Reality original content.

In DVD Services, Technicolor aims to diversify its DVD/Blu-ray™ replication and distribution businesses by building a leadership position in global logistics, direct fulfillment and freight management services.

Strengthen leadership in IP Licensing

Throughout its history, Technicolor has been at the forefront of technology innovations in the Media & Entertainment segment. The Group will continue to dedicate a significant portion of its efforts to develop and bring to market innovations that are pragmatic, relevant and improve and enhance consumer experiences with Media & Entertainment.

Through its active participation in standardization bodies and industry alliances, Technicolor promotes the adoption of its technologies into industry standards, allowing the Group to derive licensing revenues from a large base of licensees. For example, Technicolor is a member of the UHD Alliance formed in January 2015, which aims to promote consumer awareness of Ultra High-Definition ("UHD") video and related technologies such as High Dynamic Range ("HDR") and Wide Color Gamut ("WCG"). In addition, the Group seeks to complement its patent portfolio *via* partnerships. Technicolor actively files patent applications and manages and optimizes its Research & Innovation and patent filing activities to ensure that its IP portfolio is oriented towards promising technology areas with high monetization potential.

1.3 BUSINESS OVERVIEW

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

The table below sets forth the contribution to the Group's consolidated revenues of its segments for 2015 and 2016. In accordance with IFRS, revenues from continuing operations exclude the contribution of discontinued operations.

(in million euros) (except percentages)	2016	% of total	2015	% of total
Revenues from continuing operations				
Connected Home	2,637	54%	1,451	40%
Entertainment Services	1,966	40%	1,676	46%
o/w *Production Services*	*765*		*605*	
DVD Services	*1,201*		*1,071*	
Technology	285	6%	490	13%
Other	2	-	35	1%
TOTAL	**4,890**	**100%**	**3,652**	**100%**

Please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.5: "Geographic breakdown of revenues and effect of exchange rate fluctuations" of this Registration Document, for a breakdown of the Group's revenues by geography.

Please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.4: "Seasonality" of this Registration Document, for a description of seasonal trends in the Group's business.

1.3.1 CONNECTED HOME

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

Connected Home segment offers a complete portfolio of Broadband and Video Customer Premise Equipment ("CPE") to Pay-TV operators and Network Service Providers ("NSP"), including broadband modems and gateways, digital set top boxes, and other connected devices. The segment also develops software solutions enabling better WiFi performance, multi-device communication in the field of the Internet of Things ("IoT"), as well as applications for the Smart Home (home automation, home security, energy management…) and related professional services. Connected Home had approximately 2,000 employees at the end of December 2016, of which around 315 employees belong to the Manaus manufacturing facility in Brazil.

In November 2015, Technicolor completed the acquisition of Cisco Connected Devices, the Customer Premise Equipment business of Cisco for initial consideration of $600 million reduced after price adjustments to $532 million (equivalent to €489 million) in a stock and cash transaction.

The Connected Home segment generated consolidated revenues of €2,637 million in 2016, accounting for 54% of the Group's reported consolidated revenues. By region, North America and Europe, Middle East & Africa were the largest markets in 2016, representing 52% and 22% of revenues respectively, while Latin America and Asia-Pacific accounted for 16% and 10% of revenues respectively. Connected Home shipped a total of 50.5 million products in 2016, or around 1 million devices per week. By product category, video devices represented 52% of total volumes in 2016 (2015: 57%), while broadband devices represented 48% of total shipments (2015: 43%).

On the video side, High Definition products accounted for 89% of total digital set top box revenues in 2016 (2015: 79%). Ultra-High definition products represented around 6% of the Group's digital set top box revenues in 2016.

Solutions

The Connected Home segment offers two sets of solutions to Pay-TV operators and Network Service Providers:

Broadband solutions

Broadband modems and gateways 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 and wireless networks (cable, xDSL, fiber, LTE). Connected Home offers a complete range of broadband CPE devices, including high-end triple-play gateways capable of running rich applications, business gateways dedicated for the small and mid-size enterprise market, integrated access devices, double-play wireless gateways with data and VoIP functionalities, as well as Wi-Fi gateways and extenders.

Video solutions

Digital set top boxes are designed for Satellite, Cable, Telecom and Mobile operators to enable the delivery of digital video entertainment and advanced services to their subscribers over broadcast, broadband, and hybrid IP networks. Connected Home offers a wide range of products including digital set top boxes in Standard ("SD"), High ("HD") and Ultra High Definition ("UHD"), hybrid set top boxes, which enable NSPs to offer access to Broadcast/Internet TV and OTT services, media servers, which are able to stream content to multiple devices/screens in the home, as well as media gateways that merge the functionalities of a media server and a broadband gateway as the single access point for all video, voice and data services in the home. Products rely on modular and flexible system architectures to cover any network access (cable, satellite, terrestrial, IP) and content media formats (SD, HD, UHD, MPEG-4/H.264, HEVC/H265, etc.);

Industry Trends and Market Position

Global Internet traffic is growing, fueled by increasing video consumption by consumers, particularly through Over-the-Top services platforms, and the introduction of next-generation enhanced video formats such as 4K/Ultra HD. IP video is set to reach 1 zettabyte per year by 2017, accounting for 80% of global IP traffic and is fueling demand for CPE products. With the increasing amount of video that will cross global IP networks in the next few years households will demand greater connectivity speed, which will drive transition to new standards and technologies (HEVC, DOCSIS 3.1, G.fast, Fiber, LTE and 5G). The Smart Home and Internet of Things ecosystems can increase stickiness and generate additional revenue as operators go beyond triple-/quad-play offerings and develop new services to increase Average Revenue Per User ("ARPU").

As the CPE industry evolves towards more powerful, more open and more complex devices, the market will shift towards value sharing between on-premise and cloud-based solutions, will start with virtualization and ultimately lead to virtual CPE, likely in a hybrid model with intelligence in both the CPE and cloud.

Following the completion of Technicolor's acquisition of Cisco Connected Devices business and Arris' purchase of Pace, Technicolor is a top-two player in the global CPE market. In 2016, Technicolor achieved a market share of c.15% worldwide (sources: Dell'Oro, Infonetics, Technicolor estimates). The Group's market position differs depending on market segments and geography. In 2016, 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, while it was also number two worldwide in volume for digital set top boxes, with leading positions in the Satellite segment and across emerging markets.

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

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 roughly 45% of the total market, and Technicolor holds a material market share position at each. Technicolor's main customers include Charter, Comcast, AT&T/Direct TV, Vodafone, Telefonica, America Movil, CenturyLink, Cox, Liberty Global, Megacable, Proximus, Tata Sky, Telecom Italia, Teliasonera, Telstra and Telus.

Regional Segmentation

North America

In 2016, consolidated revenues in the North America region ("NAM") amounted to €1,380 million, representing 52% of Connected Home revenues (2015: 32%). Connected Home shipped a total of 20.1 million products in the region (2015: 6.7 million). Shipments were primarily digital set top boxes, which accounted for 61% of total volumes (2015: 63%), while broadband modems and gateways and other Connected Devices represented 39% of total volumes (2015: 37%).

The NAM market is the largest market worldwide, representing more than 30% of the global home CPE market in value.

Technicolor is a well-established player in the North American market with its solutions for Cable, Satellite and Telecom operators. In set top boxes, Technicolor offers a complete product portfolio ranging from lower-end digital-to-analog adaptors ("DTAs") to higher-end UHD set top boxes, as well as many different forms of media consuming clients and server devices.

Latin America

In 2016, consolidated revenues in the Latin America region ("LATAM") totaled €415.5 million, accounting for 16% of Connected Home revenues (2015: 30%). Connected Home shipped a total of 11.6 million products in the region (2015: 10.9 million). Shipments of digital set top boxes, accounted for 61% of total volumes (2015: 70%), while broadband modems and gateways and other Connected Devices represented 39% of total volumes (2015: 30%).

Notwithstanding a difficult macro-economic environment, the LATAM market continues to experience growing demand for Broadband and Pay-TV services. Broadband modems and gateways to Telecom and Cable operators in particular are benefiting from the development of broadband Internet access across Latin America.

Technicolor is well established in the region, with a high market share both in value and volume.

Europe, Middle-East, Africa

In 2016, consolidated revenues in Europe, Middle-East & Africa ("EMEA") totaled €592 million, representing 22% of Connected Home revenues (2015: 23%). Connected Home shipped a total of 9.7 million products in the region (2015: 6.9 million). Shipments remained dominated by broadband modems and gateways for Cable and Telecom operators, accounting for 64% of total volumes (2015: 73%), while digital set top box shipments rose significantly year-over-year and accounted for 36% of total volumes (2015: 27%).

Connected Home recorded strong commercial activity in the Europe-Middle East-Africa region, strengthening its leadership in telecom gateways and reinforcing its position in cable gateways.

Asia-Pacific

In 2016, consolidated revenues in the Asia-Pacific region ("APAC") amounted to €258 million, accounting for 10% of Connected Home revenues (2015: 16%). Connected Home shipped a total of 9.1 million products in the region (2015: 7.2 million). Shipments were dominated by digital set top boxes, which accounted for 54% of total volumes (2015: 70%), while broadband modems and gateways and other Connected Devices contributed 46% to total volumes (2015: 30%).

The APAC market is large, with sustained growth across the region. The largest segments of this market are digital cable set top boxes and broadband Telecom gateways. The transition to digital video is a key growth driver in the region, with some large markets such as India still ongoing.

1.3.2 ENTERTAINMENT SERVICES

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

The Entertainment Services segment supports content creators from creation to postproduction ("Production Services"), while offering global physical distribution solutions through its replication and distribution services for DVD and Blu-ray™ discs ("DVD Services").

In 2016, the Entertainment Services segment generated consolidated revenues of €1,966 million, accounting for 40% of the Group's reported consolidated revenues. Entertainment Services had approximately 13,385 employees at end December 2016.

Production Services

Through its Production Services Division, Technicolor provides a full set of award-winning services around Visual Effects ("VFX"), Animation and Games activities, as well as digital video and sound Postproduction Services.

Technicolor offers Visual Effects and Animation services for feature films, TV series, advertising and video games. The Group's VFX facilities offer pre-visualization, asset building, texturing, animation, rigging, rotoscoping, lighting, match move and compositing. On the Animation side, Technicolor offers solutions for the creation of high-quality CGI ("Computer-Generated Imagery") animation. Through its Postproduction Services activities, Technicolor supports its clients from the camera capture on the production set through creation of final distribution masters. The Group offers on-set services, color correction, VFX integration and sound. Approximately 8,300 people work for the Production Services Division at end December 2016, including approximately 6,500 direct/creative artists.

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

In VFX for feature films and TV series, Technicolor's key customers include all major Hollywood Studios, independent film studios such as Legendary, MGM and Constantin Films, TV broadcasters such as Showtime, History Channel and FX Networks, and OTT service providers such as Netflix and Amazon. In VFX for advertising, key customers include all global advertising networks such as WPP, BBDO/Omnicom, Publicis, TBWA and Saatchi & Saatchi, production companies, smaller agencies, and brands. In Animation, key customers are DreamWorks Animation, Rocket, Nickelodeon and Disney. Key Games clients include Electronic Arts, Activision, Rockstar Games and Square Enix. In Postproduction Services, key customers include all major Hollywood studios, independent film studios, TV Broadcasters including ABC, AMC, CW, FX Networks and HBO, as well as OTT service providers Amazon and Netflix. Customer agreements are typically project-specific, with longer-term contracts where possible.

In Visual Effects, Technicolor's key competitors are ILM, Weta, Double Negative/Prime Focus, and Framestore. In Animation, key competitors are Animal Logic, Reel FX, Cinesite, Rainmaker Entertainment, Bardel Entertainment, CGCG and DQ Entertainment. In Games, key competitors include Virtuos Ltd., XPEC Entertainment and Keywords Studios. In Postproduction Services, key competitors include Deluxe, several boutique vendors, as well as the in-house facilities of certain major Studios, depending on market segment and geography. Technicolor believes that it is the leading VFX provider for feature films, TV/OTT and for advertising worldwide, and among the top 2 leading vendors in the worldwide Postproduction market *Source: Technicolor estimates.*

The demand for VFX and Animation services increased significantly over the past years, driven by the strong development of premium content across all segments. Technicolor focused its investments in these activities to benefit from the market growth. In 2016, the Group provided nearly 17,000 VFX shots for feature films, over 4,000 VFX shots for TV content and contributed to over 4,700 commercials for advertising. The Group also created over 19,000 assets for the top selling video games, animated TV series and feature films; and created more than 1,500 minutes of animation for leading animated TV shows and feature films. The digital postproduction market is relatively mature and the demand is mainly driven by new theatrical and TV productions and commercials. Technicolor's strategy in Postproduction Services is to focus on key locations and to increase its market share with tentpole movies, while reinforcing its leading position on premium content for TV broadcasters and OTT service providers.

Technicolor has a strong portfolio of leading companies in digital production addressing all market segments and supporting its growth strategy.

- Under the Technicolor brand, the Group provides award-winning video and sound Postproduction Services, with facilities across the globe, to theatrical and broadcast/OTT productions; and provides CGI animation services for television and games.
- The brand MPC provides high-end, high-class VFX services for VFX-heavy studio tentpole movies and Advertising customers. It operates today VFX studios in Amsterdam, Bangalore, London, Los Angeles, Montreal, New York, Paris, Shanghai and Vancouver. MPC has developed a strong franchise in VFX for feature film and is one of the top leaders in that field and developed a solid VFX activity for Advertising.
- The Mill is the other brand serving the Advertising market and is the world's largest company in this market segment. The Mill has operations in key advertising markets (New York, Los Angeles, Chicago, London) and its client base includes advertising agencies (*e.g.* TBWA, Saatchi & Saatchi), global brands (*e.g.* Unilever, Coca-Cola, Nike), as well as entertainment & production companies (*e.g.* BBC, Sky).
- Under the Mr. X brand, Technicolor serves as a VFX provider to premier television and international film clients with facilities in Toronto, New York, Montreal and Los Angeles. Mr. X is a market leader in high-concept TV production, genre features and international film co-productions.
- Under the Mikros Image brand, the Group provides high-end services to the long feature Animation market and is in production on several long-form feature animation projects for international Studios, including DreamWorks Animation and Paramount. Mikros Image has operations in Paris, London, Montreal, Liège and Brussels.

With its strong portfolio of brands, Technicolor is also extending the range and depth of its product and service offerings, and developing new innovative solutions. The Group offers its customers recognized state-of-the-art technologies and creative tools and is regularly awarded by the industry. Technicolor is committed to the growth of immersive experiences, and has already made great strides in the virtual reality landscape through its different brands. Technicolor expanded its sound team to provide sound design and mixing for immersive experiences. The Group also launched the Technicolor Experience Center to develop high-concept content, platforms and technology for Virtual Reality (VR), Augmented Reality (AR) and other immersive media applications. The Group already offers a large portfolio of virtual reality work for consumers looking for a truly immersive experience.

In 2016, Technicolor's VFX teams for feature films, under the MPC brand, won the award for Outstanding Visual Effects – Feature Film at the Hollywood Post Alliance Awards ceremony for their work on The Jungle Book (Disney). They also received an Oscar nomination in the Best VFX category for their work on The Martian (Fox). Also at the HPA Awards, teams under The Mill brand were the recipient of the 2016 HPA Judges Award for Creativity and Innovation for their ground-breaking technology The Mill BLACKBIRD®. VFX teams for broadcast, under the Mr. X brand, won the award for Outstanding Supporting Visual Effects in a Photoreal Episode at the Visual Effects Society Awards ceremony for their work on Vikings (History). In other categories, teams under the MPC brand won the Outstanding Visual Effects in a Special Venue Project award for their work on Fast and Furious: Supercharged (Universal), while teams for commercials, under The Mill brand, won three awards for work on the commercial spot SSE: Pier (Academy Films). Postproduction teams received a number of awards and nominations, including an Emmy Award for Outstanding Sound Mixing on the TV limited Series The People v. O.J. Simpson: American Crime Story (Fox), and Technicolor teams provided On-Location Services, Dailies, VFX, Color Finishing, Mastering, and Marketing Services on The Revenant (Fox), which received 12 nominations at the Academy Awards.

In 2016, Technicolor's VFX teams, under the MPC brand, completed work on feature film projects such as *The Jungle Book* (Disney), *X-Men: Apocalypse* (Fox), *Passengers* (Sony), *xXx: Return of Xander Cage* (Paramount), *Sully* (Warner Bros.), *Independence Day: Resurgence* (Fox), *Fantastic Beasts and Where to Find Them* (Warner Bros.), *Ghostbusters* (Sony) and *Suicide Squad* (Warner Bros.). During the year, VFX teams continued work on *Pirates of the Caribbean: Dead Men Tell No Tales* (Disney), while they also started working on new theatrical projects such as *Justice League* (Warner Bros.), *Wonder Woman* (Warner Bros.), *Alien: Covenant* (Fox), *Transformers: The Last Knight* (Paramount), *Ghost in the Shell* (Paramount), *The Mummy* (Universal), *The Dark Tower* (Sony), *The Nutcracker and the Four Realms* (Disney) and *Blade Runner 2049* (Warner Bros.). Under the Mr. X brand, Technicolor's VFX teams worked in 2016 on new seasons of premium TV series such as *Penny Dreadful* (Showtime), *The Strain* (FX), *Vikings* (History), *Roots* (History), *Godless* (Netflix), *American Gods* (Starz), *Bates Motel* (A&E), *Madam Secretary* (CBS) and *Goliath* (Amazon). In Postproduction Services, Technicolor's teams confirmed their key contribution to major studio movies, completing work on feature films such as *Captain America: Civil War* (Disney/Marvel), *The Jungle Book* (Disney), *The Girl on the Train* (Universal), *Fantastic Beasts and Where to Find Them* (Warner Bros.) and *Doctor Strange* (Disney/Marvel). They also continued to lead the premium TV series market, completing work on new seasons of strong TV franchises such as Fargo (MGM/FX) and *The Strain* (FX) for leading broadcasters, as well as on successful original content for OTT service providers such as Amazon *(The Man in the High Castle, Mozart in the Jungle)* and Netflix *(Stranger Things, Narcos, Grace & Frankie, Black Mirror)*. In Animation and Games, Technicolor's teams contributed to popular video games such as *Call of Duty: Infinite Warfare* (Activision), and *UFC 2, NHL 17, Madden 17* and FIFA 17 (EA Sports); while they continue to work on DreamWorks Animation TV series projects for Netflix, including *All Hail King Julien, Dinotrux* and *The Adventures of Puss in Boots*. During the year, Mikros Image also completed work on animated feature film *Sahara* (StudioCanal); and is currently in production on *Captain Underpants* (DreamWorks

Animation), *Sherlock Gnomes* (Paramount) and *Sgt. Stubby: An American Hero* (Fun Academy Motion Pictures).

DVD Services

GRI [G4-EN30] [G4-DMA Transport]

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

Technicolor sold a total of 1,552 million CD, DVD and Blu-ray™ discs in 2016 compared with 1,308 million discs in 2015. Operations are supported by approximately 12 million square feet of dedicated replication and distribution space, with unique capability for the timely delivery of discs to more than 40,000 locations.

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

Technicolor believes it has the most efficient cost base in the packaged media industry. However, the Group is continuously looking for further operational improvements.

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.

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

Selected major feature film titles produced by Technicolor in 2016 included: *Star Wars: The Force Awakens,* (Disney), *Zootopia* (Disney) *Captain America: Civil War* (Disney), *The Jungle Book* (Disney), *Finding Dory* (Disney), *The Secret Life of Pets* (Universal), *Deadpool* (20th century Fox), *Batman vs. Superman: Dawn of Justice* (Warner Bros), *Suicide Squad* (Warner Bros), and *Star Trek Beyond* (Paramount). Major games titles produced in 2016 included; *Call of Duty: Infinite Warfare* (Activision), *Madden NFL 17* (Electronic Arts), *Battlefield 1* (Electronic Arts), *Gears of War 4* (Microsoft), *NBA 2K17* (Take Two Interactive), and *Tom Clancy's The Division* (Ubisoft).

1.3.3 TECHNOLOGY

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

The Technology segment comprises principally the Group's Research & Innovation ("R&I") activities, as well as its Licensing Division, which includes Technicolor's Patent and Trademark Licensing businesses. R&I is accounted for as a cost center within Technology.

Technicolor generates revenues by licensing its Intellectual Property ("IP") portfolio to Consumer Electronics ("CE") devices and media-related services companies. According to the Group's estimates, over 50% of CE manufacturers worldwide incorporate Technicolor's IP.

The Group's market reach is significant as more devices consume video technologies. Technicolor's relevance continues to increase as these devices need enhanced video compression technologies, given that they often operate with limited bandwidth, and differentiated technologies to provide more value to end-users. The Group also continues to drive adoption of its technologies by partnering with other key companies of the Media & Entertainment ecosystem and by incorporating its research into industry standards such as AVC, HEVC, ATSC and DVB to enhance the value of these portfolios.

In 2016, the Technology segment generated consolidated revenues of €285 million, accounting for 6% of the Group's reported consolidated revenues. The Technology segment had approximately 302 employees in Research & Innovation and Licensing at end December 2016.

Research & Innovation

Strategy and Vision

Research & Innovation ("R&I") aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences. A solution-driven-portfolio is built to serve content creators, particularly Hollywood Studios, Network Service Providers and Consumer Electronics manufacturers when facing the technology challenges of emerging formats and digital platforms. Under this model, R&I and the operating businesses sustain a joint project portfolio driven to maximize impact with a clear path to deployment. R&I is also working in close collaboration with the Intellectual Property team to create high quality assets to nurture existing and future licensing programs.

R&I employs more than 200 world-class researchers and scientists as of December 31, 2016, with a mix of scientists and engineers with skills spanning from video compression, color science, computer vision and computer graphics, to emerging fields such as virtual/augmented reality, light fields, cognitive science, human/computer interaction, network virtualization, heterogeneous networks and deep/machine learning.

R&I is organized around four Laboratories, which aim at developing breakthrough technologies that not only provide solutions to current industry challenges, but also lead the way towards new business opportunities. Each Laboratory concentrates on complementary technological areas in order to ensure a broad array of in-depth scientific excellence and to maintain comprehensive coverage of the key technology domains that drive the Media & Entertainment markets.

- *Imaging Science Laboratory* supplies content creators, media delivery and consumer electronics industries with novel technologies that significantly improve the performance of their workflows and processes and deliver astonishing images to the end consumer. Technicolor's long-standing background in color science has brought wider colors and high dynamic range from the cameras to the displays. These efforts are sustained by technical contributions to relevant video format standardization activities. Now coupling the Group's know-how in image/video processing with the emergence of deep learning technologies, Technicolor aims at assisting artists to unleash their talent on the more creative tasks. All these efforts deliver market viable solutions to the Operating Businesses (Connected Home, Production Services, DVD Services), and create valuable inventions to sustain the Patent Licensing business;
- *Immersive Laboratory* develops today's solutions for tomorrow's interactive media environments and offer professionals and end-users innovative technologies to extend their immersive experiences. This relies on the Group's expertise in computer graphics, computer vision and visual effects applied to Virtual Reality, Augmented Reality, Mixed Reality and Light-field domains. Immersive Media is the fastest trend in industry with a wide range of research activities aiming at transforming not only the way users will consume content but also how they will interact with it, building a bridge between the Media & Entertainment and Gaming industries. Virtual Reality will, for example, redefine the rules of storytelling with technology needs going from 360-degree content capture and processing to real-time content rendering in the end device to provide a full immersive experience.
- *Artificial Intelligence Laboratory* specializes in exploiting internal data to optimize and expand operations in current businesses by building breakthrough artificial intelligence-based tools and proof of concepts. The automated interpretation of complex data, jointly with new techniques for human-machine interaction has the potential to revolutionize operations in many business segments. In parallel, conversational AI interfaces and chatbots have immediate application to the next generation of Connected Home devices.
- *Home Experience Laboratory* aims at delivering technologies that improve the user experience at home. Research activities cover next-generation gateways, future edge networks, immersive devices and data analytics for gateway and network monitoring. The Lab specializes in virtualization and containerization, heterogeneous networks, wireless indoor reception to high resolution Virtual Reality rendering and streaming. Technicolor's teams also explore a vast range of opportunities for expanding Connected Home device functionalities to bring immersive experiences to the mass market. All these efforts deliver market viable solutions and valuable inventions protected by our Patent Licensing business.

In addition to its core research pillars, Technicolor conducts a number of exploratory programs with the ambition to foster new-to-market innovation proposals that allow significant competitive advantage. This is only possible thanks to its long-term commitment to research and its ability to assemble creative teams with diverse technical expertise. Looking a bit farther away on the horizon, as virtual reality lays the grounds for AR, our teams are already exploring what will be the technical foundations of more immersive, more interactive, more social, entertainment experiences. The Group's ambition is for computer generated assets to seamlessly become part of the environment, properly adapting to the scene lighting, projecting shadows, managing occlusions, and simply letting virtual and real objects interact. On that basis, storytelling opens to a new dimension.

As innovation time to market shortens year after year, R&I teams carefully monitor emerging trends to understand where the Media & Entertainment industry is headed. In 2016, Technicolor presented 39 publications in prestigious peer-reviewed scientific conferences. The Group invests in a forward-looking, ambitious research agenda for tomorrow, fostering open research with industrial partners and academics to transform current ecosystems.

Industry Standards
GRI [G4-DMA Public policy]

Technicolor is a proactive participant in standardization bodies, promoting the adoption of the Group's innovative Immersive Audio/Visual technologies in consumer electronics, delivery networks and in-home connectivity. This reinforces the business activities of the Entertainment Services, Connected Home and Technology segments. Industry standards are adopted through a formal negotiated standards process, whereby government entities, industry standards-setting bodies, trade associations, and others evaluate and then prescribe the use of a technology. Technicolor's participation in and contribution to developing industry standards is driven by the Group's belief that promoting the adoption of its technologies, which provide beneficial and efficient commercial solutions, in several key industry standards will support their introduction to the market place and consumer adoption. As part of this process, Technicolor develops relationships with partners, developing cooperation within the industry ecosystem to promote innovative technologies and transition research into the market.

Technicolor continues to be an active proponent of the companies' video coding technology in MPEG/ITU's HEVC ("High Efficiency Video Coding") and SHVC ("Scalable High Efficiency Video Coding") standards developed by the MPEG (ISO) and ITU standards bodies. This active role is also key to monitoring the development of next video coding standards. Technicolor also continues its strong participation and contribution to Digital Video Broadcasting ("DVB") standardization. Technicolor has also a sustained investment in ATSC 3.0 resulted in a marked increase in technical contributions and a heightened presence of the Group within the ATSC community.

Technicolor is actively involved in developing and promoting technologies that extend the standard to support for more colors and different display generations, two areas with potential for significant impact on the Consumer Electronics market. Technicolor was instrumental in driving forward developments in High Dynamic Range, proposing for example, high performance and bandwidth optimizing encoding schemes. In addition to the factors of 4K resolution, wider color gamut and higher frame rates, HDR is a key contributing factor to perceived UHD TV image quality and these factors represent the essential attractiveness vector for consumers, as concerns future display functionality. Committed to enabling HDR across all aspects of content creation and distribution, Technicolor has made available the High Dynamic Range single-layer solution for testing by key ecosystem partners. The solution, which is compatible with MPEG HEVC standards, creates a video which benefits from improved compression efficiency over unprocessed HDR files. It is also backwards compatible with legacy Standard Dynamic Range ("SDR") displays. Technicolor has standardized this HDR system in the European Telecommunication Standards Institute ("ETSI"), and submitted the solution for standardization to the Advanced Television Systems Committee ("ATSC"), as well as DVB and the Society of Cable and Television Engineers ("SCTE"). The solution is noted in the Ultra HD Forum 2016 Industry Guidelines as well.

In 2016, Technicolor continued to drive efforts in the Ultra High Definition ("UHD") Alliance, which is a coalition of studios, Consumer Electronic manufacturers and technology companies to establish a UHD quality certification and logo program for content and devices.

Technicolor has progressively intensified its engagement with other key standards bodies working on mechanisms to enable new immersive audio/video experiences. This is particularly notable with respect to the Society of Motion Pictures and Television Engineers ("SMPTE") where HDR, WCG and the future HDR ecosystem are central subjects, to which Technicolor is promoting its vision of an Open ecosystem. To this end, Technicolor is the leader in developing the relevant SMPTE standard. The Group has renewed its technical activities within the Consumer Technology Association ("CTA"), which was formerly known as the Consumer Electronics Association ("CEA"). The HDMI Forum is also a focus of Technicolor as it is now addressing HDR technology, which is essential to allow the provision of true high-quality signals from a Blu-ray™ player or set top box to a display.

Technicolor has started down a few paths to push the traditional envelope of these technologies for the benefit of the consumer. Another path is to develop technologies to provide an augmented-reality/virtual-world environment for the next generation of search and recognition applications. Technicolor is participating strongly in Virtual Reality-related standardization efforts in SMPTE, MPEG, Blu-ray Disc Association (BDA) and is additionally in the process of joining a new industry group known as the virtual Reality Industry Association (VRIF.) This group aspires to produce recommendations for both business and technical context, spanning video, audio, delivery, interactivity/social experience and other aspects of Virtual Reality.

Patent and Trademark Licensing

Technicolor's Licensing Division generated consolidated revenues of €285 million in 2016 (6% of the Group's consolidated revenues). As of December 31, 2016, this division employed approximately 130 people principally based in France and in the United States. Technicolor has a strong worldwide portfolio that constitutes a significant corporate asset.

Technicolor generates revenues by licensing its Intellectual Property portfolio that includes patents, trademarks and technologies. The bulk of the revenues is generated by the Patent Licensing activities, which revenues are comprised of fixed license fees (payable in one or more installments) and/or running royalties on products sold by licensees based on agreements providing the right to incorporate the Group's patented technologies.

Patent Licensing

The Patent Licensing team works closely with Technicolor's Research & Innovation Division, as well as the development centers within the Group's operating businesses, identifying valuable inventions for which patents may be pursued. As of December 31, 2016, the Group's patent portfolio included more than 30,000 patents and applications worldwide and approximately 54% of this patent portfolio had a remaining term of over 10 years.

Technicolor is organized around four key pillars in its Patent Licensing business: Digital TV, Video Coding, Mobile Communications and Connected Home, and is maximizing its efforts to increase the performance of licensing programs derived from these pillars. The Group's filing policy has been structured around these four key pillars and focus on high quality patent assets relevant to these areas and to target geographies that are important for the licensing business going forward. Under this revised filing policy, the Group has reduced the number of initial applications in 2016, with 319 initial patent applications for new inventions compared to approximately 542 in 2015. The Group was also granted around 1,400 patents in 2016 compared to around 1,500 patents in 2015. In addition to supporting licensing programs, Technicolor seeks protection of its operating businesses by building a strong exclusive and defensive portfolio.

The Patent Licensing team detects uses of Technicolor's patents in third parties' products through reverse engineering. Once detected, the team negotiates with, and grants to, third parties the right to use the Group's patents for manufacturing and selling their products as appropriate. Rather than licensing individual patents, Technicolor's standard licensing policy is to grant the right to use the patent portfolio as applicable to particular licensed products, providing licensees with the ability to understand their rights on a product-centric basis. Licensing agreements are usually renewable and have a typical duration of five years. Royalties are primarily based on unit sales volumes.

In 2016, revenues generated from the licensing program were mainly driven by the first material licensing agreement for the use of the HEVC patent portfolio and the signing of different agreements across its different licensing programs. MPEG LA patent pool generated €32 million of revenues in 2016 compared to €288 million in 2015.

Technicolor and Sony announced in 2015 a joint Patent Licensing program for Digital Television ("DTV") and Computer Display Monitors ("CDM"). Technicolor is the exclusive Patent Licensing agent of the combined portfolio that covers DTV and CDM. The license is offered for the convenience of both existing and new licensees, enabling them to obtain a single license as an alternative to negotiating separate licenses. Technicolor cumulated a solid experience in that field as it started to license Digital television upon their market introduction, covering up to 80% of the market in Europe and North America where Technicolor's IP is enforced.

Based on its solid IP portfolio in the field of smartphones and tablets, Technicolor launched a program in that field and signed in 2013 its first smartphone licensing agreement with Sony. Under this agreement, the Group is the exclusive licensor of the combined portfolio including Sony assets spanning a broad array of technologies such as LTE, WCDMA, UMTS, Wi-Fi, haptics, video compression, software, user interface, LCD and AMOLED. In 2014, Technicolor signed a second licensing agreement with LG for the use of the Group's patents and technologies across LG's mobile devices, including smartphones and tablets.

The Connected Home program consists in licensing the IP portfolio covering technologies embedded in set-top-boxes. In 2016, the Group signed a licensing agreement related to set-top boxes shipped to North America and Western Europe with a significant CPE vendor based in South East Asia. Technicolor also seeks with this program a solid protection of its operating businesses by building a strong exclusive and defensive portfolio

Technicolor has developed a very complete portfolio of patented compression technologies and R&I has a full team dedicated to developing new compression technologies. Technicolor has been investing in compression technologies for years and has built significant IP assets in that field. The Group works with advanced standards such as HEVC, ATSC 3.0 and DVB, which are implemented in existing products and will be implemented in future products. The Group also contributes to improve standards and technologies in the field of Video Coding including HDR through major technical contributions. Technicolor monetizes its compression technologies by joining patent pool, embedding them in a patent portfolio as applicable to particular licensed products or by licensing them directly.

Trademark Licensing

In addition to its Patent Licensing activities, Technicolor has developed a trademark Licensing business, monetizing valuable brands such as RCA™ and Thomson™, which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business. Technicolor was a pioneer in the development of a Trademark Licensing business, building for the Group a strong expertise and a clear market leadership in this field. The Group complements the pure Trademark license by allowing its partners to benefit from its innovation capacity for Media & Entertainment, offering technologies, software and industrial design to its licensees, and leveraging its extensive Intellectual Property portfolio focused on video technologies, as well as its strong competencies in product design.

1.3.4 OTHER

"Other" operations are as follows:

- unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as sourcing, Human Resources, IT, finance, marketing and communication, corporate legal operations and real estate management, and that cannot be strictly assigned to a particular business within the three operating segments;
- post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs;
- IZ ON Media, which was transferred from the Entertainment Services segment to the Other segment in the first quarter of 2015 and sold in the second quarter of 2015 and M-GO, transferred from the Technology segment to the Other segment in the first quarter of 2016 and sold in the first quarter of 2016.

1.3.5 DISCONTINUED OPERATIONS

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 2.9.7: "Profit (loss) from discontinued operations".

2 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

2.1 OVERVIEW 26

2.2 TRENDS IN TECHNICOLOR ECO-SYSTEMS 26

2.3 SUMMARY OF RESULTS 28

2.4 SEASONALITY 29

2.5 GEOGRAPHIC BREAKDOWN OF REVENUES AND EFFECT OF EXCHANGE RATE FLUCTUATIONS 29

2.6 EVENTS SUBSEQUENT TO DECEMBER 31, 2016 31

2.7 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2016 31

2.8 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2015 31

2.9 RESULTS OF OPERATIONS FOR 2015 AND 2016 32

- 2.9.1 Analysis of revenues 32
- 2.9.2 Analysis of adjusted EBITDA 34
- 2.9.3 Analysis of operating expenses and profit (loss) from continuing operations before tax and net finance costs 35
- 2.9.4 Net finance costs 36
- 2.9.5 Income tax 36
- 2.9.6 Profit (loss) from continuing operations 36
- 2.9.7 Profit (loss) from discontinued operations 36
- 2.9.8 Net income (loss) of the Group 36
- 2.9.9 Adjusted indicators 37

2.10 LIQUIDITY AND CAPITAL RESOURCES 39

- 2.10.1 Overview 39
- 2.10.2 Cash flow 40
- 2.10.3 Financial resources 43

2.11 PRIORITIES AND OBJECTIVES 2017 44

2.1 OVERVIEW

GRI [G4-2]

Technicolor is a worldwide technology leader operating in the Media & Entertainment ("M&E") industry. The Group develops technologies that make the centerpiece of the solutions and services offered today to its business clients (content creators and distributors, Pay-TV operators and Over-the-Top and Network Service Providers) and are also embedded in mass-market services, devices and platforms, making its innovations have a broader reach than solely its own products. The Group has a valuable Intellectual Property ("IP") portfolio, especially rich in image and video compression and processing, networking and communication, content management, interactivity, user interaction, security and display technologies. The Research & Innovation Division aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences.

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.

In the Entertainment Services segment, Technicolor is a leading provider of services to content creators and distributors, including Visual Effects/Animation, video and sound Postproduction Services ("Production Services") and the replication, packaging and distribution of CD, DVD and Blu-ray™ discs ("DVD Services").

In the Technology segment, Technicolor operates its fundamental research activities ("Research & Innovation"), a world-class Patent Licensing and Trademark Licensing business, with unique expertise to patent its innovations and monetize its IP portfolio, which includes all of patents, software, hardware, content or trademark that underpins technologies, products or services.

For more information, please refer to section 1.2.3: "Organization".

2.2 TRENDS IN TECHNICOLOR ECO-SYSTEMS

GRI [G4-2]

The recent and rapid technology-driven evolution of digital content, devices and services has resulted in significant shifts in consumer behavior across the landscape of today's connected digital world ecosystem. As our digital world has evolved, Technicolor believes a number of key trends will have material impacts on its businesses, its customer's businesses, and ultimately, consumer behavior:

- proliferation of Over-the-Top ("OTT") services, devices, and tools;
- democratization of content creation and distribution, as content creators become increasingly diverse and content creation tools become increasingly available;
- story-telling and quality content resonate across new emerging technologies;
- windows and business models for content continue to rapidly evolve;
- traditional Pay-TV business model and ecosystem continue to gradually erode;
- democratization of technology: cloud infrastructure and open source software models reduce barriers to entry for technology development;
- Internet of Things ("IoT") becomes real;
- data driven decision-making and "Big Data" services proliferate, and evolve into Artifical Intelligence and Machine Learning.

OTT devices and services will continue to proliferate globally, resulting in significant traditional Pay-TV market disruption and further democratization of content production and distribution. Additionally, the bandwidth that needs to be carried across the networks of Internet Service Providers will inevitably increase. OTT devices using last-mile Access Networks will drive a continued increase in the capabilities of devices in the home, as well as increasing bandwidth consumption inside the home and delivery demands to the home. Consumer demand for increased bandwidth consumption in the home will further materially increase the importance of the Access Network's role in delivery of content and access to the home.

Digital content distribution *via* OTT and social media channels has democratized content creation, aggregation and distribution markets, making content widely available at lower cost, with the potential for wide reach and significant penetration. Digital media channels are taking increasing share of overall content viewership, utilizing data analytics tools, content recommendation engines, social and viral marketing optimization technologies, as well as audience segmentation and curation tools to drive viewership, advertising reach, placement and penetration. We are seeing the rise of new "studios" within the ranks of current digital distributors as these companies experiment in original content creation. While audiences and content and creative services will fragment as a result of these trends, the volume of quality content consumed and available for consumption will only increase.

Creative story-telling and original narratives will continue to resonate with consumers, despite changes in distribution channels, technologies and formats. We believe that growth in the consumption of short-form content, games, and viral content for social media will complement and not supplant long-form content.

Augmented Reality and Virtual Reality technology will have a profound impact on the way consumers engage and interact with content, whether Media & Entertainment-related or connected to a brand experience.

In the immediate term, content produced for these technologies will predominantly be a form of interactive experiences and will be made available *via* certain market niches, which, while sizeable in the aggregate, will initially be constrained to certain devices either just in market or soon to come to market, and to certain audiences. In the longer-term horizon, these technologies will bring significant opportunities to our industry.

Over the next five years, we will continue to see the erosion of traditional content pay-walls for cinema, home video and Pay-TV in the face of increasingly significant pressure and competition from digital channels. This trend will enable content providers to make more choices about content offers, availabilities and use cases than ever before, and to offer greater availability window discrimination and experimentation. While the traditional Pay-TV business model and ecosystem will continue to be challenged in many major markets, we do not believe this model will collapse over the next five-year time horizon.

We expect to see democratization of technology development, significantly reducing the capital costs of technology development and operation over the next five years. Changes in cloud infrastructure provisioning will significantly reduce the costs and time associated with the development and deployment of applications and services. Related to the trend towards cloud infrastructure, we see an industry wide-trend towards open source software licensing models becoming widespread, particularly within OTT and even traditional stacks of some network service providers.

Network-connected devices increasingly become proxies for context, and context-aware entertainment and service offerings will continue to proliferate. While we believe that consumer adoption of sensors, wearables and other Internet of Things products will remain a major trend, enterprise solutions and needs, particularly in the industrial segment, will become large drivers for, and will be increasingly driven by, "Big Data" services and data analytics models. The emergence of IoT and data services will primarily impact industrial segments, but may have some spill over to consumer behavior and engagement, and will present businesses with opportunities to provide new context-aware services, enhance and personalize customer experience, and reinvent or improve their operations.

In IP licensing, the rise of OTT players and digital distribution channels is accelerating the adoption cycle of entertainment technology, which has historically been driven by Hollywood, Broadcast media and large Consumer Electronics manufacturers, through standards bodies and consortiums. In the future, Technology Licensing activities, aiming at promoting and marketing technologies and solutions in a proactive way to potential customers, will increasingly impose itself as a monetization model for the Group's technologies.

These trends have had and will have an overall positive impact on the demand for Technicolor's technologies, products and services, resulting in:

- growth in the Connected Home segment due to increasing demand for smarter and more innovative products with improved capabilities;
- growth in the Entertainment Services segment due to Technicolor's long-term relations with global content creators, the increasing volume of content created and consumed, and the Group's role as a leading creator of compelling story-telling experiences in Augmented Reality and Virtual Reality;
- growth in the Technology segment due to more rapid adoption of the Technicolor's next generation technologies in an increasing number of Consumer Electronics devices or services.

2.3 SUMMARY OF RESULTS[1]

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

Revenues from continuing operations totaled €4,890 million in 2016, up 33.9% at current currency and up 34.8% at constant currency compared to 2015. Excluding exited activities [2], revenues were €4,888 million in 2016, up 36.5% at current currency and 37.5% at constant currency compared to 2015, reflecting the change in scale of Connected Home and Entertainment Services. The two segments combined recorded revenue growth of 48.2% year-on-year at constant rate resulting from the contribution of the acquisitions completed in 2015 and double digit organic growth in Production Services activities.

For more information, please refer to section 2.9.1: "Analysis of revenues" of this Chapter.

Adjusted EBITDA from continuing operations reached €565 million in 2016, stable compared to 2015, as the increased scale of Connected Home and Entertainment Services fully offset the expected decline of the Technology segment resulting from the sharp decline of MPEG LA contribution. The Adjusted EBITDA margin amounted to 11.6%, down by 3.9 points year-on-year due to the reduced weight of licensing activities. For more information, please refer to sections 2.9.2: "Analysis of adjusted EBITDA" and 2.9.9: "Adjusted indicators" of this Chapter.

Profit from continuing operations before tax and net finance costs was €262 million in 2016 compared to €258 million in 2015. For more information, please refer to section 2.9.3: "Analysis of operating expenses and profit (loss) from continuing operations before tax and net finance costs" of this Chapter.

The Group's net financial result was an expense of €156 million in 2016 compared to an expense of €87 million in 2015. For more information, please refer to section 2.9.4: "Net finance costs" of this Chapter.

The Group's total income tax charge was €44 million in 2016 compared to a profit of €19 million in 2015. For more information, please refer to section 2.9.5: "Income tax" of this Chapter.

Profit from continuing operations was €64 million in 2016 compared to a profit of €189 million in 2015. For more information, please refer to section 2.9.6: "Profit (loss) from continuing operations" of this Chapter.

The loss from discontinued operations was €90 million in 2016 compared to a loss of €43 million in 2015. For more information, please refer to section 2.9.7: "Profit (loss) from discontinued operations" of this Chapter.

The Group's consolidated net income was a loss of €26 million in 2015 compared to a net income of €146 million in 2015. For more information, please refer to section 2.9.8: "Net income (loss) of the Group" of this Chapter.

(1) 2016 is compared to 2015 restated since, pursuant to IFRS 3, to take into consideration the impact of the purchase price allocation of activities acquired in 2015 which have been finalized in 2016 (see Note 2.3 of the consolidated financiale statements for more information)

(2) Excited activities include Digital Cinema and Distribution Services in the Entertainment Services segment, IZ ONMedia, M-GO and Virdata activities in the Other segment.

2.4 SEASONALITY

The Group's revenues have historically tended to be higher in the second half of the year, as customers' activity was greater towards the end of the year, especially for the Entertainment Services segment. In the second half of 2016, revenues from continuing operations totaled €2,470 million, or 51% of the Group's annual revenues, compared to €2,031 million, or 56% of annual revenues in the second half of 2015.

2.5 GEOGRAPHIC BREAKDOWN OF REVENUES AND EFFECT OF EXCHANGE RATE FLUCTUATIONS

GRI [G4-9]

The table below shows revenues from continuing operations for the Group in 2015 and 2016 by destination, depending on the location of Technicolor's customers. As shown below, the Group's largest markets in 2016 were the United States and Europe, accounting for 52.3% and 22.5% of revenues respectively.

Revenues of continuing operations by destination

(in percentage)	2016	2015
United States	52.3%	46.7%
Rest of Americas	15.2%	16.5%
Europe	22.5%	23.1%
Asia-Pacific	9.4%	12.3%
Other	0.6%	1.4%

The table below shows revenues from continuing operations for the Group in 2015 and 2016 by origin, depending on the location of Technicolor's invoicing entity. As shown below, the Group's largest markets in 2016 were the United States and Europe, accounting for 51.0% and 33.4% of revenues respectively.

Revenues of continuing operations by origin

(in percentage)	2016	2015
United States	51.0%	38.2%
Rest of Americas	11.6%	13.7%
Europe	33.4%	42.9%
Asia-Pacific	4.0%	5.2%

Revenues of continuing operations and effect of exchange rate fluctuations

(in million euros unless otherwise stated)	2015 revenues at 2015 exchange rates	2016 revenues at 2015 exchange rates	Exchange rate impact	2016 revenues at 2016 exchange rates	% change at constant exchange rates	% change at current exchange rates
Continuing operations	3,652	4,925	(35)	4,890	34.8%	33.9%
Of which:						
Connected Home	1,451	2,638	(1)	2,637	81.8%	81.7%
Entertainment Services	1,676	1,998	(32)	1,966	19.2%	17.3%
Technology	490	287	(2)	285	(41.5)%	(42.0)%
Other	35	2	0	2	(94.2)%	(94.1)%

For year-on-year comparisons, the current financial year revenue figures are adjusted by applying the exchange rate used for the consolidated statement of operations in the previous financial year. The Group believes that this presentation of change in revenues, adjusted to reflect exchange rate fluctuations, is helpful in analyzing its year-on-year performance.

As the Group has an important part of its activities located in the United States or in other countries whose currencies are closely linked to the U.S. dollar, the main exposure to fluctuations in foreign currencies is related to the exchange rate of the U.S. dollar against the euro. Generally, a rise of the U.S. dollar against the euro has a positive effect on Group revenues, while a decrease of the U.S. dollar against the euro has the opposite impact. Other foreign currencies impacting Group revenues principally include the Pound sterling, the Canadian dollar and the Brazilian real. In 2016, compared to 2015, exchange rate fluctuations had an overall negative impact of €(35)million on consolidated revenues, because of the negative impact of the depreciation in the average exchange rate of a number of currencies versus the euro over the same period, including in particular the British pound.

The table below shows Group revenues from continuing operations by currency for 2016. As shown below, the Group's most important currency exposure is the U.S dollar, accounting for 59% of revenues in 2016.

	2016
USD	59%
EUR	24%
Other	17%

For more information about average exchange rates, please refer to note 1.2.4 "Translation" of the consolidated financial statements.

For more information on exchange rate fluctuations, including an analysis of the impact of an appreciation of 10% of the U.S. dollar against the euro on the Result from continuing operations before taxes and net finance costs, please refer to note 8.2.2 to the Group's consolidated financial statements.

2.6 EVENTS SUBSEQUENT TO DECEMBER 31, 2016

GRI [G4-DMA Economic performance]

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

On February 15, 2017, the Group announced that it has initiated several patent infringement suits in Germany and France against Samsung Electronics, across a range of Samsung products, including mobile phones and digital televisions.

Technicolor SA raised new term loans in an amount of €275 million and $300 million on March 30, 2017, the proceeds of which were used to repay in its entirety the Old Term Loan Debt maturing in 2020. These new term loans were raised as incremental loans under the December 2016 New Term Loan Debt agreement and will mature in 2023. The interest rate on the euro loans is Euribor (with floor of 0%) + 300 bp and the rate on the dollar loans is Libor (with floor of 0%) plus 275 bp.

2.7 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2016

In compliance with Article L. 233-6 of the French Commercial Code, Technicolor notes that in 2016 the Group acquired the minority interests in Ouido Productions (Now Technicolor Animation Productions) – 797,830,106 RCS PARIS.

2.8 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2015

In compliance with Article L. 233-6 of the French Commercial Code, Technicolor notes that, in 2015, the Group acquired the control of the following companies established in France:

Related to Ouido Productions:

- Ouido Productions – 797,830,106 RCS PARIS;

Related to Mikros group:

- MTC – 407,754,613 RCS NANTERRE,
- Mikros Image – 333,987,659 RCS NANTERRE,
- Domove – 399,641,562 RCS NANTERRE,

  Within the Mikros group, Technicolor acquired minority interests in:
- L'Étude et la Supervision des Trucages (L'EST) – 414,222,406 RCS PARIS,
- Orfeo – 539,867,093 RCS PARIS.

2.9 RESULTS OF OPERATIONS FOR 2015 AND 2016[1]

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

The Group's revenues, Adjusted EBITDA, operating expenses and profit (loss) from continuing operations before tax and net finance costs for the years 2015 and 2016 are presented below for each of the Group's operating segments – Connected Home, Entertainment Services, Technology – as well as for the "Other" segment.

The Group's results are presented in accordance with IFRS 5. Consequently, the contributions of discontinued operations are presented on one line in the consolidated statements of operations, named "Net loss from discontinued operations" and are presented separately under section 2.9.7: "Profit (Loss) from Discontinued Operations" of this Chapter.

2.9.1 ANALYSIS OF REVENUES

Revenues from continuing operations totaled €4,890 million in 2016, up 33.9% at current currency and up 34.8% at constant currency compared to 2015. Excluding exited activities, revenues amounted to €4,888 million in 2016, up 37.5% at constant currency compared to 2015, due to solid growth in the Entertainment Services and Connected Home revenues. In Connected Home, despite adverse business conditions across both North and Latin America, revenues increased strongly following Cisco Connected Devices successful integration. In Entertainment Services, revenues increased double-digits year-over-year at constant currency, as a result of strong organic growth and the contribution from last year acquisitions in Production Services, as well as growing volumes in DVD Services, benefiting from new customer additions secured in the fourth quarter of 2015. In Technology, revenues decrease was mainly driven by the sharp decline of MPEG LA.

Connected Home

Connected Home revenues totaled €2,637 million in 2016, up 81.8% at constant currency compared to 2015 as a result of the Cisco Connected Devices acquisition. Revenues were down 12% compared to 2015 *Pro Forma*[2]. This decrease is mainly due to the material decline of revenues in Latin America and Canada.

Excluding Latin America, revenues significantly increased year-on-year on a reported basis (up 118%), notwithstanding a relatively slower growth in Asia Pacific as the digitization of the Indian market did not resume in 2016.

In 2016, Technicolor secured new major awards and customer wins across all Regions. In North America, Connected Home secured a large number of new awards that will result into substantial market share gains once the products are deployed. Technicolor is now in all categories (Video and Broadband) in the three largest U.S. operators. Connected Home also recorded strong commercial activity in the Europe-Middle East-Africa region, strengthening its leadership in telecom gateways and reinforcing its position in cable gateways. The Group secured several awards in Latin America, thereby maintaining strong customer relationships in an economically challenged region, notwithstanding stronger competition from low cost Asian suppliers. Connected Home also secured numerous customer wins in the Asia Pacific Region in Australia, India and South East Asia. In addition, Technicolor gained its first 4K set-top box contract in Japan through its strategic partnership with Pioneer.

(1) *2016 is compared to 2015 restated since, pursuant to IFRS 3, to take into consideration the impact of the purchase price allocation of activities acquired in 2015 which have been finalized in 2016 (see Note 2.3 of the consolidated financiale statements for more information)*

(2) *The 2015 Pro Forma financial information relates to the income statement for the 12-month period ended December 31, 2015 and reflects the acquisition of Cisco Connected Devices and The Mill as if acquisitions occurred on January 1, 2015 (refer to 2015 consolidated financial statements for more information).*

Volume data for Connected Home

(in million units)		FY 2016	FY 2015	Change
Total volumes*		**50.5**	**32.1**	**+57.4%**
o/w	North America	20.1	6.8	+196.7%
	Latin America	11.6	11.0	+6.1%
	Europe, Middle-East & Africa	9.7	7.0	+39.0%
	Asia-Pacific	9.1	7.4	+23.4%

** Including tablets and other connected devices.*

Entertainment Services

Consolidated revenues for the Entertainment Services segment amounted to €1,966 million in 2016, up 17.3% at current currency and up 19.2% at constant currency compared to 2015. Excluding exited activities, revenues were €1,966 million in 2016, up 21.9% at constant currency compared to 2015, as a result of strong organic growth and the contribution from recent acquisitions in Production Services, and solid revenues recorded by DVD Services.

- **Production Services** reported a strong double digit increase in revenues in 2016. Revenues expanded by more than 30% at constant currency in 2016 compared to 2015. This strong performance resulted from double-digit organic growth close to 20% and the addition of The Mill on a full year basis. The strong organic growth reflected a high level of activity across the different market segments with Visual Effects ("VFX") for feature films, episodic series and Advertising continuing to grow at record levels while Animation and Games activities significantly increased their contribution. As an illustration, the VFX team for feature film worked on more than 25 projects during the year. VFX teams for Advertising also delivered a large number of projects, including several iconic advertising campaigns, such as "Superhumans" for Channel 4, "Jump" for John Lewis and "Come together" for H&M. Mr. X worked on numerous episodic series and significantly expanded its Toronto capacity. Technicolor also worked on four long feature Animation projects under the Mikros brand in 2016. While Visual Effects and Animation activities largely drove the 2016 performance, Postproduction services continued improving year-on-year. In addition, the Group demonstrated its leadership in developing new visual experiences by completing 26 VR ("Virtual Reality") projects during the year.
- **DVD Services** revenues increased compared to 2015. This increase reflected a record volume performance (up c. 19% year-on-year). Standard Definition DVD volumes increased by c. 7% and Blu-ray™ volumes by c. 23%, benefiting from new customer additions secured in the fourth quarter of 2015, as well as continued strong 2016 theatrical box office results across key studio customers. Combined games volume were flat in 2016 compared to 2015 as the ongoing growth of the Blu-ray™ based Xbox One format was offset by decline in the prior generation DVD based Xbox 360 format. In addition, three major AAA games titles that were originally expected in the fourth quarter of 2016 have been pushed into 2017, resulting in a lower number of AAA games title releases in 2016 compared to 2015 as well as a decline in games related distribution activities year-on-year. CD volumes were strongly up year-on-year mostly due to customer additions, but this also demonstrated the resiliency of the physical format which still represented 39% [1] of global music revenues in 2016.

Volume data for DVD Services

(in million units)		FY 2016	FY 2015	Change
Total volumes		**1,551.9**	**1,308.3**	**+18.6%**
By Format	SD-DVD	1,076.9	1,002.3	+7.4%
	Blu-ray™	341.2	276.4	+23.4%
	CD	133.8	29.6	+352.1%
By Segment	Studio/Video	1,327.3	1,179.3	+12.6%
	Games	65.8	65.7	+0.1%
	Software & Kiosk	25.0	33.7	(26.0)%
	Music & Audio	133.8	29.6	+352.1%

(1) Source: IFPI ("International Federation of the Phonographic Industry").

Technology

Technology revenues amounted to €285 million, down 41.5% year-on-year at constant currency. This decrease was mainly driven by a sharp decline of MPEG LA, down by €256 million year-on-year. The revenue performance was also affected in the second half by the bankruptcy of a RCA trademark licensee. Excluding MPEG LA, Technology revenues grew by 25.5% at constant rate year-on-year, reflecting a strong level of patent licensing activity with the signing of several non-exclusive agreements in Technicolor's programs for Video Coding, Digital TV and Connected Home.

Licensing revenues include estimates from license agreements. For the year ended December 31, 2016, and measured as a percentage of total Licensing revenues, actual revenues exceeded estimated revenues by 0.1% compared to 0.9% for the year ended December 31, 2015, at the issuance date of the Registration Document.

The Research & Innovation ("R&I") Division had no significant impact on the revenues of the segment in 2016.

Other

Revenues presented in the "Other" segment comprised corporate & other revenues for €2 million in 2016 compared to €35 million in 2015, mainly related to revenues from M-GO, which was sold by the Group in the first quarter of 2016.

2.9.2 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 2.9.9: "Adjusted Indicators" of this Chapter.

Adjusted EBITDA from continuing operations reached €565 million in 2016, stable compared to 2015, as the increased scale of Connected Home and Entertainment Services fully offset the expected decline of the Technology segment resulting from the sharp decline of MPEG LA contribution. The Adjusted EBITDA margin amounted to 11.6%, down by 3.9 points year-on-year due to the reduced weight of licensing activities. The Adjusted EBITDA was up 28% compared to the 2015 *Pro Forma* Adjusted EBITDA excluding MPEG LA contribution.

Connected Home

Adjusted EBITDA for the Connected Home amounted to €218 million in 2016, up €142 million compared to 2015, with an Adjusted EBITDA margin of 8.3%, up by 3.1 points compared to 2015. This growth was driven by higher gross margin, reflecting successful Cisco Connected Devices integration and resulted in substantial synergies.

Entertainment Services

Adjusted EBITDA for the Entertainment Services segment reached €238 million in 2016 compared to €192 million, up 25.6% at constant currency compared to 2015. This solid performance resulted from the increased weight of Visual Effects and Animation activities and from the rebound of DVD Services adjusted EBITDA in the second half of 2016:

- Production Services' contribution to the Adjusted EBITDA significantly increased in 2016 as a result of its greater scale, while continuing to generate double-digit organic revenue growth year-on-year. This translated into a higher utilization rate of the different facilities and increased operating efficiencies across the division;
- in DVD Services, Adjusted EBITDA was affected negatively in the first half of 2016 by the integration of North American Cinram assets that were well below the Group's standards. Cost cutting actions were implemented in the first half of 2016 to restore the overall profitability of the division. These cost cutting measures were executed before the peak season, and the adjusted EBITDA significantly grew year-on-year and sequentially in the second half of 2016 with margin back to its 2015 level.

Technology

Adjusted EBITDA for the Technology segment reached €192 million in 2016, down 57.1% at constant currency compared to 2015. Technicolor implemented in 2016 a revised policy in terms of priority applications and a reduction in the size of its very large portfolio (over 30,000 patents at the end of 2016 compared to around 40,000 patents at end 2015). In addition, the Group maintained a sustained level of Research & Innovation, with net spending at €23 million for the Technology segment in 2016.

Other

Adjusted EBITDA for the "Other" segment was a charge of €83 million in 2016 compared to a charge of €99 million in 2015.

2.9.3 ANALYSIS OF OPERATING EXPENSES AND PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND NET FINANCE COSTS

Cost of sales

Cost of sales amounted to €3,983 million in 2016, or 81.5% of revenues, compared to €2,823 million in 2015, or 77.3% of revenues.

Cost of sales in absolute terms were €1,160 million higher in 2016 compared with 2015, reflecting the impact of the acquisitions completed in 2015 in the Connected Home and Entertainment Services segments.

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

Gross margin from continuing operations amounted to €907 million in 2016, or 18.6% of revenues, compared to €829 million in 2015, or 22.7% of revenues. This lower gross margin ratio reflects the reduced weight of licensing activities (end of MPEG LA program) in 2016.

Selling & administrative expenses

Selling and marketing expenses amounted to €170 million in 2016, or 3.5% of revenues, compared to €105 million in 2015, or 2.9% of revenues, mainly reflecting the impact of the Cisco Connected Devices acquisition in the Connected Home segment.

General and administrative expenses amounted to €230 million in 2016, or 4.7% of revenues and are stable compared to €226 million in 2015, or 6.2% of revenues.

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

Net research and development expenses

Net research and development ("R&D") expenses amounted to €178 million in 2016, or 3.6% of revenues, compared to €129 million in 2015, or 3.5% of revenues. Of the total R&D spending in 2016, 12.4% was spent in the Technology segment, which includes the Research & Innovation Division, and the remainder was mostly related to development costs and the amortization of capitalized development projects in the Connected Home segment.

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

Restructuring costs

In 2016, 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 €55 million in 2016, or 1.1% of revenues resulting principally from cost cutting initiatives in the Technology segment, including the shutdown of a laboratory in Germany, and in the Connected Home segment as well as cost streamlining actions in the DVD Services budiness to bring the North American assets of Cinram at the Group's operational efficiency levels.

In 2015, restructuring costs for continuing operations amounted to €39 million, or 1.1% of revenues, mainly related to exited activities in the Entertainment Services segment.

Net impairment losses on non-current operating assets

In 2016, Technicolor recorded a net impairment charge of €13 million, including €9 million related to intangible asset write-offs in the Connected Home, compared to a net impairment charge of €27 million in 2015, mainly reflecting €23 million related to intangible asset write-offs in the Connected Home and Technology segments.

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

Other Income (expense)

Other income (expense) amounted to a profit of €1 million in 2016, compared to a loss of €45 million in 2015 mainly related to acquisition-related costs for €32 million.

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

Profit (loss) from continuing operations before tax and net finance costs

Profit from continuing operations before tax and net finance costs amounted to €262 million in 2016, or 5.4% of revenues, compared to a profit of €258 million, or 7.1% of revenues in 2015 as gross margin increase is partially offset by increase in selling & marketing expenses and research & development expenses in relation with the amortization of the purchase price allocation of the 2015 acquisitions which amounted to €42 million in 2016.

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

2.9.4 NET FINANCE COSTS

The Group's net financial result from continuing operations was an expense of €156 million in 2016 compared to an expense of €87 million in 2015.

Net interest expense

Net interest costs amounted to €81 million in 2016 compared to €63 million in 2015, reflecting the issuance of €374 million of additional Term Loan debt maturing 2020 in the second half of 2015 to finance the acquisitions of Cisco Connected Devices and The Mill. The Group prepaid some of its 2020 Term Loan debt in 2016 and undertook a partial refinancing in the last quarter of 2016 at a lower interest rate.

For further information, please refer to note 8 of the Group's consolidated financial statements. The interest expense has been computed using the effective interest rate on the Term Loan Debt.

Other financial income (expense)

Other financial charges amounted to €75 million in 2016 compared to €24 million in 2015. These charges included the partial reversal of the IFRS adjustment of €31 million triggered by circa €700 million of 2020 Term Loan debt prepayments (o/w €450 million was from proceeds of the new 2023 Term Loan debt), that occurred in the second half of 2016 and a foreign exchange loss of €16 million.

2.9.5 INCOME TAX

The Group total income tax expense on continuing operations, including both current and deferred taxes, amounted to €44 million in 2016 compared to a profit of €19 million in the 2015 restated consolidated statement of operations. The 2016 restatement of €74 million deferred tax profit compared to the deferred tax profit of €1 million in the 2015 published consolidated statement of operations is related to the purchase price allocation of the 2015 main acquisitions. The net deferred tax liabilities recognized in the purchase price allocation of Cisco Connected Devices and The Mill for €51 million and €23 million respectively permitted the reversal of allowance on pre-existing deferred tax assets in the U.S. for the same amount.

The current income tax charge was notably the result of current taxes due in France, Mexico, India, Canada and Australia. In France, the current income tax reflected income taxes payable due to the limitation of the usage of tax losses carried forward, and the local tax "CVAE".

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

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

For more information, please refer to note 6 of the Group's consolidated financial statements.

2.9.6 PROFIT (LOSS) FROM CONTINUING OPERATIONS

Profit from continuing operations amounted to €64 million in 2016 compared to a profit of €189 million in 2015 (restated to include Purchase Price Allocation adjustments following 2015 acquisitions), mainly reflecting the impact of non-current items.

2.9.7 PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

The loss from discontinued operations totaled €90 million in 2016 compared to €43 million in 2015, mainly reflecting litigation settlements.

2.9.8 NET INCOME (LOSS) OF THE GROUP

Consolidated net loss totaled €26 million in 2016 compared to a profit of €146 million in 2015 (restated to include Purchase Price Allocation adjustments following 2015 acquisitions). The net loss attributable to non-controlling interests was nil in 2016 compared to a loss of €4 million in 2015. Accordingly, the net profit attributable to the shareholders of Technicolor SA amounted to a loss of €26 million in 2016 compared to a profit of €150 million in 2015.

Net loss per non-diluted share was €0.07 in 2016 compared to a net profit per non-diluted share of €0.42 in 2015.

2.9.9 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 comparable to the definition as per Technicolor's Credit Agreements and is used in calculating applicable financial covenants.

These adjustments for 2016 and 2015 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 €(67) million in 2016, 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 €(111) million in 2015.

Reconciliation of adjusted indicators

(in million euros unless otherwise stated)	2016	2015	Change[2]
Profit (Loss) from continuing operations before tax and net finance costs/EBIT (a)	**262**	**258**	**+ 4**
Total adjustments on EBIT (b)	(67)	(111)	+44
Of which restructuring costs, net	(55)	(39)	(16)
Of which net impairment losses on non-current operating assets	(13)	(27)	+14
Of which other income/(expense)	1	(45)	+46
Adjusted EBIT from continuing operations (a)-(b)	**329**	**368**	**(39)**
As a % of revenues	*6.7%*	*9.9%*	*(3.2)pts*
Purchase Price Allocation ("PPA") amortization	42	6	+36
Adjusted EBIT before PPA amortization	**371**	**374**	**(3)**
As a % of revenues	*7.6%*	*10.2%*	*(2.6)pts*
Depreciation and amortization[1]	194	191	+3
Adjusted EBITDA from continuing operations	**565**	**565**	**-**
As a % of revenues	*11.6%*	*15.5%*	*(3.9)pts*
Adjusted EBITDA of discontinued activities	(2)	(6)	+4
Adjusted EBITDA used for covenants	**563**	**559**	**+4**

(1) Including impact of provisions for risks, litigations and warranties excluding PPA amortization.
(2) Year-on-year change at current currency.

Profit from continuing operations before tax and net finance costs and adjusted indicators by segment

(in million euros unless otherwise indicated)	2016	2015	Change
Profit (Loss) from continuing operations before tax and net finance costs	**262**	**258**	**+4**
As a % of revenues	*5.4%*	*7.1%*	*(1.7)pts*
of which:			
Connected Home	113	(13)	+126
As a % of revenues	*4.3%*	*(0.9)%*	*+5.2pts*
Entertainment Services	76	22	+54
As a % of revenues	*3.9%*	*1.3%*	*+2.6pts*
Technology	159	374	(215)
As a % of revenues	*56.0%*	*76.3%*	*(20.3)pts*
Other	(86)	(125)	+39
Adjusted EBIT from continuing operations	**329**	**368**	**(39)**
As a % of revenues	*6.7%*	*9.9%*	*(3.2)pts*
of which:			
Connected Home	148	44	+104
As a % of revenues	*5.6%*	*3.0%*	*+2.6pts*
Entertainment Services	88	55	+33
As a % of revenues	*4.5%*	*3.3%*	*+1.2 pt*
Technology	181	377	(196)
As a % of revenues	*63.6%*	*76.9%*	*(13.3)pts*
Other	(88)	(108)	+20
Adjusted EBITDA from continuing operations	**565**	**565**	**-**
As a % of revenues	*11.6%*	*15.5%*	*(3.9)pts*
of which:			
Connected Home	218	76	+142
As a % of revenues	*8.3%*	*5.2%*	*+3.1pts*
Entertainment Services	238	192	+46
As a % of revenues	*12.1%*	*11.5%*	*+0.6pt*
Technology	192	396	(204)
As a % of revenues	*67.3%*	*80.9%*	*(13.6)pts*
Other	(83)	(99)	+16

2.10 LIQUIDITY AND CAPITAL RESOURCES

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

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

2.10.1 OVERVIEW

2.10.1.1 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 of its discontinued operations. For more information on the risks associated with the sale of these activities please refer to Chapter 3: "Risk Factors" section 3.4: "Other Risks" of this Registration Document;
- **capital expenditures:** the Group must regularly invest in capital equipment to operate its businesses;
- **repayment or refinancing of debt:** at each debt maturity date, the Group must either repay or refinance the maturing amounts;
- **dividends:** a dividend of €25 million was paid in 2016 for 2015.

2.10.1.2 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 €371 million at December 31, 2016. In addition, €34 million in cash collateral and security deposits was outstanding at December 31, 2016 to secure credit facilities and other Group obligations;
- **cash generated from operating activities:** in accordance with the Group's debt documentation, the Group is required to use a portion of its excess cash to repay debt. For more information, please refer to note 8.3.3.5 to the 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, 2016 the Group had two secured credit lines with maturity greater than 1 year for a total amount of €369 million. One of the credit lines for an amount of €119 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.

2.10.2 CASH FLOW

(in million euros)	2016	2015 restated*
Cash and cash equivalents at January 1	**385**	**328**
Net operating cash generated from continuing activities	446	385
Net operating cash used in discontinued operations	(46)	(23)
Net cash from operating activities (I)	**400**	**362**
Net investing cash used in continuing activities	(118)	(791)
Net investing cash used in discontinued operations	2	-
Net cash used in investing activities (II)	**(116)**	**(791)**
Net financing cash from continuing activities	(324)	492
Net financing cash from discontinued operations	-	-
Net cash used in financing activities (III)	**(324)**	**492**
Net increase (decrease) in cash and cash equivalents (I+II+III)	**(40)**	**63**
Exchange gains (losses) on cash and cash equivalents	26	(6)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**371**	**385**

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

Net cash generated from operating activities

Net cash generated from operating activities was €400 million in 2016 compared to €362 million in 2015.

Continuing operations

Net income from continuing operations was a profit of €64 million in 2016 compared to a profit of €189 million in 2015. Net operating cash generated from continuing operations amounted to €446 million in 2016, up from €385 million generated in 2015.

The variations between 2015 and 2016 are analyzed in the table below:

(in million euros)	2016	2015 restated*	Variation	Comments on variations
Profit (Loss) from continuing operations	**64**	**189**	**(125)**	Mainly due to the higher IFRS discount loss with debt prepayments done in 2016 and positive deferred tax impact in 2015 related to the acquisitions.
Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations:				
Non-cash depreciation, amortization and impairment of assets	245	223	+22	
Profit from continuing operations prior to depreciation, amortization and impairment of assets	**309**	**412**	**(103)**	
Cash payments of the period related to provisions	(127)	(93)	(34)	Mainly related to higher warranty reserve payments in 2016 following the CCD business acquisition, and higher restructuring payments reflecting the cost cutting initiatives in Technology segment & cost streamlining actions in the Entertainment segment.
Non-cash P&L impact of the provisions of the period	103	45	+58	Mainly related to higher warranty reserve provision in 2016 following the CCD business acquisition, and higher restructuring provision reflecting the cost cutting initiatives in Technology segment & cost streamlining actions in the Entertainment segment.
Other various adjustments	276	121	+155	Various non cash adjustments, including, net interest expense, changes in working capital and other non-cash items. In 2016, due to better working capital management in the Connected Home Division.
Cash generated from continuing operations	**561**	**485**	**+76**	
Net interest paid and received	(71)	(48)	(23)	
Income tax paid	(44)	(52)	+8	
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES	**446**	**385**	**+61**	

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

Discontinued operations

Net operating cash used in discontinued operations was €46 million in 2016 compared to €23 million used in 2015.

Net cash used in investing activities

Net cash used in investing activities was €116 million in 2016 compared to €791 million used in 2015.

Continuing operations

Net investing cash used in continuing activities was €118 million in 2016 compared to €791 million used in 2015, and included:

- net capital expenditures, which amounted to €152 million in 2016 (compared with €106 million in 2015), due to cash expended relating to tangible and intangible capital expenditures for €153 million in 2016 (compared with €107 million in 2015), net of cash received from tangible and intangible asset disposals for €1 million in 2016 (same as 2015). In 2016, net capital expenditure was €75 million in the Connected Home segment, mainly due to capitalized R&D projects, €74 million in the Entertainment Services segment, reflecting the Group's investments in Production Services production facilities and DVD Services replication facilities, and €1 million in the Technology segment, which included the development of projects and initiatives;
- cash outflow for the acquisition of businesses (net of cash acquired), which amounted to €22 million in 2016, compared with €688 million in 2015. In 2016, it corresponded mainly to the acquisition of Cinram Inc. for €18 million (complementary payment), the earn-out of the acquisition Mr. X Inc. for €1 million, the acquisition of The Mill for €1 million (complementary payment), and the acquisition of available-for-sale investments, but partly compensated by cash inflow with Cisco Connected Devices price adjustment net of charge for €3 million. In 2015, it corresponded mainly to the acquisition of Cisco Connected Devices for €357 million, the acquisition of The Mill for €258 million, the acquisition of the North American optical disc replication and distribution assets from Cinram Inc. for €44 million (partial payment), the acquisition of Mikros Image in France for €16 million, the earn-out of the acquisition Mr. X Inc. for €2 million, and the acquisition of available-for-sale investments;
- proceeds received from sales of equity holdings, which amounted to €52 million in 2016 compared to €2 million in 2015 (net of cash in companies disposed of). In 2016, it corresponded mainly to the disposal of SV Holdco for €29 million, the disposal of Media-Navi for €11 million, the minimum consideration of Digital Cinema activity disposal for €5 million, and the disposal of available-for-sale investments. In 2015, it corresponded mainly to the disposal of IZ ON Media LLC for €2 million;
- net variation of cash collateral, security deposits (to secure the Group's obligations) and loans generated a net cash inflow of €4 million in 2016, compared with a net cash inflow of €1 million in 2015.

Discontinued Operations

Net investing cash in discontinued operations was €2 million inflow in 2016 compared to nil in 2015.

Net cash used in financing activities

Net cash used in financing activities amounted to €324 million in 2016 compared to €492 million received in 2016.

Continuing operations

Net financing cash used in continuing activities was €324 million in 2016 compared to €492 million received in 2015.

The net cash used in 2016 was primarily from repaid borrowings for a net amount of €775 million, consisting in Old Term Loan Debt prepayment for €701 million, normal scheduled repayments for €67 million and other repayments for €7 million. In addition, net cash received from issuance of New Term Loan Debt done on December 2016 for €450 million. For more information, please refer to the note 11.2 of the Group's consolidated financial statements.

The net cash received in 2015 was primarily from the issuance of debt for €377 million, of which the additional Old Term Loan Debt done in September and November 2015 for €374 million, and the net share capital increase on November 17, 2015 for €227 million, partly offset by the normal scheduled repayments for €55 million and other repayments for €7 million. In addition, net financing cash included costs related to a repricing transaction and the issuance of the additional Old Term Loan Debt for €25 million.

Discontinued operations

No financing cash was used by discontinued operations in 2016 and 2015.

2.10.3 FINANCIAL RESOURCES

Gross financial debt totaled €1,050 million (IFRS value) at the end of 2016, compared with €1,293 million at the end of 2015. At December 31, 2016, financial debt consisted primarily of €1,022 million of term loans issued in 2013, 2014, 2015 and 2016. At December 31, 2015, financial debt consisted primarily of €1,274 million of term loans. Financial debt due within one year amounted to €52 million at the end of 2016, compared with €86 million at the end of 2015.

At December 31, 2016 the Group had €371 million of cash and deposits, compared with €385 million at December 31, 2015.

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, 2016.

	Type of interest rate	Amount at December 31, 2016 (in million euros)	First maturity[1]	Existence of hedges
Term Loans	Floating	1,022	2017	No
Other debt	Various	28	2017	No
TOTAL DEBT		**1,050**		
Available cash and deposits	Floating	371	0 to 1 month	No
Committed credit facilities[2]	Floating	369		
TOTAL LIQUIDITY		**740**		

(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).

December 2016 Term Loan Debt issuances

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

September and November 2015 Term Loan Debt issuances

In September 2015, Technicolor issued term loans in amounts of U.S.$ 200 million and €84 million to finance the acquisition of The Mill. In November 2015 Technicolor issued an additional €113 million to partially finance the acquisition of Cisco Connected Devices (these term loans plus those issued in 2013 and 2014, the "Old Term Loan Debt").

Description of indebtedness

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

Provisions for pensions and assimilated benefits

In addition to the debt position described above, the Group has reserves for post-employment benefits that it provides to its employees, which amounted to €404 million at December 31, 2016 (compared with €382 million at December 31, 2015). For more information on the Group's reserves for post-employment benefits, please refer to note 9.2 of 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.

Standard & Poor's (S&P) attributes a BB- rating with stable outlook to Technicolor SA (corporate rating) and the debt issued by Technicolor SA and by Tech Finance & Co. SCA (the Term Loan Debt).

Moody's attributes a Ba3 rating with positive outlook to Technicolor SA (corporate rating) and to the debt issued by Technicolor SA and Tech Finance & Co. SCA (the Term Loan Debt).

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

2.11 PRIORITIES AND OBJECTIVES 2017

GRI [G4-DMA Economic performance]

- Adjusted EBITDA in the range of €460 million to €520 million.
- Free Cash Flow in excess of €150 million before cash impacts of the Cathode Ray Tube ("CRT") cartel case settlements (circa €81 million).

The Group will pursue its deleveraging with the aim to reach a net Debt to Adjusted EBITDA ratio of 0.8x following which it will increase the return paid to shareholders.

These objectives are calculated based on constant exchange rates, and integrate the uncertainties in determining the timing to resolve the patent litigation against Samsung Electronics and the money at stake.

3 RISK FACTORS

3.1 RISK RELATED TO THE FINANCIAL STRUCTURE 46

Risks related to indebtedness 46

3.2 MARKET RISKS 48

3.2.1 Risk of interest rate fluctuations 48
3.2.2 Risk of exchange rate fluctuation 48
3.2.3 Risks related to liquidity 48
3.2.4 Fair value of financial instruments 49

3.3 RISKS RELATED TO THE BUSINESS 49

3.3.1 Risks related to commercial activity 49
3.3.2 Risks related to the capacity to develop products and services that respond to customers' technological choices 50
3.3.3 Risks related to changes in the Licensing business 50
3.3.4 Competition 51
3.3.5 Risks related to supply chain, manufacturing and dependence on suppliers 52
3.3.6 Risks related to product defects or product or service quality defects 52
3.3.7 Risks related to acquisitions and partnerships 53
3.3.8 Risks related to changes in market, technologies and consumer demand 53
3.3.9 Risks related to the security of assets, including cybersecurity 55

3.4 OTHER RISKS 56

3.4.1 Litigation 56
3.4.2 Risks related to Human Resources 57
3.4.3 Risks related to economic and social conditions 57
3.4.4 Risks related to the environment 58
3.4.5 Risks related to the impairment of certain tangible and intangible assets, including goodwill 58

3.5 INSURANCE 59

This section describes 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.

This section should be read in conjunction with the Chairman's report on corporate governance, Internal Control and Risk Management (please refer to Chapter 4: "Corporate governance and internal control", section 4.2: "Chairman's report on corporate governance, internal control and risk management" of this Registration Document) and the notes to the consolidated financial statements.

3.1 RISK RELATED TO THE FINANCIAL STRUCTURE

GRI [G4-2]

RISKS RELATED TO INDEBTEDNESS

Risks related to Technicolor's indebtedness principally result from:

- the substantial level of indebtedness of the Group;
- the single financial covenant set out in the financial loans documentation;
- the operational covenants set out in the debt documentation; and
- certain mandatory prepayment provisions of its financial loans documentation, which require the Group to use a large portion of any excess cash flow to prepay outstanding term loan debt.

The Group's substantial debt could adversely affect its financial condition, due to the significant interest and principal payments, and prevent the Group from fulfilling its obligations under its financial loans documentation.

At December 31, 2016, the Group had €1,083 million of total gross nominal debt (corresponding to €1,050 million of balance sheet IFRS debt, taking into account the fair value adjustment under IFRS) comprising mainly term loan debt for a total nominal amount of €1,055 million (€1,022 million of balance sheet IFRS debt) which consists of the "Old Term Loan Debt" issued by Tech Finance & Co. S.C.A. in 2013, 2014 and 2015 and maturing in 2020 and the "New Term Loan Debt" issued by Technicolor SA in 2016 and maturing in 2023 (see note 8.3 to the consolidated financial statements).

The Group has a €250 million revolving credit facility entered into in December 2016 (the "RCF"), which replaced two existing credit facilities that were cancelled, as well as a committed receivables facility (the "**Committed Receivables Facility**") under which it may borrow up to €119 million on the basis of the amount of receivables available.

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

The level of its debt may have significant negative consequences for the Group and its shareholders. For example, the debt terms:

- 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 to fund working capital requirements (please refer to the risk factor below entitled "The terms of the Term Loan Debt require the Group to use a large portion of any excess cash flow and the proceeds of certain transactions to repay outstanding Term Loan Debt");
- increase 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 both the Old Term Loan Debt and the RCF contains a single affirmative financial covenant which requires that the total gross debt be not more than 4 times EBITDA on a trailing twelve month basis on June 30 and December 31 of each financial year.

A large number of factors, many of which are outside the control of the Group (including a downturn in the industries in which the Group operates, a general economic downturn, or any of the other risks identified in this document), could cause the Group to fail to comply with such covenants.

In addition, the financial loans documentation includes provisions which limit the Group's flexibility in operating its business. 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 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.

Failure to comply with any of the covenants described in this risk factor may (in certain cases following the expiration of a grace period) constitute an event of default under the financial loans documentation which, absent a waiver from the senior creditors, would provide the senior creditors with the right to declare amounts that are outstanding thereunder at the time of any default (plus accrued interest, fees and other amounts due hereunder) immediately due and payable.

In December 2016, the Group raised new term loans, the proceeds of which were used to partially prepay the existing terms loans. The operational covenants under this new term loan documentation and under the new revolving credit facility also entered into in December 2016, allow for increased strategic flexibility, but will enter into force only when the financial term loans predating December 2016 are fully repaid.

A breach of the obligations under the Committed Receivables Facility may (in certain cases following the expiration of a grace period) constitute a default hereunder.

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

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

The terms of the financial loans documentation require the Group to use a large portion of any excess cash flow and the proceeds of certain transactions to repay outstanding amounts of debt thereunder.

Under the mandatory prepayment terms of the financial loans documentation, the Group is required to apply funds towards the repayment of outstanding amounts of the debt thereunder 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 revolving credit facility and term loans, subject to certain minimum thresholds and with certain carve-outs.

Complying with these obligations significantly reduces the amount of funds available to fund the Group's working capital requirements and, together with the limitations contained in the covenants described above, also limits the Group's investment capacity.

3.2 MARKET RISKS

GRI [G4-2]

3.2.1 RISK OF INTEREST RATE FLUCTUATIONS

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

The Group is mainly exposed to interest rate risk on its deposits and indebtedness. 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. See note 8.2.2.2 to the consolidated financial statements of this Registration Document for more information about this risk.

3.2.2 RISK OF EXCHANGE RATE FLUCTUATION

Foreign exchange rate fluctuations can affect the Group's operating results as a significant portion of its revenues are denominated in currencies other than the euro.

A significant part of the Group's 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. This reflects the Group's strong presence in the United States, particularly in the Entertainment Services and Connected Home operating segments. In 2016, 51% of the Group's consolidated revenues came from the United States. The majority of sales by the subsidiaries are in their domestic currencies. With limited exceptions, the subsidiaries prepare their income statements in their domestic currency and the income statements are then translated into euro at a monthly average currency exchange rate, as the Group's consolidated financial statements are denominated in euro. As a result, fluctuations in exchange rates, and particularly in the U.S. dollar/euro exchange rate, can have a significant translation impact on the Group's revenues. In 2016 exchange rate fluctuations of all currencies had a negative impact of €35 million on the Group's revenue and a negative impact of €2 million on profit from continuing operations before tax and net finance costs. As the average U.S. dollar rate versus the euro in 2016 was roughly stable compared to 2015, the main translation impact on revenues in 2016 was due to the British pound (average rate versus the euro depreciated by 12% compared to 2015). The translation impact in 2016 on profit/(loss) from continuing operations before tax and net finance costs was due to currency movements of several currencies. 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.

Foreign exchange rate fluctuations can affect the Group's operating results due to revenues generated and expenses incurred in different currencies, particularly the U.S. dollar.

To the extent that the Group incurs 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. In particular, some of the sales in U.S. dollars and in euro have related expenses in the Mexican peso and the Polish zloty respectively, due to the Group's manufacturing facilities in Mexico and Poland. Moreover, the Group also has sales in Europe in euro where a portion of the expenses, related to the purchase of products from Asian suppliers, is in U.S. dollars. The subsidiaries in the United Kingdom also have transactional exposures to both the U.S. dollar and the euro.

Although the Group may hedge against currency 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. Volatility in currency exchange rates may generate losses, which could have a material adverse effect on the Group's financial condition or results of operations.

See also note 8.2.2.1 to the consolidated financial statements.

3.2.3 RISKS RELATED TO LIQUIDITY

The Group's access to the financial markets could be limited if its financial situation deteriorates.

Technicolor's access to financial markets could become limited if its financial situation or general market conditions deteriorate. See note 8.2.3 to the consolidated financial statements for more information.

For additional discussion on the Group's liquidity position and certain related risks, please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.10: "Liquidity and Capital Resources", the note 8 of the consolidated financial statements and section 3.1: "Risks Related to the Group's Financial Structure" of this Chapter.

3.2.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of forward exchange contracts and currency swaps is computed by discounting the difference between the contract and the market forward rate and multiplying it by the nominal amount. The fair value of all current assets and liabilities (trade accounts receivable and payable, short-term loans and debt, cash, bank overdrafts) is considered to be equivalent to the net book value, due to their short-term maturities. For the Term Loan Debt, the Group uses the observed market trading levels of this debt to determine the fair value.

For a tabular presentation of the fair value of the derivative financial instruments as of December 31, 2016, see note 8.5 to the consolidated financial statements. See also note 8.1 to the consolidated financial statements for information on the fair value of the financial assets and liabilities. For other information on the borrowings and the financial instruments and market-related exposures, see note 8 to the consolidated financial statements.

3.3 RISKS RELATED TO THE BUSINESS

GRI [G4-2]

3.3.1 RISKS RELATED TO COMMERCIAL ACTIVITY

The Group's businesses depend on long-term maintenance of relationships and contractual arrangements with a limited number of significant customers within the Media & Entertainment industry. A failure to maintain such relationships could materially affect the Group's results of operations.

The Group's businesses operate in the Media & Entertainment industry, a concentrated market with a limited number of significant customers, and where customer relationships have historically played an important role. As a result, several of the Group's businesses depend on a small number of major customers and the long-term relationships and contractual arrangements with them.

For instance, in the Entertainment Services segment, revenue generation depends in large part on the Group's relationships with a number of major motion picture Studios, TV broadcasters or game publishers, based on either project-specific agreements or multi-year contracts where possible. The top five customers in the Entertainment Services segment accounted for 49% of the segment's revenues and 20% of the Group's consolidated revenues in 2016. A large proportion of the revenues of the Connected Home segment is generated from large Pay-TV Operators and Network Service Providers. The top five customers in the Connected Home segment accounted for approximately 44% of the segment's revenues and 24% of the Group's consolidated revenues in 2016. Overall the Group's 10 largest customers accounted for 46% of the Group's consolidated revenues in 2016. If the Group fails to maintain and strengthen these relationships, its significant customers may be less likely to purchase and use its technologies, products, and services, which could have a material adverse effect on results of operations, business and prospects.

Although the Group has signed multi-year contracts with many of its customers, the main part of the major customer relationships include multiple contractual arrangements with varying terms and conditions and expiration dates, and certain contracts come up frequently for renewal across each of the business lines. If the Group's customers decide to terminate these contractual arrangements in accordance with their terms, if the Group is unable to renew them when they expire or if it is only able to renew them on significantly less favorable terms, the Group's operating results could be adversely affected. Further, 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 have a material adverse change on operations and prospects.

The Group's results depend on the customers' demand for its technologies, products and services. A decrease in demand could materially adversely affect the Group's results of operation.

The demands of the Group's customers to purchase its technologies, products and services may depend on a variety of factors, including consumer behavior and preferences, macroeconomic trends or technologies adopted as industry standards. The Group's operating results depend in part upon industry participants electing to adopt the Group's technologies, products and services instead of those of the Group's competitors.

In order to anticipate and prevent the deterioration of major customer relationships, the Group closely and continuously monitors its sales and marketing process and, in particular, the renewal and renegotiation of key contracts. Each segment has devised account and marketing strategies for major customers and formulated plans for new client development. All such plans, along with the evolution of sales and marketing activity, are regularly reviewed by management. The Group performs a systematic formal review process for offers

prior to their submission to clients, according to strategic and financial criteria and tiered approval levels.

The most significant commercial proposals made to customers are subject to prior approval by the Investment Committee, chaired by the CEO (please refer to Chapter 4: “Corporate governance, and Internal Control”, section 4.2.2: “Internal Control Procedures” of this Registration Document). Among the financial criteria, the analysis of the impact of each project on cash flow and the demand for working capital receives particular attention, as does the return on investment.

3.3.2 RISKS RELATED TO THE CAPACITY TO DEVELOP PRODUCTS AND SERVICES THAT RESPOND TO CUSTOMERS’ TECHNOLOGICAL CHOICES

If the Group does not continue to develop innovative products, services and technologies in response to industry changes, or if the Group does not correctly anticipate future developments, its business may be materially adversely affected.

The Media & Entertainment industry is characterized by rapid change and technological evolution. The markets for the Group’s technologies, products and services are driven by improvements in technology and new product introductions, changing consumer preferences, evolving industry standards and technology and product obsolescence.

The Group has oriented its strategy and investment plans based on its expectations regarding the development of the Group’s markets, such as the adoption of Ultra High Definition and High Dynamic Range content display technologies in consumer electronics, the increasing prevalence of digital technology in the production and postproduction of entertainment content, including, among others, animation, visual and audio effects and color enhancement, immersive media (Virtual Reality, Augmented Reality and mixed reality), and the development of Over-the-Top (OTT) services and devices, on-demand and multiscreen media consumption. These trends will impact the rate of transition from certain existing and/or mature activities toward new activities. The Group’s expectations and scenarios may not be accurate, which may require adjustments in its strategy, relationships with suppliers and customers and the development of the Group’s products, services and technologies.

In an effort 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. The Group also invests and participates in organizations that set technology standards. 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. As a means to address customers’ technology choices in Immersive Media, Technicolor has formed an executive Virtual Reality (VR)/Augmented Reality (AR) Board, identified business model opportunities, vendor and project protocols in this emerging technology area. In addition, the recently launched Technicolor Experience Center is tasked with developing high- value content, platforms and technology for VR, AR and other immersive media applications. Finally, the Group also emphasizes customer relationship management as a means to mitigate this risk.

3.3.3 RISKS RELATED TO CHANGES IN THE LICENSING BUSINESS

If the Group is unable to replace revenues derived from expiring patents or dissolving patent pools, the revenues and substantial profits generated by the Group’s Licensing business would substantially decrease.

Revenues in the Group’s Licensing business are derived from licensing the Group’s patents or a portfolio of patents that belong to a pool of licensors to third parties; revenues from these licenses therefore depend in large part upon the life of the licensed patents. As of December 31, 2016, the Group’s patent portfolio included more than 30,000 patents and applications worldwide and approximately 54% of this patent portfolio had a remaining term of over 10 years.

The Group’s Licensing revenues accounted for 6% of the Group’s consolidated revenues in 2016, to compare to 13% in 2015. The Technology segment, which primarily reflects the Group’s Licensing activities, accounted for 34% of the Group’s adjusted EBITDA from continuing operations in 2016, to compare to 70% in 2015.

The Group depends on the sale by its licensees of products that incorporate its technologies and any reduction in these sales would adversely affect revenues from the Group's Licensing activities.

Since the Group does not control the volume of licensed products, if licensees were to sell fewer licensed products due to decreased marketing efforts, significant economic difficulties, changes in consumer tastes or trends or for any other reason, the Group's Licensing revenues could be adversely affected, thereby materially affecting the Group's results of operations and financial condition.

In addition, licensing agreements typically have an average duration of five years. If the Group is unable to renew license agreements either at all or on equally favorable terms, the Group's Licensing revenues may be negatively affected.

Revisions to patent laws and regulations in the U.S. and abroad may adversely impact the Group's ability to obtain, license, and enforce its patent rights.

The Group's Licensing business depends in part on the uniform and consistent treatment of patent rights in the U.S., Europe and elsewhere. Changes to these patent laws and regulations may limit the Group's ability to obtain, license, and enforce its rights. Additionally, court and administrative rulings may interpret existing patent laws and regulations in ways that adversely affect the Group's ability to obtain, license, and enforce its patents.

For example, recent rulings by the U.S. Supreme Court concerning injunctions may make it more difficult, under some circumstances, for the Group to obtain injunctive relief against a party that has been found to infringe one or more of its patents, and rulings regarding patent challenges by licensees could potentially make it easier for its licensees to challenge the Group's patents even though they have already agreed to license a patent from the Group. Any inability to obtain or enforce the Group's patents could result in an adverse effect on the Group's Licensing revenues, and therefore on the Group's operating results and financial condition.

Decisions of industry standards-setting bodies may adversely affect the Group's Licensing revenues.

In the future, standards-setting bodies in the Media & Entertainment industry may require the use of "open standards," meaning that the technologies necessary to meet those standards are freely available without payment of a licensing fee. The use of open standards may therefore reduce the Group's opportunity to generate Licensing revenues, thereby negatively affecting the Group's financial condition or prospects.

3.3.4 COMPETITION

The Group faces intense competition in its businesses and if the Group is unable to compete successfully, its businesses would suffer.

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

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

In order to identify changing market conditions and minimize the exposure to related risks, the Group regularly reviews the market and competitive landscape and the market positioning throughout the year; frequently reviews the strategic plan/objectives (joint Corporate and Business Division action) and makes adjustments when appropriate based on changing market conditions.

3.3.5 RISKS RELATED TO SUPPLY CHAIN, MANUFACTURING AND DEPENDENCE ON SUPPLIERS

GRI [G4-DMA Procurement practices]

The Group faces quality, operational and reputational risks associated with its reliance on third-party suppliers and manufacturers.

The Group outsources extensive operational activities, including procurement, manufacturing, logistics and other services, such as research and development, to its external suppliers. For example, the Group relies on external partners for manufacturing certain of its finished products, particularly in the Connected Home segment. Reliance on external suppliers and manufacturing partners reduces the Group's ability to prevent products from incorporating defective technology or components, and the Group may be exposed to the effects of production delays or other performance failures of its suppliers. Any defects in the production, quantity or delivery of these products could adversely affect the Group's reputation or operating performance. Reliance on external suppliers and manufacturers may also expose Technicolor to the effects of suppliers' and manufacturers' non-compliance with applicable regulations or third-party Intellectual Property rights.

The Group purchases more than 80% of its direct materials, including raw materials, components and finished products from its top 10 suppliers. In addition, certain raw materials such as DVD polycarbonate and cases or Set-Top Box components come from a limited number of significant suppliers. Any change, delay or disruption in supply by a significant supplier could cause material delays in the Group's production or operations and increase its production costs. The Group manages 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, the Group's operations may be disrupted by external factors beyond the Group's control. In addition, the industries of the main Group's suppliers may experience a further wave of consolidation, thereby reduce the Group's negotiating leverage. As a consequence, it may reduce the ability to meet business objectives, the Group's results of operations could be adversely affected in the event of any severe or prolonged disruption.

The Group's inability to obtain timely delivery of key products or sub-components of acceptable quality could result in material delays, increased costs, and reductions in shipments of the Group's products, any of which could increase its operating costs, harm customer relationships, or materially and adversely affect the Group's business and results of operations.

In order to mitigate the risks inherent to its suppliers, the Sourcing Department has established detailed procedures for operational and contractual monitoring of principal suppliers, including Contract Electronic Manufacturers in Asia and Latin America, and suppliers of key components such as integrated circuits or memory chips as well as suppliers of raw materials used in the production of DVD and Blu-ray™ discs.

Operations at the Group's production and distribution facilities are subject to disruption.

The Group operates various production and distribution facilities globally. These facilities are subject to operational risk, including mechanical and IT system failure, work stoppage, transportation disruption, customs blockage and natural disasters. Any interruption of activity in the Group's production, manufacturing or distribution facilities due to these or other events could result in the disruption to the operation of the Group's activities, which could have an adverse effect on the Group's business, financial condition and/or results of operations.

3.3.6 RISKS RELATED TO PRODUCT DEFECTS OR PRODUCT OR SERVICE QUALITY DEFECTS

The Group's products and services may experience quality problems that can result in decreased sales and higher operating expenses.

The Group's products and services are generally technologically complex and may contain undetected errors, including software or hardware errors, particularly when first introduced or when new versions are released. In addition, to the extent the Group engages contract manufacturers for finished products, as the Group does particularly in the Connected Home segment, the Group is less able to exercise product quality control. As a result, the Group may experience problems with the quality of its products or services, large-scale product recalls, or a decrease in purchases by a major customer following quality issues or defective performance, which in turn may have a negative impact on its reputation and results of operations.

In addition, if the Group's products contain defects, the Group could be required under warranty claims to replace them, which would increase the Group's operating expenses. Moreover, if any such errors cause unintended consequences, the Group could incur substantial costs in defending and settling product liability claims. Although the Group generally maintains insurance to limit product and service liabilities and make provisions in the Group's financial statements with respect to warranties, if these contract provisions are not enforced, if its provisions are insufficient, if the Group cannot obtain or maintain adequate insurance or if liabilities arise that are not effectively limited, the Group could incur substantial costs.

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 Group's main solutions and component suppliers and their effectiveness is assessed through quality audits.

3.3.7 RISKS RELATED TO ACQUISITIONS AND PARTNERSHIPS

Acquisitions, joint ventures and partnerships entered into by the Group could result in integration risks, operating difficulties, Intellectual Property risk, or other adverse consequences.

The Group operates in a dynamic market and as a result, the Group regularly considers possible strategic transactions, including investments, acquisitions, joint ventures and commercial partnerships to expand the Group's offering of products, technologies, and services or to expand the geographic scope of its business. Areas of specific focus in this respect may include, without limitation, increasing the patent and technology licensing portfolio in the Technology segment, developing targeted complementary or synergistic opportunities in the Entertainment Services segment, participating in industry consolidation in the Connected Home segment, and pursuing opportunities in digital entertainment or digital life technology, products or services. The benefits of an acquisition, investment, joint venture or partnership may take considerable time to develop, and the Group cannot be certain that any particular transaction will produce the intended benefits.

Technicolor completed several acquisitions in 2015, including Mikros Image in June, The Mill in September, some assets of Cinram North America and the assets which compose Cisco Connected Devices in November. Although the residual risk is limited, the Group might not have identified all of the risks related to the targets or acquisitions, and any compensation that may be payable by the sellers may prove insufficient.

While the Company has committed significant resources for the review and analysis of Cisco Connected Devices and The Mill, and the acquisition of Cisco Connected Devices is structured as an asset acquisition deal, it might not have identified all of the risks and liabilities associated with these target businesses. The existence of such unidentified risks and liabilities could have significant unexpected negative impacts on the Group, in particular in terms of accounting, finance, legal and tax.

Should the Company identify any risks, liabilities or facts that would provide grounds for holding the sellers contractually liable under the terms of the agreements concluded with them, any compensation that may be owed by the sellers might not be sufficient with regard to the damage incurred, or may fail to be paid by the sellers.

The integration of the acquired activities presents limited residual risks for the Company, considering that most of the integration steps for the 2015 acquisitions have been met.

3.3.8 RISKS RELATED TO CHANGES IN MARKET, TECHNOLOGIES AND CONSUMER DEMAND

The Group faces risks relating to a decline in sales of packaged media.

Historically, optical discs, such as DVD and Blu-ray™ discs, have been an important distribution media for video entertainment content. In November 2015, the Group acquired relevant North American assets from Cinram Group Inc. extending its leadership position and revenue base in DVD Services. However, the increasing usage of connected televisions, streaming devices, tablets, smartphones, and other devices, accompanied by the rapid advancement of online and mobile content delivery, has resulted in a trend toward the use of downloading and streaming services. Although the Group expects that sales of Blu-ray™ discs remain broadly stable in the near term (driven in part by the newly introduced Ultra High Definition Blu-ray™ disc format) with the expected continued decline in overall sales of standard DVD discs, an acceleration of the shift to online and mobile media content consumption could result in an accelerated decline in the Group's DVD revenue from packaged media. In addition, the sales of packaged media in any given year may be affected by the number of movies released by the Group's studio customers and the success of such movies at the box office. Any decline in the number of movies released or their box office performance could negatively affect the revenues of the Group's DVD Services Division and the Group's operating results.

Conditions in the film industry may negatively affect the business of the Entertainment Services segment.

In 2016, the Entertainment Services segment accounted for 40% of the Group's consolidated revenues. While customers in this segment include broadcasters, advertisers, video game and OTT companies, a significant proportion of revenues is generated with major and independent film studios. Revenues in the Entertainment Services segment are dependent on the underlying trends in the film industry. Any adverse changes in the film industry may reduce revenues in the Entertainment Services segment and thereby potentially have a material adverse effect on the Group's results of operations and financial condition. Specifically, 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 have a material adverse change on operations, business and prospects. For example, the Group believes that major film studios will increasingly concentrate their resources on a limited number of large budget, visual effects-"heavy" movies, resulting in greater competition between service providers such as Technicolor for fewer but often larger projects.

Consolidation among our customers may negatively affect the business of Entertainment Services or Connected Home.

The Media & Entertainment industry is going through a period of increased consolidation activities as both content providers and distributors seek to achieve better economies of scale and negotiation power, which may result in consolidation of their supplier base and cause the Group to lose market share if a competing supplier is favored. While we believe that we have strong relationships with our customers and are currently not anticipating material loss of business or impact to our revenue or operating results due to these consolidation activities, there can be no assurance that the Group will not be adversely affected by these consolidation activities, or other similar activities in the future.

The Group may need to engage significant resources to continue meeting the demands of its customers, keep pace with emerging technology or adapt to new regulations.

To maintain the Group's position within an industry characterized by constant and rapid technological evolution, the Group may need to incur significant research and development expenses to continue to design and deliver innovative products, services and technologies for its customers, including technologies that the Group may license to consumer electronics manufacturers and to other third parties.

New products, services, and technologies may be subject to delays in development and may fail to operate as intended. The returns on the Group's investments in new developments may be less than anticipated and the Group may fail to recover any or all of its investments in these projects. Competitors may innovate more quickly or more effectively than the Group does, hindering the Group's ability to successfully market the new technologies, products and services it develops. In addition, if new technologies were to be developed more quickly than anticipated, the Group may not have sufficient financial resources to make such investments. Furthermore, if existing technologies from which the Group derives a significant portion of its revenues were to become obsolete more quickly than anticipated, the Group may have difficulty committing resources to fund new technology and product developments.

The prospect of new regulations, or proposed regulations, may implicate market or consumer behaviors that may have a material adverse effect on the Group's customers, and may require further unanticipated investment in technology and product development by the Group. A recent example was the proposed regulation of set-top-boxes in the United States, which was not passed by the FCC at that time.

The inability to commit the resources necessary to develop new products, services, and technologies in the wake of new technology, consumer trend or regulatory developments could cause a material adverse effect on the Group's businesses and results of operations.

3.3.9 RISKS RELATED TO THE SECURITY OF ASSETS, INCLUDING CYBERSECURITY

GRI [G4-DMA Customer privacy]

The Group's reputation and business may be harmed due to lack of protection of assets. This could lead to a leak or unauthorized access to its customers', its business partners' or its own information or Intellectual Property, or loss of integrity or availability of services and products delivered by the Group

The secure maintenance and transmission of customer information is an essential component of the Group's operations, as the Group is entrusted with the creation and distribution of highly sensitive content on behalf of its customers and business partners. The Group relies on internal and external information systems and technological systems (managed both by the Group and by third parties) that maintain and transmit information. The security of this information may be compromised as a result of system or control failures, inadequate or failed processes, human error, willful breaches (internally and externally) and business interruptions. These events could lead to a breach in the Group's global security protocols and sensitive assets or Intellectual Property, belonging to the Group or its customers, may be lost, disclosed, misappropriated, altered or accessed without consent.

Most of the business of Technicolor consists in delivering services and products in due time. The quality of these deliveries is crucial for Technicolor's reputation, and delays may imply penalties from our customers. Moreover, some of our services and products are delivered to our customers, but benefit end users that are clients of our customers and failed deliveries may create a reputational loss. Loss of availability or integrity of these products or services could therefore impact the clients of our customers, leading to unpredictable consequences.

Although the Group actively monitors compliance with its security standards, the Group cannot guarantee that no security breach will occur. Any security breach of the Group's information, including information related to its technologies, products and services, could result in legal consequences, including regulatory investigations, and lead to loss of revenues or result in reputational damage, thereby materially adversely affecting the Group's results of operations and financial condition.

Most of the security actions related to IT systems are led by the Group's internal security teams, and are devoted to the mitigation of these risks. All these security actions are permanently ongoing, since new subsidiaries are acquired, and new technologies emerge. The security policies and the use of qualified providers, combined with regular security assessments aim at mitigating the risk towards an acceptable level.

Technicolor security standards are continuously reviewed and updated to stay ahead of the industry. Internal and external audits are conducted to monitor compliance with those standards and to continuously improve processes to be more secure throughout the workflow. Technicolor hosts audits from various industry associations including the ISO, MPAA, FACT and CDSA. These audit experiences are utilized not only for security compliance verification but also to ensure Technicolor security standards meet and exceed customer requirements.

3.4 OTHER RISKS

GRI [G4-2]

3.4.1 LITIGATION

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

3.4.1.1 Antitrust procedures

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

Lawsuits, claims, and investigations relating to competition law could materially adversely affect the Group's situation.

The Group is subject to certain lawsuits in Europe and an investigation in Brazil relating to alleged anti-competitive conduct, in connection with the former cathode ray tubes business. The Group has managed in a recent past to settle all similar lawsuits in the United States.

Should the Group ultimately be held liable to any third parties, become subject to fines or penalties in respect of any such alleged conduct, 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 these lawsuits that remain pending.

The Group is vigorously defending the lawsuits and claims.

3.4.1.2 Toxic tort lawsuits in Taiwan

Lawsuits brought by alleged former workers (or their heirs) seeking compensation for alleged exposure to various contaminants.

Technicolor and certain of its subsidiaries are being sued by an association of former employees (or heirs of former employees) at a former manufacturing facility in Taiwan. They allege exposure to various contaminants while living and working at the facility, which they allege 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. The Taiwan court announced its ruling in April 2015 and entered judgment against Technicolor SA and its subsidiaries TCETVT and TCE Bermuda for approximately NTD 564 million (€17 million at the December 31, 2016 exchange rate) plus interest. Technicolor SA, TCETVT and TCE Bermuda have appealed the ruling. The association has also filed an appeal. In 2016, the association brought a second lawsuit against Technicolor and certain of its subsidiaries on behalf of additional former workers making virtually identical allegations as were made in the first lawsuit. This lawsuit is in very early stages. See note 10 to the consolidated financial statements for more information.

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.

3.4.1.3 Other litigations

The Group is, and may become subject to, legal and regulatory proceedings.

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 become 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 10.2 to the Group's consolidated financial statements in this Registration Document.

Except for the litigation described in note 10.2 to the consolidated financial statements, there are no other governmental, judicial or arbitration proceedings of which the Group is aware, that are currently pending or threatened, which could have, or have had over the past 12 months, a material effect on the financial situation or profitability of the Group.

3.4.2 RISKS RELATED TO HUMAN RESOURCES

The Group depends on key personnel and competencies, and the loss of some of its key employees could have a material adverse effect on the Group.

The Group's success depends on the continued involvement of its management team in the operations and on the skills, technical knowledge and industry familiarity of key employees in many of the Group's businesses. A limited number of individuals have primary responsibility for managing various aspects of the Group's business, including relationships with key customers. The loss of a key member of the Group's management team or a key employee, whether as a result of retirement, a competing employment offer or for any other reason, could prevent the Group from executing its business strategy, cause the Group to lose key customer or licensee relationships and have a material adverse effect on the Group's operations, financial condition and prospects.

In order to limit the impact that these risks might have, the Group has established a set of Human Resource management programs, such as an annual Talent Review and succession planning process for key positions in each segment, specific training initiatives to maintain and develop critical skills when and where needed, and development programs for high potential profiles. In addition, Management Incentive programs have been implemented to retain and engage management on Technicolor performance. These different programs are regularly monitored by the Executive Committee and validated by the Board.

Labor disruptions could affect the Group's results of operations.

In certain countries in which the Group operates, a significant number of its employees are covered by collective bargaining agreements with labor unions. There can be no assurance that a work slowdown, or a work stoppage or strike as a result of political or economic conditions or for other reasons, will not occur prior to or upon the expiration of the Group's labor agreements, and the Group is unable to estimate the adverse effect of any such work slowdown, stoppage or strike on its sales. More generally, work slowdowns, stoppages or other labor-related developments could have a material adverse effect on the Group's business, financial condition, results of operations or prospects. Such risks are managed through anticipation by development of crisis scenarios and sustained relationship with labor unions.

3.4.3 RISKS RELATED TO ECONOMIC AND SOCIAL CONDITIONS

General economic conditions may have an adverse effect on the Group's revenues and financial condition.

The Group's revenues depend in part on the general economic environment in which the Group operates, as economic conditions affect demand for its technologies, products and services. The Group's business could be affected by decreasing consumer demand, as many of the Group's products, such as DVD and Blu-ray™ discs or set top boxes and gateways (including modems and routers), and the products in which its patents are incorporated, particularly by consumer electronics manufacturers including TVs, smartphones and other portable media devices, are discretionary goods for end-users. Any deterioration of macroeconomic environment may adversely affect consumer confidence, disposable income and spending, and result in decreased volumes for certain of the Group's products or increased demand for lower-end products at the expense of higher-end products. Furthermore, weakness in general economic conditions may result in an increasing number of the Group's licensees or 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.

The Group may be vulnerable to political, macroeconomic, regulatory environments or circumstances specific to the countries in which the Group operates and in which its technologies, products and services are sold.

The Group sources and produces a significant number of goods from or in emerging markets and sells its technologies, products and services in these markets. In 2016, the Group generated approximately 15% of its consolidated revenues in emerging markets, predominantly in Latin America and in the Asia-Pacific region. As such, the Group is subject to risks associated with doing business internationally. Such risks include economic, political and social instability, capital and exchange controls, expropriation or nationalization of assets, compliance with different legal and regulatory requirements and tax regimes, Gross Domestic Product (GDP) volatility, inflation, currency fluctuations and devaluations, restrictions on repatriation of funds, requirements relating to withholding taxes on remittances and other payments by subsidiaries and potentially negative consequences from changes in tax laws or their interpretation. These risks could disrupt the Group's production in the relevant countries and negatively affect the Group's ability to produce and procure goods for sale in its North American and European markets. The Group's future results may therefore be adversely affected by any of these factors. In addition, the Group may

face increasing difficulty in protecting its Intellectual Property rights in emerging market countries.

In the United States, regulatory changes related to the Pay-TV industry may be proposed that may have significant impact on our customers, in particular those of our Connected Home segment. While it is uncertain if such changes may happen, they may have material adverse effects on the Group's revenue and operating results.

Our Production Services activities are impacted by regional tax-incentives aiming to attract film and TV production activities. Any changes in tax incentives may cause significant increase or decrease of production activities in any given location. While the Group has been effective in optimizing the geographical footprint of its Production Services activities accordingly, and expect that it will continue do so, there can be no assurance that the Group will not be adversely affected by changes in regional tax-incentives.

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.

3.4.4 RISKS RELATED TO THE ENVIRONMENT

GRI [G4-DMA Compliance]

The costs of complying with environmental protection and health and safety laws and any liabilities arising thereunder, may increase and adversely affect the Group's business or financial condition.

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.

Environmental laws are complex, change frequently and have tended to become more stringent over time. While the Group seeks to maintain compliance with these laws and regulations and while the Group believes that the provisions the Group has set aside and the contractual guarantees from which the Group benefits provide reasonable coverage for its environmental obligations, the Group could be subject to fines, site closures or other restrictions on its ability to operate and provisioned amounts may not be adequate. Any of these events or circumstances could have an adverse impact on the Group's financial condition. Moreover, future events, such as changes in laws on safety, the environment, or health, or the discovery of new risks, could create additional costs which could have adverse effects on the Group's business, results of operations, or financial condition.

For further details of environmental actions conducted by Technicolor, see Chapter 6: "Social Information and Sustainability", section 6.2: "Environmental Matters" of this Registration Document. See also note 10.2 to the consolidated financial statements.

3.4.5 RISKS RELATED TO THE IMPAIRMENT OF CERTAIN TANGIBLE AND INTANGIBLE ASSETS, INCLUDING GOODWILL

Adverse changes in management's estimates or market conditions could result in asset impairment and may adversely affect the Group's operating results or financial condition.

The Group periodically reviews tangible and intangible assets using certain key assumptions, including budget and cash flow projections and growth rate projections. If management's estimates change or market conditions adversely evolve, the estimate of the recoverable value of these assets could decrease significantly and result in impairment, resulting in a non-cash expense in the Group's consolidated statement of operations, which could have a material adverse effect on the Group's results of operations or financial position. At December 31, 2016, the Group had €1,019 million of Goodwill, €771 million of intangible assets and €286 million of tangible assets. Goodwill on businesses acquired by the end of 2015 were preliminary and final allocation with the help of valuation experts has taken place in 2016. Based on the Group's 2016 impairment review, the Group booked impairments for €10 million on intangible assets, €3 million on tangible assets and no impairment on Goodwill.

Of the €1,019 million of Goodwill at December 31, 2016, €379 million relate to DVD Services, for which any significant change in assumptions as described in note 4.4.2 to the 2016 Financial Statements could have an immediate impact on impairment calculations and lead to further impairments. Worse than anticipated market conditions could result in additional impairment charges in the Group's consolidated statement of operations. The discounted cash 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.

We 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.

3.5 INSURANCE

Technicolor arranges global insurance programs covering the major risks related to its activities that are underwritten with well-known insurers *via* global brokers. These programs, established on behalf of its subsidiaries worldwide, are implemented through a "Master" insurance policy that strengthens the coverage offered by local policies, and provides "difference in conditions" and "difference in limits" over these policies.

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.

These programs cover risks such as general and professional liability, property and business interruption (the Group carries exposures in high risk natural hazard areas and has purchased adequate specific insurance coverage in this regard). These insurance programs also cover the risk of damage to goods in transit, where such insurance is required, as well as the environmental damage caused by pollution. In addition, Technicolor has insurance for the risks associated with the liability of its Directors and officers.

The Group's insurance policies are issued on an "all risks" basis, but with standard market exclusions. The deductible levels are determined and applied according to the assets and operational risks of the business units. Insurance policies are purchased whenever required by law or when activities or circumstances render them necessary (*e.g.* Employer's Liability in the UK, Workers' Compensation insurance in the U.S).

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 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. The Group does not foresee difficulties in setting up insurance policies in the future. To date, the Group does not have a captive insurance or reinsurance company.

4 CORPORATE GOVERNANCE AND INTERNAL CONTROL

4.1 BOARD OF DIRECTORS 62
- 4.1.1 Corporate governance structure 62
- 4.1.2 Composition and expertise of the Board of Directors 63
- 4.1.3 Other information about members of the Board of Directors 70

4.2 CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT 79
- 4.2.1 Preparation and organization of the Board of Directors' work 79
- 4.2.2 Internal control procedures 86

4.3 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF FRENCH COMMERCIAL CODE (CODE DE COMMERCE) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY 92

4.4 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS 93
- 4.4.1 Compensation policy for Corporate Officers 93
- 4.4.2 Compensation and benefits of the Chairman o the Board of Directors 94
- 4.4.3 Compensation and benefits of Mr. Frédéric Rose, Chief Executive Officer 95
- 4.4.4 Components of the compensation of Mr. Didier Lombard, Chairman of the Board, to be submitted to shareholders' advisory vote 100
- 4.4.5 Components of the compensation of Mr. Frédéric Rose, Chief Executive Officer, to be submitted to shareholders' advisory vote 101
- 4.4.6 Directors' fees and other compensation 104

4.5 EXECUTIVE COMMITEE 105
- 4.5.1 Members of the Executive Committee 105
- 4.5.2 Executive Committee compensation 107

4.1 BOARD OF DIRECTORS

4.1.1 CORPORATE GOVERNANCE STRUCTURE

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

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

Mr. Didier Lombard, Chairman of the Board of Directors since May 22, 2014, resigned from his position on February 27, 2017, having reached the age of 75. The Board of Directors decided to appoint Mr. Bruce Hack as Chairman of the Board on February 22, 2017, effective February 27, 2017. Mr. Frédéric Rose, Company Director, has been Chief Executive Officer since September 1, 2008, his term of office as Chief Executive Officer being indefinite.

The choice to separate the offices of Chairman of the Board and Chief Executive Officer was made in 2009 in order to allow the Chief Executive Officer to focus on the execution of the Group's strategy and management.

The powers of the different management bodies are described in Chapter 4 "Corporate governance and internal control" sub-section 4.2.1.2: "Structure of Board of Directors' works – Internal Board Regulations" of this Registration Document.

4.1.2 COMPOSITION AND EXPERTISE OF THE BOARD OF DIRECTORS

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

Composition of the Board of Directors as of March 31, 2017

Bruce Hack
Independent Chairman of the Board of Directors
(Strategy Committee, Nominations and Governance Committee)

Frédéric Rose
Chief Executive Officer
(Strategy Committee)

Laura Quatela
Independent Director
(Strategy Committee, Nominations and Governance Committee, Remunerations Committee)

Bpifrance Participations
represented by Thierry Sommelet, Independent Director
(Strategy Committee, Nominations and Governance Committee)

Hilton Romanski
Independent Director
(Strategy Committee)

Birgit Conix
Independent Director
(Audit Committee)

Virginie Calmels
Board Observer

Melinda J. Mount
Independent Director
(Audit Committee, Remunerations Committee)

Hugues Lepic
Independent Director
(Remunerations Committee)

Ana Garcia-Fau
Independent Director
(Nominations and Governance Committee, Audit Committee)

Nicolas Grelier
Director representing the employees
(Strategy Committee, Remunerations Committee)

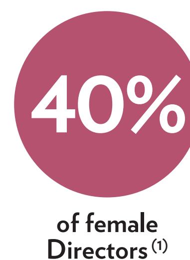
Didier Lombard
Non-Independent Director

Audit Committee | Remunerations Committee | Nominations and Governance Committee | Strategy Committee

As of March 31, 2017:

average age of Directors

of Independent Directors (1)



of female Directors (1)

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

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

- 11 Directors, including the Chief Executive Officer and the Chairman of the Board of Directors;
- 8 Independent Directors;
- 1 Director representing employees (Mr. Nicolas Grelier, appointed on June 27, 2014 for a three-year term, in accordance with Article L. 225-27-1 of the French Commercial Code and the Company's bylaws);
- 1 Board Observer (Ms. Virginie Calmels, who resigned from her position as Director in order to fulfill the mission of Board Observer, a function that allows her greater availability for her other activities);
- 4 women;
- 6 foreign Directors and 1 with dual Franco-American nationality.

2016 was marked by the resignation of Ms. Virginie Calmels and the arrival of several new Directors, including:

- Bpifrance Participations on January 8, 2016 (represented first by Mr. Bertrand Finet and then by Mr. Thierry Sommelet);
- Ms. Birgit Conix;
- Ms. Ana Garcia Fau; and
- Ms. Melinda Mount.

The early part of 2017 was marked by the resignation as Chairman of the Board of Directors, on February 27, 2017, of Mr. Didier Lombard. The Board of Directors decided on February 22, 2017 to appoint Mr. Bruce Hack as Chairman of the Board of Directors, with effect on February 27, 2017. Mr. Bruce Hack has been Lead Independent Director since May 2014 and Vice-Chairman of the Board of Directors since February 2016, all of which prepared him for his new role.

Changes in the composition of the Board of Directors in 2016 and until the date of the present Registration Document

	Name	Gender	Nationality	Date on which term of office began	Date on which term of office ended
Directors whose term of office was ratified at the 2016 Annual General Shareholders' Meeting*	Bpifrance Participations	M	French	January 2016	2018 AGM*
	Hilton Romanski	M	U.S.	November 2015	2016 AGM*
Directors whose term of office was renewed at the 2016 Annual General Shareholders' Meeting*	Bruce Hack	M	U.S.	February 2010	2019AGM*
	Laura Quatela	F	U.S.	May 2013	2019 AGM*
	Hilton Romanski	M	U.S.	November 2015	2019 AGM*
Directors who joined the Board of Directors at the 2016 Annual General Shareholders' Meeting*	Birgit Conix	F	Belgian	April 2016	2019 AGM*
	Ana Garcia Fau	F	Spanish	April 2016	2019 AGM*
	Melinda J. Mount	F	U.S.	April 2016	2019 AGM*

* *Annual General Shareholders' Meeting.*

Information on Directors present in 2016

Age	Gender	Nationality	Main business address	Other positions	Start of term of office	Expiration of term of office	Audit Committee (as of December 31, 2016)	Nominations and Governance Committee (as of December 31, 2016)	Remunerations Committee (as of December 31, 2016)	Strategy Committee (as of December 31, 2016)
Bruce Hack, Chairman of the Board of Directors since February 27, 2017 (previously Lead Independent Director and Vice-Chairman of the Board of Directors)										
68	M	U.S.	Technicolor 1-5, rue Jeanne-d'Arc 92130 Issy-les-Moulineaux	Company Director	February 2010	2019 AGM*	Chairman	Member	Chairman	
Didier Lombard, Chairman of the Board of Directors until February 27, 2017 (then Non-Independent Director)										
75	M	French	Iris Capital 62, rue Pierre-Charron 75008 Paris	Company Director	May 2004	2017 AGM*		Chairman		Member
Frédéric Rose, Chief Executive Officer and Director										
54	M	Franco-American	Technicolor 1-5, rue Jeanne-d'Arc 92130 Issy les Moulineaux	-	October 2008	2018 AGM*				Member
Bpifrance Participations, represented by Bertrand Finet, Independent Director										
51	M	French	Bpifrance Participations SA 27-31, av. du Général-Leclerc 94710 Maisons Alfort Cedex	-	January 2016	2018 AGM*	Member	Member		
Virginie Calmels, Independent Director, then Board Observer										
46	F	French	Mairie de Bordeaux Place Pey-Berland 33000 Bordeaux	Company Director	May 2014	April 2016				
Birgit Conix, Independent Director										
51	F	Belgian	Liersesteenweg 4B-2800 Mechelen Belgium	Chief Financial Officer of Telenet	April 2016	2019 AGM*	Member			
Ana Garcia Fau, Independent Director										
48	F	Spanish	Technicolor 1-5, rue Jeanne-d'Arc 92130 Issy les Moulineaux	Company Director	April 2016	2019 AGM*	Member	Member		
Nicolas Grelier, Director representing employees										
40	M	French	Technicolor Connected Home France 975, av. des Champs-Blancs 35576 Cesson-Sévigné	Engineer at Technicolor Connected Home France	July 2014	July 2017			Member	Member
Hugues Lepic, Independent Director										
52	M	French	Aleph Capital Partners LLP 14 St George Street 3rd Floor London W1S1FE	Chief Executive Officer of Aleph Capital Partners LLP	December 2012	2017 AGM*			Member	
Melinda J. Mount, Independent Director										
57	F	U.S.	Technicolor 1-5, rue Jeanne-d'Arc 92130 Issy les Moulineaux	Company Director	April 2016	2019 AGM*	Member		Member	
Laura Quatela, Independent Director										
59	F	U.S.	Technicolor 1-5, rue Jeanne-d'Arc 92130 Issy les Moulineaux	Senior Vice-President, Head of the Legal Affairs Department at Lenovo	May 2013	2019 AGM*		Member	Member	Chairman
Hilton Romanski, Independent Director										
44	M	U.S.	Cisco Systems, Inc. 170 West Tasman Drive San Jose California 95134	SVP Chief Strategy Officer at Cisco Systems, Inc.	November 2015	2019 AGM*				Member

* *Annual General Shareholders' Meeting.*

Independence of Directors

The independence of the Board of Directors, in the absence of any controlling shareholder, is of great importance for the Company in order to ensure that the Board of Directors, as a body, represents not only the whole community of shareholders, but also the interests of the Company and of other stakeholders, employees and partners. To that purpose, over the last few years, Independent Directors have always accounted for at least two-thirds of the Directors appointed by the General Shareholders' Meeting.

At its meeting on February 22, 2017, 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"), which the Company has adopted (see paragraph 4.2.1.1 below). According to this Code, *"a Director is independent when he or she has not relationship of any kind whatsoever with the corporation, its group or its management that may interfere with his or her freedom of judgment"*.

As regards the "business relationships" criterion, should this type of relationship exist between the Company and the group from which the Director has come, the Board of Directors shall conduct, where appropriate, a quantitative and qualitative review of such business relations to determine whether, from the perspective of the two co-contracting parties, they are significant enough to be an obstacle to a Director's independence. The specific criteria taken into consideration by the Board are:

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

As of March 31, 2017, 8 of the 10 Directors (other than the Director representing employees) were deemed to be independent. See below the summary of the assessments made by the Board of Directors meeting held on February 22, 2017.

<table>
<tr><th>Name</th><th colspan="6">Discussion</th><th>Independent</th></tr>
<tr><td rowspan="3">Bruce Hack</td><td colspan="6">Until September 18, 2016, Mr. Hack was Chairman of Maximum Play, Inc., a Californian company 48%-owned by Technicolor USA Inc. (32% on a fully-diluted basis) but neither controlled nor consolidated by Technicolor. Maximum Play, Inc. never generated any revenue and has now been dissolved. Mr. Hack resigned from this term on September 18, 2016 and never received any compensation for said term, having specifically relinquished all stock options that were granted to him by Maximum Play, Inc.</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></tr>
<tr><td>●</td><td>●</td><td>●</td><td>●</td><td>●</td><td>●</td></tr>
<tr><td rowspan="3">Didier Lombard</td><td colspan="6">Since May 2016, Mr. Didier Lombard is no longer considered as an Independent Director, having served on the Company's Board of Directors for more than 12 years.</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></tr>
<tr><td>●</td><td>●</td><td>●</td><td>●</td><td>●</td><td>Yes</td></tr>
<tr><td rowspan="3">Frédéric Rose</td><td colspan="6">Mr. Rose is Chief Executive Officer of the Company.</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></tr>
<tr><td>Yes</td><td>●</td><td>●</td><td>●</td><td>●</td><td>●</td></tr>
</table>

Name	Discussion						Independent
Bpifrance Participations, represented by Bertrand Finet, then Thierry Sommelet	Bpifrance Participations holds less than 10% of the share capital.						Yes
	Employee/ Executive Officer over the last five years	**Cross-directorships**	**Significant business relations**	**Family ties**	**Statutory Auditor**	**Term of office lasting more than 12 years**	
	•	•	•	•	•	•	
Birgit Conix	Ms. Birgit Conix meets all requisite criteria to be considered as Independent Director.						Yes
	Employee/ Executive Officer over the last five years	**Cross-directorships**	**Significant business relations**	**Family ties**	**Statutory Auditor**	**Term of office lasting more than 12 years**	
	•	•	•	•	•	•	
Ana Garcia Fau	Ms. Ana Garcia Fau meets all requisite criteria to be considered as Independent Director.						Yes
	Employee/ Executive Officer over the last five years	**Cross-directorships**	**Significant business relations**	**Family ties**	**Statutory Auditor**	**Term of office lasting more than 12 years**	
	•	•	•	•	•	•	
Hugues Lepic	Mr. Lepic's capital interest, which represents 0.98% of the share capital (see section 4.1.3.4: "Corporate Officers' shareholdings in the Company's registered capital" of this Chapter) does not interfere with his freedom of judgment. To the contrary, the equity interest of Mr. Lepic demonstrates that his interests are aligned with those of other long-term shareholders, and reinforces his control of the decisions of the Board. His vision as a shareholder is of great importance for the functioning of the Board.						Yes
	Employee/ Executive Officer over the last five years	**Cross-directorships**	**Significant business relations**	Family ties	**Statutory Auditor**	**Term of office lasting more than 12 years**	
	•	•	•	•	•	•	
Melinda J. Mount	Ms. Melinda J. Mount meets all requisite criteria to be considered as Independent Director.						Yes
	Employee/ Executive Officer over the last five years	**Cross-directorships**	**Significant business relations**	**Family ties**	**Statutory Auditor**	**Term of office lasting more than 12 years**	
	•	•	•	•	•	•	
Laura Quatela	The service agreement between Technicolor and Quatela Lynch Intellectual Property LLC, an Intellectual Property consultancy firm in which Ms. Quatela used to be a Partner, was terminated in April 2016. It was approved by the Annual General Meeting on April 29, 2016. Ms. Quatela has since ceased to act as an advisor and is now Senior Vice-President, Head of the Legal Affairs Department at Lenovo. The Board of Directors noted that there were no direct business links between Technicolor and Lenovo.						Yes
	Employee/ Executive Officer over the last five years	**Cross-directorships**	**Significant business relations**	**Family ties**	**Statutory Auditor**	**Term of office lasting more than 12 years**	
	•	•	•	•	•	•	
Hilton Romanski	Cisco Systems, Inc. holds less than 10% of 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**	
	•	•	•	•	•	•	

Expertise of Board Members

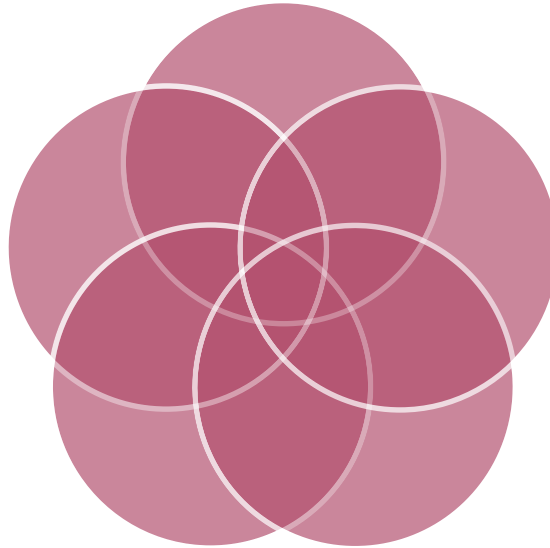
Members of the Board of Directors have been selected by the Nominations and Governance Committee and by the Board taking into account not only their own expertise but also the complementary nature of the competencies of each member with those of other members, so that the combined expertise of Board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

Name	Skills
Bruce Hack	■ Recognized Media & Entertainment sector professional with a strong expertise in the videogaming industry
Didier Lombard	■ Experience in the areas of technology and research in high-tech companies
Frédéric Rose	■ Extensive experience in the areas of technology and research acquired by carrying out his duties in high-tech companies ■ Experience in being at the helm of technology companies in a constantly evolving environment
Virginie Calmels	■ Recognized Media & Entertainment sector professional with a strong expertise in the TV broadcasting industry
Birgit Conix	■ Financial experience within listed companies in the cable operator industry, a sector in which the Company has numerous customers
Ana Garcia Fau	■ International financial profile ■ Experience of management at an international level at the helm of operating businesses
Nicolas Grelier	■ Lengthy experience in the field of the Connected Home
Laura Quatela	■ Considerable strategic expertise in the technology and Intellectual Property sectors
Hugues Lepic	■ Significant experience in corporate finance acquired in private equity and investment experiences
Melinda J. Mount	■ Financial skills and strategic expertise ■ Specific experience in the technology as well as Media & Entertainment sectors
Hilton Romanski	■ Strategic insight in the area of technology which is extremely useful for supporting the Company's future development, as a result of working at Cisco Systems, Inc. (Chief Strategy Officer), a top worldwide technologies group
Thierry Sommelet	■ Significant experience in the technology and media industries

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

Technology
Birgit Conix, Laura Quatela,
Melinda J. Mount, Hilton Romanski,
Didier Lombard, Frédéric Rose, Thierry Sommelet

Strategy
Laura Quatela, Melinda J. Mount,
Hilton Romanski, Frédéric Rose



Medias & Entertainment
Bruce Hack, Virginie Calmels,
Melinda J. Mount, Thierry Sommelet

Connected Home
Birgit Conix, Nicolas Grelier

Finance
Birgit Conix, Ana Garcia Fau,
Hugues Lepic, Melinda J. Mount

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 section 4.2.1.3 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 4.1.3.1 below.

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

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

4.1.3 OTHER INFORMATION ABOUT MEMBERS OF THE BOARD OF DIRECTORS

GRI [G4-38]

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

This section contains the biographies and information about the directorships held by Directors in office during fiscal year 2016.

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

Bruce Hack

Mr. Bruce Hack is the founder and 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), DemeRx and 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. Bruce Hack holds a BA from Cornell University and an MBA from the University of Chicago.

Current Directorships:

OUTSIDE FRANCE:

Director of MiMedx Group, Inc.[1], DemeRx, Inc., Overwolf and Games for Change; Chairman of Gong!

Directorships held during the past five years:

None.

Frédéric Rose

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

Current Directorships:

OUTSIDE FRANCE:

Director and Vice-Chairman of Technicolor SFG Technology Co., Ltd.[2]; President of Technicolor Inc.[2]; Chairman of Technicolor Limited (UK)[2].

Directorships held during the past five years:

Director of MediaNaviCo LLC[2]; Director of Logica Plc.[1]; Director of The Weinstein Company Holding LLC.

(1) Publicly traded companies.

(2) Companies belonging to Technicolor group.

Birgit Conix

Ms. Birgit Conix is, since October 2013, Chief Financial Officer and member of the Senior Leadership Team of Telenet, a Belgian stock listed cable company (BEL 20 index). Apart from the Finance function, she is 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 speaks 5 languages fluently, namely Dutch, English, French, Spanish and German and holds a Master degree in Business Economics from Tilburg University Netherlands, and an MBA from the University of Chicago Booth School of Business.

Current Directorships:

None.

Directorships held during the past five years:

None.

Ana Garcia Fau

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 (Ibex 35) 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 for the Spanish and Latin-American businesses (2006-2014), expanding her role to the U.S. Hispanic market, based in Houston, Texas.

Since 2011, Ms. Garcia Fau was part of the Global Executive Committee of Yell/Hibu that defined and executed the digital transformation of the group.

In 2013, she was appointed Chief Global Strategy Officer of Hibu, responsible for strategic partnerships and digital strategy.

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

Current Directorships:

IN FRANCE:

Director of Eutelsat SA(1).

OUTSIDE FRANCE:

Director of Merlin Properties Socimi SA(1), Renovalia Energy Group SL and Gestamp Automocion SA.

Directorships held during the past five years:

OUTSIDE FRANCE:

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

(1) Publicly traded companies.

Nicolas Grelier

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

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

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

On taking up his post on the Board of Directors, Mr. Grelier received training from an external service provider specializing in corporate governance. This training focused on the key principles of corporate governance and the legal framework surrounding the role of Director representing employees, as well as on understanding and interpreting financial statements.

Current Directorships:

None.

Directorships held during the past five years:

None.

Hugues Lepic

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

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

Current Directorships:

OUTSIDE FRANCE:

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

Directorships held during the past five years:

Director of Groupe Eurotunnel SA(1); Participating Managing Director of the Goldman Sachs Group, Inc.(1); Director of Mediannuaire Holding, of PagesJaunes Groupe(1), of Edam Acquisition Holding I Cooperatief U.A.

(1) Publicly traded companies.

Didier Lombard

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

Current Directorships:

IN FRANCE:
Member of the Supervisory Board of Radiall(1).

OUTSIDE FRANCE:
Vice-Chairman of the Supervisory Board of STMicroelectronics(1).

Directorships held during the past five years:

Chairman of the Supervisory Board of STMicroelectronics(1); Director of Thales(1).

Melinda J. Mount

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 seven 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 nine years at Time Warner in various finance and strategy management leadership roles and spent eight years at Morgan Stanley as an investment banker specializing in mergers and acquisitions.

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

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

Current Directorships:

Director of The Learning Care Group.

Directorships held during the past five years:

None.

(1) Publicly traded companies.

Laura Quatela

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 Lenovo's Executive Committee. Ms. Quatela is also the co-founder of Quatela Lynch Intellectual Property LLC, a consultancy firm that specializes in generating maximum value from Intellectual Property. She was President of Eastman Kodak Company from January 2012 to February 2014. Ms. Quatela has joined the Kodak Group in 1999 where she held a number of positions, including General Counsel, Senior Vice-President and Chief Intellectual Property Officer. As Chief Intellectual Property Officer of Kodak, she oversaw the Intellectual Property policy and strategy, chaired the Senior IP Strategy Council, and managed external Intellectual Property affairs.

Before she joined Kodak, she worked at Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb Inc. She was an attorney specializing in class-action lawsuits. 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:

None.

Directorships held during the past five years:

None.

Hilton Romanski

Mr. Hilton Romanski is Senior Vice-President and Chief Strategy Officer of Cisco Systems, Inc. where he is leading investments, mergers, acquisitions and divestitures and manages strategic partnerships. In his previous role, Mr. Romanski was with the Strategy Office of Cisco where he drove the mergers and acquisition strategy.

Prior to joining Cisco in 2001, Mr. Romanski held several positions at J.P. Morgan, including in the Technology, Media and Telecom group and co-founded J.P. Morgan's West Coast telecom practice. He previously worked in J.P. Morgan's New York headquarters where he was an M&A specialist.

Current Directorships:

None.

Directorships held during the past five years:

None.

Thierry Sommelet

Mr. Thierry Sommelet is Managing Director within the Mid & Large Cap Department of Bpifrance Investissement, in charge of the technology, media and telecom sector. Mr. Sommelet has fifteen years of private and public equity investment experience in the telecom and technology sectors, with *Caisse des Dépôts et Consignations* where he was responsible for investment in telecom networks, and with *Fonds stratégique d'investissement* 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.

Current Directorships:

IN FRANCE:

Director of Soitec SA(1), Mersen SA(1); Talend SA(1); Chairman of the Supervisory Board of Greenbureau SA.

Directorships held during the past five years:

IN FRANCE:

Member of the Supervisory Board of Inside Secure SA(1); Sipartech SAS, Cloudwatt SA; Member of the Board of Directors of TDF SAS, Tyrol Acquisition 1 SAS.

Director who had left the Board of Directors as of the date of this Registration Document

Bertrand Finet

Mr. Bertrand Finet has been Executive Director at the Mid and Large Cap equity Division of Bpifrance Investissement since 2015. Prior to 2015, Mr. Finet held various positions within Bpifrance Investissement and the *Fonds stratégique d'investissement* (FSI). Mr. Finet made his career in private equity, having worked successively for 3i Plc, CVC Capital Partners and Candover. Mr. Finet has a Masters in Business Administration from ESSEC.

Current Directorships:

IN FRANCE:

Director of Verallia and Sequana(1).

OUTSIDE FRANCE:

Non-voting Director of Constellium(1).

Directorships held during the past five years:

IN FRANCE:

Director of TDF, Assystem(1) and Mersen(1).

(1) *Publicly traded companies.*

Board Observer

Virginie Calmels

Between January 2013 and February 2017, Ms. Virginie Calmels has been Chairwoman of the Supervisory Board of Euro Disney SCA and Euro Disney Associés S.C.A., after being a member of the Supervisory Board from March 2011. Since March 2014, Ms. Calmels has also been Deputy Mayor of Bordeaux, in charge of Economy and Employment, and since December 2015, she is Deputy President of Bordeaux Metropole and member of Nouvelle Aquitaine region assembly.

Virginie Calmels began her career in 1993 with Salustro Reydel as a Financial Auditor. In 1998, Ms. Calmels joined the Canal+ group where she especially held the offices of Finance Director of NC Numéricable, Chief Financial Officer of Canal+ SA, and Chief Operating Officer of Canal+ SA. In 2003, Ms. Calmels joined the Endemol Group where she successively held the offices of Chief Executive Officer, Chairwoman and Chief Executive Officer, France, and Chief Operating Officer worldwide, a position she left in 2013.

Virginie Calmels is a graduate of the ESC business school in Toulouse, a qualified and certified accountant and Statutory Auditor (DESCF), and a graduate of the Advanced Management Program (AMP) of INSEAD.

Current Directorships:

IN FRANCE:

Founding Chairwoman of SHOWer Company SAS; Director of Iliad SA (Free)[(1)] and Assystem[(1)].

Various directorships in public bodies linked to her elective office within the Mairie de Bordeaux: Director of SBEPEC SAEML; Member of the Supervisory Board of SA Aéroport de Bordeaux-Mérignac; Director of Bordeaux Aeroparc SPL; Director of Bordeaux Gironde Investissement; Director of Gironde Développement; Director of Cité des Civilisations du Vin; Director of Aerospace Valley.

Directorships held during the past five years:

IN FRANCE:

Chairwoman of the Supervisory Board of Euro Disney SCA[(1)] and of Euro Disney Associés SCA[(1)]; Chairwoman of Endemol France SAS, Endemol Fiction SAS, Endemol Productions SAS, Mark Burnett Productions France SAS, NAO SAS, DV Prod, Endemol Jeux, Tête de Prod SAS and Orevi SAS; Chairwoman of the Board of Directors of REGAZ SAEML; Director of Formidooble SAS.

OUTSIDE FRANCE:

Chairwoman of the Board of Directors of Endemol Nordic AB, Endemol Norway A/S and Endemol Sweden AB; Director of Endemol Holdings, Endemol Denmark A/S, Endemol Italia S.p.A, Endemol Espana S.L.; Member of the Supervisory Board of Nijenhuis & de Levita Holding BV.

(1) Publicly traded companies.

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

GRI [G4-27] [G4-41]

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

In connection with the capital increase with preferential subscription rights of November 2015, Bpifrance Participations committed to exercise its preferential subscription rights. At the same time, the Company and Bpifrance Participations agreed that the latter should be appointed as a Director of the Company. Bpifrance Participations was coopted by the Board of Directors on January 8, 2016, to replace Mr. David Fishman, for the remainder of his term, which is until the Annual General Meeting held to approve the financial statements for the year ended December 31, 2017. This co-optation was ratified by the Annual General Meeting of April 2016. Bpifrance Participations had appointed Mr. Bertrand Finet as its permanent representative. Since January 6, 2017, Mr. Thierry Sommelet has been the permanent representative of Bpifrance Participations.

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

4.1.3.3 Regulated agreements – Conflicts of interest

GRI [G4-27] [G4-41]

French law governs agreements known as "regulated agreements". This applies to all agreements which are entered into directly or through an intermediary between the Company and its Chief Executive Officer, or one of its Directors or certain shareholders (shareholders holding more than 10% of the voting rights or, in the case of a corporate shareholder, the parent company controlling it) and which do not relate to ordinary transactions concluded under normal conditions.

In accordance with Article L. 225-38 *et seq.* of the French Commercial Code, these agreements must be submitted to the Board of Directors for special prior authorization, which must be substantiated. The agreements must also be examined in a special report by the Statutory Auditors and the Shareholders' Meeting must be consulted. See Chapter 8: "Financial statements", section 8.8: "Statutory Auditors' report on Regulated Agreements and Commitments" of this Registration Document.

The Annual General Meeting of April 29, 2016 approved a service agreement between the Company and Quatela Lynch Intellectual Property LLC, a company in which Ms. Quatela was a partner. This agreement provided for advisory services and the provision of assistance to the Chief Executive Officer in conducting the transformation plan of the Patents Licensing and Trademarks & Technology Licensing businesses. It was terminated in April 2016.

During fiscal year 2016, no other regulated agreements were authorized by the Board of Directors and signed by the Company.

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.

4.1.3.4 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 by insiders, which include members of the Board of Directors, and makes provision for blackout periods during which such trading is prohibited. This policy also provides that Corporate Officers holding stock options and/or free shares (i) are not authorized to carry out risk hedging transactions in accordance with the AFEP-MEDEF Corporate Governance Code and (ii) are subject to blackouts for the exercise of options.

To the Company's knowledge, the Directors' shareholdings in the Company's registered capital as of March 31, 2017 are as follows:

Directors present on March 31, 2017	Technicolor shares
Bruce Hack	18,000
Frédéric Rose	590,565
Bpifrance Participations	21,853,869
Birgit Conix	1,500
Ana Garcia Fau	1,000
Nicolas Grelier	2(1)
Hugues Lepic	4,071,345
Didier Lombard	5,378
Melinda J. Mount	1,000
Laura Quatela	1,000
Hilton Romanski	200

(1) *Mr. Grelier also holds 306 units of mutual funds as part of the Group Savings Plan.*

The table below shows the transactions in Technicolor's securities carried out during fiscal year 2016 and notified to the Autorité des Marchés Financiers in accordance with Article 19 of Regulation n° 59412014 of April 16, 2014 on Market Abuses 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	September 29, 2016	Acquisitions	Share	100,000	6.0830	608,300
Frédéric Rose	September 29, 2016	Disposal	Share	182,186	6.0830	1,108,238.22
Melinda J. Mount	June 10, 2016	Acquisitions	ADR	1,000	6.2033	6,203
Hugues Lepic	June 06, 2016	Disposal	Share	150,000	6.1362	920,430
Hugues Lepic	June 02, 2016	Disposal	Share	350,000	6.1720	2,160,200
Hugues Lepic	June 01, 2016	Disposal	Share	500,000	6.1589	3,079,450
Birgit Conix	May 31, 2016	Acquisitions	Share	1,500	6.0024	9,003.50
Frédéric Rose	February 23, 2016	Acquisitions	Share	50,000	5.7050	285,245.96

Details regarding stock options granted to Executive Directors are set forth in Chapter 6: "Social Information and sustainability", section 6.1.4: "Stock Option Plans and Free Share Plans" of this Registration Document.

4.1.3.5 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.

4.1.3.6 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.

4.1.3.7 Loans and guarantees granted to Board members

None.

4.2 CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

This report was prepared by Mr. Didier Lombard, Chairman of the Board, pursuant to Article L. 225-37 of the French Commercial Code, with the support of several operational departments of the Company and in particular, the Group's Legal, Financial and IT Departments. It was reviewed by the Audit Committee and the Nominations and Governance Committee. It was approved by the Board of Directors during its meeting of February 22, 2017.

Information relating to the composition of the Board of Directors appears in section 4.1.2: "Composition and expertise of the Board of Directors".

Information regarding elements likely to have an influence in case of a public offer is described in Chapter 5: "Technicolor and its shareholders", section 5.1.10: "Other information relating to share capital".

4.2.1 PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

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

4.2.1.1 Compliance with AFEP-MEDEF Corporate Governance Code

GRI [G4-15]

The Company refers to the AFEP-MEDEF Corporate Governance Code, last updated on November 2016, for the preparation of the report required by Article L. 225-37 of the French Commercial Code.

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

Recommendations of the AFEP-MEDEF Corporate Governance Code not complied with by the Company	Explanation/Action plan
Terms of office of Directors should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of Directors (paragraph 13.2).	The Annual General Meeting of April 29, 2016 rejected the thirtieth resolution which provided for the directorships to be re-staggered.

4.2.1.2 Organization of Board of Directors' works – Internal Board Regulations [G4-34] [G4-35] [G4-42] [G4-47]

GRI

The preparation and organization of the Board of Directors' works are described in the Board of Directors' Internal Regulations, recently changed by the Board of Directors on February 22, 2016, and for which the main provisions are summarized below.

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 Chair 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 member 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 SA 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 SA or the relevant company.

Chairman of the Board of Directors

Mr. Bruce Hack

Powers vested by law

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

Additional powers arising from Internal Board Regulations

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

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

Chief Executive Officer Mr. Frédéric Rose
Powers vested by law Empowered with the broadest powers to act in any circumstances on behalf of the Company, subject to limitations imposed by the corporate purpose and those matters expressly reserved by law to the General Shareholders' Meeting or the Board of Directors. **Limits imposed by Board Internal Regulations** ■ prior authorization by the Board for certain strategic decisions (see above). **Additional powers** ■ specific annual authorization from the Board to issue warranties and guarantees in the name of the Company up to a certain amount.

Board Committees

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

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

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

Board meetings

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

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

Directors' right to information

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

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

Directors' duties

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

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

4.2.1.3 Board of Directors' activities in 2016 [G4-34] [G4-42] [G4-43] [G4-44] [G4-47] [G4-50]

GRI

Attendance rates to Board meetings held in 2016

Name	Attendance rate
Mr. Didier Lombard	100%
Mr. Bruce Hack	100%
Mr. Frédéric Rose	100%
Bpifrance Participations	71%
Ms. Virginie Calmels	100%
Ms. Birgit Conix	100%
Ms. Ana Garcia Fau	100%
Mr. Nicolas Grelier	100%
Mr. Hugues Lepic	86%
Ms. Melinda J. Mount	100%
Ms. Laura Quatela	100%
Mr. Hilton Romanski	86%
AVERAGE	95%

Board of Directors

7 meetings in 2016	Average participation rate : 95%

Activities in 2016

- reviewed the Company's quarterly, half-yearly and annual financial information and the preparation process (2016 annual budget, corporate and consolidated financial statements for 2015 and for the first half of 2016, revenues for the first and third quarters of 2016);
- reviewed major accounting issues (such as impairment tests of goodwill);
- reviewed press releases issued after each Board meeting, as well as the Registration Document, after examination by the Audit Committee and the Nominations and Governance Committee for the sections falling under their respective areas of expertise;
- approved the terms of the partial refinancing of the Company;
- monitored the Company's strategic plan (Drive 2020) and corresponding action plans;
- decided on the compensation of the Chairman and the Chief Executive Officer;
- decided to implement a Long-Term Management Incentive Plan (LTIP 2016);
- reviewed of the independence of each Board member;
- deliberated on Company policy regarding equal employment and wages;
- approved key settlements in connection within ongoing disputes.

Evaluation in 2016

Procedure: questionnaire drawn up by the Nominations and Governance Committee sent to all Directors.

Themes: membership, missions and operation of the Board of Directors and of the Committees and the contribution of the Committees to the Board of Directors' activities and Directors' personal development.

Result and analysis by the Nominations and Governance Committee, then by the Board of Directors:
Overall, the appreciation is positive as debates during meetings are considered of good quality and constructive. Directors consider there is a good work relationship between the management and the Board. Materials provided are viewed as rich and the switch to a new Board portal tool has been appreciated. Finally, Directors are generally considered as being committed and professional.

Key objectives for 2017 set by the Board are:

- a smooth transition of Board leadership;
- bring in Directors with an operating knowledge of the Company's businesses, a good expertise of geographic areas where the Group is present as well as a strong understanding of financial markets;
- continue the implementation of Drive 2020; and
- put an extra focus on long-term strategy.

Areas for improvement:
Directors have asked that a greater focus be put on certain matters such as strategy, risk prevention and management and especially cybersecurity or financial communication.

Company sites visits are highly appreciated and should be continued as this is viewed as very helpful in getting a more in-depth understanding of the Company's environment and products.

4.2.1.4 Composition and activities of the Board Committees [G4-34] [G4-42] [G4-47] [G4-50] [G4-52]

GRI

The composition of the Board committees was reviewed by the Board of Directors on April 29, 2016. On February 22, 2017, in the frame of the resignation of Mr. Didier Lombard from his office of Chairman, the Board of Directors reviewed the composition of the committees for a second time.

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 2016	Average participation rate: 100%
Composition in 2016	
Mr. Bruce Hack (Chairman, Independent) Mr. Bertrand Finet (Independent) Ms. Virginie Calmels (Board observer) Ms. Birgit Conix (Independent) Ms. Ana Garcia Fau (Independent) Ms. Melinda J. Mount (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.
New composition as of February 22, 2017	
Ms. Melinda J. Mount (Chairwoman, Independent) Ms. Birgit Conix (Independent) Ms. Ana Garcia Fau (Independent)	
Mission	**Organization of the Audit Committee's activities**
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 4, section 4.2.2.2: "General control environment" below).	At least four meetings per year, and whenever necessary before a Board of Directors' meeting, according to a predetermined annual workplan. **The Committee can:** ■ directly discuss with the Statutory Auditors in the absence of managers or individuals contributing to the preparation of the financial statements; ■ upon request, directly discuss matters with the Internal Auditors in the absence of Executive Management; ■ call upon the services of internal or external experts, in particular, lawyers, accountants or other advisors or independent experts. The Statutory Auditors participate in each Audit Committee meeting. **Review process for annual and interim financial statements:** ■ initial meeting to review the initial closing items; ■ second meeting to review the financial statements. For practical reasons due to the attendance of Directors on the Audit Committee who live abroad, such second meeting may at times take place on the day before the meeting of the Board of Directors.

Audit Committee's activities

- reviewed parent company and consolidated financial statements for 2015 and for the first half of 2016, and revenue for the first and third quarter of 2016 (the review having been the subject of presentations by the Company's Chief Financial Officer and the Statutory Auditors);
- accounting issues related to the closing of accounts for fiscal year 2015, the first half of 2016 and fiscal year 2016;
- reviewed this Registration Document;
- in-depth review of impairment tests of goodwill and key accounting issues surrounding the closing of accounts;
- reviewed the impacts of the European audit reform on Technicolor;
- update on the Company's IT security program;
- 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;
- presentation of pension schemes and Company policy on insurance;
- reviewed the partial refinancing project;
- examinated of the Statutory Auditors' audit plan and reviewed of the matter of their independence and the end of term of Mazars' as Statutory Auditors.

The Nominations and Governance Committee

3 meetings in 2016	Average participation rate: 100%

Composition in 2016

Mr. Didier Lombard (Chairman)
Mr. Bertrand Finet (Independent)
Ms. Ana Garcia Fau (Independent)
Mr. Bruce Hack (Independent)
Ms. Laura Quatela (Independent)

The majority of committee members are Independent under the AFEP-MEDEF Corporate Governance Code.

Mr. Rose, Chief Executive Officer, attends the meetings of this Committee.

New composition as of February 22, 2017

Ms. Ana Garcia Fau (Chairwoman, Independent)
Mr. Bruce Hack (Independent)
Ms. Laura Quatela (Independent)

Mission

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

Activities of the Nominations and Governance Committee

- analyzed the composition of the Board of Directors, especially for the Annual General Meeting in April 2016 and the appointment of new Directors;
- discussed the appointment of a new Chairman of the Board of Directors;
- prepared a succession plan for two of the Company's Executive directors;
- prepared the evaluation of the Board of Directors.

The Remunerations Committee

6 meetings in 2016	Average participation rate: 100%
Composition in 2016	
Mr. Bruce Hack (Chairman, Independent) Mr. Nicolas Grelier (Director representing employees) Mr. Hugues Lepic (Independent) Ms. Melinda J. Mount (Independent) Ms. Laura Quatela (Independent)	A majority of committee members are Independent under the AFEP-MEDEF Corporate Governance Code(1).
New composition as of February 22, 2017	
Ms. Laura Quatela (Chairwoman, Independent) **Mr. Nicolas Grelier (Director representing employees)** **Mr. Hugues Lepic (Independent)** **Ms. Melinda J. Mount (Independent)**	
Mission	**Activities of the Remunerations Committee**
■ 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 free 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.	■ reviewed the Group's variable compensation plan and its application and the Company's policy regarding equal employment and wages; ■ monitored the implementation of the long-term compensation plan approved by the Annual General Meeting of April 2016 (in the form of performance shares); ■ studied the compensation of the Chief Executive Officer involving, in particular, setting variable compensation targets; ■ analyzed issues relating to Institutional Shareholder Services (ISS) Pay for performance evaluation.

(1) *The AFEP-MEDEF Code states that Directors representing employees should not be taken into account when determining the percentage of independence of the Board of Directors and its Committees.*

The Strategy Committee

5 meetings in 2016	Average participation rate: 97%
Composition in 2016	
Ms. Laura Quatela (Chairwoman, Independent) Mr. Didier Lombard Mr. Nicolas Grelier (Director representing employees)	Mr. Hilton Romanski (Independent) Mr. Frédéric Rose
New composition as of February 22, 2017	
Mr. Bruce Hack (Chairman, Independent) **Mr. Frédéric Rose (Chief Executive Officer)** **Mr. Nicolas Grelier (Director representing employees)**	**Ms. Laura Quatela (Independent)** **Mr. Hilton Romanski (Independent)** **Mr. Thierry Sommelet (Independent)**
Mission	**Activities of the Strategy Committee**
■ 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.	■ reviewed the Group's strategic projects and strategy; ■ actively participated in the implementation of the Drive 2020 strategic plan.

4.2.1.5 Other information from the Chairman's report on conditions for preparation and organization of the Board of Directors' work and on internal control and risk management procedures

Principles and rules adopted by the Board of Directors to determine compensation and benefits of any kind granted to Executive Directors and Corporate Officers in accordance with Article L. 225-37 of the French Commercial Code

The principles and rules adopted by the Board of Directors to determine Corporate Officers' compensation and benefits are discussed in paragraph 4.4.1 below. The principles for the payment of Directors' fees and other compensation to Corporate Officers are discussed in paragraph 4.4.6 below.

Information relating to stock options and free shares granted to Corporate Officers is provided in section 4.4.3 below and in Chapter 6: "Social information and sustainability", section 6.1.4: "Stock Option Plans and Free Share Plans" of this Registration Document.

Participation of shareholders in Shareholders' Meetings

There is no specific arrangement relating to the participation of shareholders in the Company's Shareholders' Meetings. For further information about the conditions of participation for Shareholders' Meetings, see Chapter 7: "Additional information", section 7.2.5: "Shareholders' Meetings" of this Registration Document".

4.2.2 INTERNAL CONTROL PROCEDURES

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

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

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

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

Following the delisting, the Group decided to maintain high standards of financial reporting discipline, capitalizing on the work undertaken previously. The process is now being overhauled to enhance the linkage between internal control, risks, and Technicolor's strategic objectives. 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 sixth annual campaign of the program has been successfully performed in the course of 2016, and a new campaign starts as of January 2017.

4.2.2.1 Objectives of internal control procedures and implementation

Objectives of internal control procedures

The Group 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. Every year, 3 to 5 new sub-processes are rolled out under internal control program approach. During workshops, the internal specialists on the subject matters identify and define the main risks inherent to the process, in the specific context of the Group. For example, in 2016, the sub-processes of Internal and External Communication as well as Industry Regulation were deployed under the internal control program;

- 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 2016, about 270 control owners were designated to perform a self-assessment on 2,560 controls over 56 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.

4.2.2.2 General control environment

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

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

The values and principles of conduct for the Group's managers are defined in two of the Group's principal internal documents: the Group's Code of Ethics and the Financial Ethics Charter.

Code of Ethics

Created in 1999 and last updated in 2014, the Code of Ethics establishes the foundation of the Group's core values and requires all employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Code of Ethics details the specific rules to guide employees in their day-to-day activities. Technicolor has also adopted several additional key policies including a Whistleblower Policy, Anticorruption Policy and Sourcing Ethics Policy. Indeed, Technicolor is committed to uncompromising integrity in all of our actions. A reputation for integrity benefits Technicolor in countless large and small ways – we are a trusted advisor and service provider to our customers, a dependable collaborator for our business partners, a valuable member of our communities, and a reliable long-term investment for our shareholders. Ethical behavior and observance of laws are two main ingredients in building our reputation for uncompromising integrity.

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

Over the last several years, the Group has deployed many ethics training programs. Several online training sessions were launched to educate employees on various ethical rules and obligations, including bribery, competition and fraud. Some dedicated training sessions were also organized on specific sites or for specific functions and *via* Webex conferencing. These training sessions involved more than 10,000 employees from 2010 through 2016.

Financial Ethics Charter

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

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

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

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

Group Management and decision-making processes
GRI [G4-35] [G4-42]

The Group Management is organized around 2 principal bodies:

- the Executive Committee;
- the Management Committee.

Placed under the authority of the Group's Chief Executive Officer, the Executive Committee currently comprises twelve members consisting of Senior Executive Vice-Presidents and Executive Vice-Presidents in charge of Technicolor's major businesses and of the principal corporate functions (Finance, Human Resources, Communication). The Executive Committee meets every month 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. The Management Committee meets three times a year. Depending on the topics, these Management Committee meetings can be extended to some specific internal or external guests.

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

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

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

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

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

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

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

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

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

4.2.2.3 Internal Audit
GRI [G4-49] [G4-50]

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

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

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

The Internal Audit Department consists of approximately12 auditors who have past experience in a large range of domains like information systems, engineering, finance or marketing. The team is located in three key sites for the Group: Issy-les-Moulineaux (France), Los Angeles, California (U.S.) and Indianapolis, Indiana (U.S.). The Chief Audit Officer is located in Issy-les-Moulineaux. He reports to the Chief Financial Officer, and functionally to the Audit Committee.

The Internal Audit Department conducts audits in various domains, covering operational and financial processes, at transversal or local levels, financial audits, review of contracts or projects, compliance 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 2016, 24 audit engagements were performed (both assurance and assistance types) compared to 21 audits in 2015.

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

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

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

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

The Group's financial organization follows its operational organization, based on three segments (Entertainment Services, Connected Home and Technology), comprising six Businesses, organized in several activities. One additional segment (Corporate and Other Continuing) completes this organization. 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 (as well as 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 accounting 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 Group's Audit Committee and the Board.

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.

4.2.2.5 Other Internal Control Procedures

Information Technology Security Procedures

The Chief Information Officer (hereafter the "CIO") leads the Technicolor's IT organization and is supported by a leadership team composed of senior IT 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).

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

Security of people and assets, including cybersecurity

GRI [G4-DMA Customer privacy]

Security is key priority and an overall enterprise topic that affects each of our business divisions in different ways. For Entertainment Services, Studios assign their projects only to companies that meet their content security standards. Technicolor's facilities and digital networks must succeed customer dedicated, 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 policy to the threat level.

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 December 2011 and re-enforced in 2015. The TSO, defines the Security Strategy at Group level. Led by the Chief Security Officer, who 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 2016, 49 site security audits were conducted across the global perimeter. These audits were performed by using a combination of internal TSO Assessment team and external audits conducted by customers, studios, MPAA and security organizations (*i.e.* Secure Works) across various elements of security for physical and digital. All findings have been incorporated into the 3YP which are prioritized based upon risk. In addition, following the Schrems decision by European Court of Justice, the TSO have acted as the central coordination point for the remediation of the internal legal framework to reinforce the Security clauses applicable to our providers related to EU data privacy,

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

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

4.3 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF FRENCH COMMERCIAL CODE (CODE DE COMMERCE) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditors of Technicolor and in accordance with Article L. 225-235 of French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 (limited liability company with a Board of Directors) of French Commercial Code (*Code de commerce*) for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 (limited liability company with a Board of Directors) of French Commercial Code (*Code de commerce*), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-37 of French Commercial Code (*Code de commerce*), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information.

These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L. 225-37 of French Commercial Code (*Code de commerce*).

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of French Commercial Code (*Code de commerce*).

The Statutory Auditors

Neuilly-sur-Seine, February 23, 2017
Deloitte et Associés
French original signed by

Ariane Bucaille
Partner

Courbevoie, February 23, 2017
Mazars
French original signed by

Guillaume Devaux
Partner

Jean-Luc Barlet
Partner

4.4 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS

4.4.1 COMPENSATION POLICY FOR CORPORATE OFFICERS

GRI [G4-51] [G4-52] [G4-53]

The compensation policy for Corporate Officers *(mandataires sociaux)* is defined by the Board of Directors upon recommendation by the Remunerations Committee. It was substantially reviewed by the Board of Directors and the Remunerations Committee in 2015, which decided to relocate the functions of the Chief Executive Officer in the United States and United Kingdom, in the context of the implementation of the Drive 2020 Strategic Plan and the acquisitions then made by the Company.

Compensation policy

The compensation policy is compliant with the principles contained in the AFEP-MEDEF Corporate Governance Code for Listed Companies, which the Company has adopted. It is 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 are specific to him (the variable compensation plan applies to more than 3,000 employees). The quantitative 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 component which is specific to the Chief Executive Officer is his severance indemnity.
- **Comparability**: The general policy for the compensation of the Chief Executive Officer has been benchmarked. For the purpose of reviewing the compensation policy applied to the Chief Executive Officer in light of market practices, 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 reflects in particular: the Group's strong presence in the United States (the Group generates more than half of its revenues in the United States, 7 out of the 12 Executive Committee members and the Group's main competitors are U.S.-based) and the business diversity of the Group (Technicolor being a worldwide technology leader operating in the Media and Entertainment industry, the peer group is made up of direct competitors or clients in its key operating segments such as Arris International, Dolby Laboratories, Telenet Group, *etc.* and of other companies in the broader technology, media and entertainment industries). The peer group is made up of the following companies: Arris International plc, Daily Mail and General Trust plc, Dassault Systèmes, Dolby Laboratories, Inc., Gemalto NV, Havas SA, Ingenico Group SA, ITV plc, JCDecaux SA, Lagardère SCA, Publicis Groupe SA, Telenet Group Holding NV, TiVo Corporation, Vivendi SA and 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 fixed and variable components of the compensation, short and long-term components, and 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, ensure the implementation of the new Drive 2020 strategic plan, 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 3,000 around the world. The quantitative objectives used are the performance indicators set out by the Group in its financial communication, and the target amounts set by the Board correspond to the objectives communicated to the market (guidance). These quantitative objectives are also the objectives used for determining the variable compensation of all Group employees who receive this type of compensation. Moreover, the stock options and performanceshares 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 are (i) not allowed to carry out risk hedging transactions pursuant to the AFEP-MEDEF Code and (ii) 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 quantitative and qualitative performance for which specific 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.

4.4.2 COMPENSATION AND BENEFITS OF THE CHAIRMAN O THE BOARD OF DIRECTORS

GRI [G4-51] [G4-EC3]

Compensation and benefits of Mr. Didier Lombard

Mr. Didier Lombard served as Chairman of the Board of Directors from May 22, 2014 to February 27, 2017. He was not linked to the Company, nor to any other company of the Group, by an employment contract, nor was he an officer of any other company of the Group.

Mr. Lombard was also Chairman of the Nominations and Governance Committee and a member of the Strategy Committee.

Mr. Lombard's compensation as Chairman of the Board exclusively consisted of Directors' fees. It had been set by the Board of Directors on July 24, 2014, and was revised on January 6, 2017 in order to increase the variable portion of the Directors' fees. Mr. Lombard received Directors' fees only, the amount of which was defined as follows:

- a fixed amount of €60,000;
- a fixed amount of €10,000 for the Chairmanship of the Nominations and Governance Committee;
- a variable amount depending on attendance at Board and Committee meetings, set at €5,000 per Board meeting, and €2,000 per meeting of the Nominations and Governance Committee and of the Strategy Committee, in a total amount of €47,000.

Mr. Lombard's compensation for 2016 amounted to €117,000.

Mr. Lombard had the use of a vehicule representing a benefit in kind totaling €10,369.

Pursuant to a decision of the Board of Directors on October 24, 2013, Mr. Lombard was 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.

Table summarizing the compensation, stock options and shares awarded to Mr. Didier Lombard (Table No. 1 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

(in euros)	2015	2016
Compensation due	133,249	127,369
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	**133,249**	**127,369**

Table summarizing the compensation of Mr. Didier Lombard (Table No. 2 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

	2015		2016	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	N/A	N/A	N/A	N/A
Variable	N/A	N/A	N/A	N/A
Directors' fees	122,000 (1)	120,000 (2)	117,000 (1)	122,000 (3)
Benefits in kind (4)	11,249	11,249	10,369	10,369
TOTAL	**133,249**	**131,249**	**127,369**	**132,369**

(1) *Amount of Directors' fees due to Mr. Didier Lombard as Chairman of the Board.*
(2) *Amount oof Directors' fees paid to Mr. Didier Lombard in 2015 for 2014.*
(3) *Amount of Directors' fees paid to Mr. Didier Lombard in 2016 for 2015.*
(4) *Vehicle leasing.*

Table summarizing the benefits awarded to Mr. Didier Lombard (Table 11 of Annex 3 to the AFEP-MEDEF Code)

Employment Contract		Supplementary pension plan		Indemnifications or benefits due or likely to be due as a result of termination or change of position		Indemnifications relating to a non-compete clause	
Yes	No	Yes	No	Yes	No	Yes	No
	X		X		X		X

4.4.3 COMPENSATION AND BENEFITS OF MR. FRÉDÉRIC ROSE, CHIEF EXECUTIVE OFFICER

GRI [G4-51] [G4-EC3]

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. This relocation fell within the framework of the deployment of the Group's international operations, and with a view to the strategic acquisitions made in 2015 in the United States and the United Kingdom.

In this context, in addition to his position as Chief Executive Officer of the Company, Mr. Rose holds the following positions:

- President of Technicolor Inc., one of the Group's holding companies in the United States; and
- Chairman of Technicolor Limited (UK), holding company for the Group in the UK.

These positions are positions of leadership and supervision of the Group's operations in the United States and in the United Kingdom. They are tied to his term of office as Chief Executive Officer, and shall cease with such term.

He does not receive any Directors' fees for his terms held in Group companies.

Mr. Rose's compensation due for his various offices includes the following components:

Table summarizing the compensation, stock options and shares awarded to Mr. Frédéric Rose (Table No. 1 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

Gross amounts *(in euros, at comparable exchange rates)*[(1)]	**2015 (restated data)**[(2)]	**2016**
Compensation due	2,584,379	1,687,817
Value of options granted	N/A	N/A
Value of performance shares granted	N/A	1,536,300
Value of other long-term compensation plans	N/A	N/A
TOTAL	**2,584,379**	**3,224,117**

(1) *For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2016, i.e. £0.8223 for €1 and $1.10289 for €1.*
(2) *Restated at the exchange rate used for the conversion of the 2015 and 2016 compensation: average exchange rates for 2016, see supra.*

Table summarizing the compensation of Mr. Frédéric Rose (Table No. 2 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

Gross amounts *(in euros, at comparable exchange rates)*[(1)]	**2015** *(restated data)*[(2)]		**2016**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed	1,112,982	1,112,982	1,054,091	1,054,091
Annual variable	1,469,267[(3)]	1,175,294[(4)]	620,957[(5)]	1,469,267[(3)]
Multi-annual variable	-	-	-	-
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	2,130[(6)]	2,130[(6)]	12,769[(7)]	12,769[(7)]
TOTAL	**2,584,379**	**2,290,406**	**1,687,817**	**2,536,127**

(1) *For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2016, i.e. £0.8223 for €1 and $1.10289 for €1.*
(2) *Restated at the exchange rate used for the conversion of the 2015 and 2016 compensation: average exchange rates for 2016, see supra.*
(3) *Variable compensation for 2015, paid in 2016.*
(4) *Variable compensation for 2014, paid in 2015.*
(5) *Variable compensation for 2016, paid in 2017.*
(6) *Car service.*
(7) *Car allowance in the amount of £10,500 for 2016, corresponding to €12,769 on the basis of the average exchange rate of fiscal year 2016, see supra.*

Summary of the compensation of Mr. Frédéric Rose

	2015 (1)(2) Amounts due	2016(1) Amounts due
Fixed	1,112,982	1,054,091
Variable	1,469,267	620,957
Directors' fees	N/A	N/A
Benefits in kind	2,130	12,769
Multi-annual variable	-	-
TOTAL	**2,584,379**	**1,687,817**
Free shares (LTIP): number of performance shares granted	N/A	**270,000**
Value of the shares on the grant date(3)	N/A	1,536,300

(1) For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2016, i.e. £0.8223 for €1 and $1.10289 for €1.
(2) Restated at the exchange rate used for the conversion of the 2015 and 2016 compensation: average exchange rates for 2016, see supra.
(3) According to IFRS 2, this valuation is re-estimated at the end of each fiscal year depending on the level of achievement of the performance conditions of the plan.

Fixed compensation

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, and set at an annual gross amount of €1,000,000. 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, pro rata to the time dedicated to each one of his offices within the Group's companies: euros, U.S. dollars and pounds sterling.

Fixed annual compensation of Mr. Frédéric Rose (for the full year, effective from July 1, 2015)

	Euro	Pounds sterling	U.S. dollar
For his role in:	Technicolor SA	Technicolor Limited (UK)	Technicolor Inc.
Distribution key	20%	40%	40%
Amounts paid in currency	€200,000	£317,000	$516,800

Annual variable compensation

The variable compensation of the Chief Executive Officer depends upon the achievement of objectives which are precisely defined and determined according to the results of the Group after the close of the fiscal year. The variable compensation amounts to 100% of the annual gross fixed compensation if the objectives are achieved, and up to 150% if the 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 2016 was subject to the following performance objectives:

- a consolidated adjusted EBITDA target of €600 million, accounting for 40% of the target bonus;
- a consolidated Free Cash Flow objective of €240 million, accounting for 40% of the amount of the target bonus; and
- a qualitative objective accounting for 20% of the amount of the target bonus, the fulfillment of which was assessed by the Board of Directors, relating to the successful integration of the activities acquired in the course of the Drive 2020 strategic plan, the search for new growth opportunities, and the development of synergies among the Group's business lines in key areas.

The quantitative objectives are the performance indicators set out by the Group in its financial communication, and the target amounts set by the Board correspond to the objectives communicated to the market on February 18, 2016 for 2016. These objectives are also those used for determining the variable compensation of all Group employees who receive this type of compensation.

For 2016, the Board of Directors decided to modify the relative weights of the performance criteria which, for determining the variable compensation in fiscal year 2015, was 30% for EBITDA and 50% for Free Cash Flow. The Board deemed that a balanced weighting of 40% for each of the two criteria would be better suited to the Company's current situation and its priority focused on the integration of acquisitions.

Mr. Rose's variable compensation is subject to the achievement of minimum levels with respect to the financial objectives set by the Board each year, provided this minimum level does not fall below 80% of the set objective. The same minimum levels are applicable to all Group employees benefiting from the variable compensation plan. Thus, for 2016, the Board of Directors decided that:

- if the consolidated adjusted EBITDA does not amount to at least €590 million, no compensation will be paid in respect of that objective;
- if the Free Cash Flow does not amount to at least €230 million, no compensation will be paid in respect of that objective;
- if these two financial objectives are only partially achieved (between that minimum threshold and the set objective), the compensation paid would vary between 0% and 100% in a linear fashion.

On February 22, 2017, the Board of Directors examined the level of achievement of Mr. Rose's performance conditions for 2016 and recorded that:

- as the 2016 consolidated adjusted EBITDA amounted to €565 million, the objective was not achieved;
- as the 2016 consolidated Free Cash Flow amounted to €248 million, the objective was achieved with a rating of 1.136 (on a scale of 0 to 1.5);
- the qualitative objective was achieved with a rating of 1 (on a scale of 0 to 1.5), as Drive 2020 acquisitions have been successfully integrated from an operational and financial point of view.

Upon the recommendation of the Chief Executive Officer, the Board further applied a negative 10% performance factor to Mr. Rose's variable compensation. The same 10% negative performance factor is also being applied to all Technicolor employees benefitting from variable compensation.

This resulted in an achievement of Mr. Rose's objectives for 2016 of 58.90% and a variable compensation of €620,957 (after conversion into euros at the reference exchange rates below).

Determination of the annual variable compensation of Mr. Frédéric Rose (2016 fiscal year)

	2016						
	Rules set at the beginning of the fiscal year				Appraisal by the Board at year end	Reminder: 2015
	Target amount		Maximum amount			
Gross amounts *(in euros, at comparable exchange rates) (1)*	**As % of fixed compensation**	**Target amount** *(in euros)*	**As % of fixed compensation**	**Maximum amount** *(in euros)*	**Achieved**	**Achieved**
EBITDA objective	40%	€421,636	60%	€632,455	0.00%	42.8%
Free Cash Flow objective	40%	€421,636	60%	€632,455	45.44%	75%
Qualitative objective: Drive 2020	20%	€210,818	30%	€316,227	20.00%	25%
Total					65.44%	
10% negative performance factor					(10.00)%	
TOTAL VARIABLE	**100%**	**€1,054,091**	**150%**	**€1,581,137**	**58.90%**	**142.8%**
ANNUAL VARIABLE COMPENSATION *(in euros)*					**€620,957[1]**	**€1,469,267[2]**

(1) For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2016, i.e. £0.8223 for €1 and $1.10289 for €1.

(2) Restated at the exchange rate used for the conversion of the 2015 and 2016 compensation: average exchange rates for 2016, see supra.

Mr. Rose receives no Directors' fees and does not benefit from any supplemental retirement scheme.

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 590,565 shares, meeting the minimum investment requirement.

Stock Option Plans

Mr. Rose did not receive stock options during the course of the 2016 fiscal year.

Management Incentive Plan (MIP 2015)

The Board of Directors approved on May 23, 2013 a Mid-Term Management Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company's shareholders. This plan involved 94 Company employees. Mr. Rose was awarded 2,786,864 stock options (after adjustment) under this plan, at an exercise price of €3.19 (after adjustment tied to the capital increase maintaining preferential subscription rights realized in 2015), without discount. This award to Mr. Rose represented 17% of total awards as of the date of the Board's decision and 0.67% of the share capital as of December 31, 2016. The exercise of the options is subject to Mr. Rose's active employment and meeting the cash flow performance condition.

- Following the Board of Directors' review, on February 18, 2015 and on February 18, 2016, of the level of achievement of the Free Cash Flow performance condition for 2014 and 2015 (generation of consolidated Free Cash Flow for 2014 and 2015 equal to or exceeding €100 million), 1,393,432 options (50% of the options awarded – all options for this tranche) became exercisable by Mr. Rose on May 23, 2015 and 696,716 options (25% of the options awarded – all options for this tranche) became exercisable on May 23, 2016 (see the table in section 6.1.4: "Stock Option Plans and Free Share Plans" of Chapter 6 "Social Information and Sustainability" of this Registration Document).
- The Board of Directors meeting found on February 22, 2017 that the consolidated Free Cash Flow performance condition for 2016 was satisfied (generation of Free Cash Flow equal to or greater than €100 million) and that the number of options that may be exercised by Mr. Rose for 2016 was 696,716 options (25% of the options awarded – all options for this tranche). The options shall be exercisable from May 23, 2017, subject to the continuance of presence condition on that date.

Pursuant to Article L. 225-185 paragraph 4 of the French Commercial Code, Mr. Rose must keep 20% of the shares resulting from the exercise of the options under the plan in registered form until he leaves office.

Stock options granted to Mr. Frédéric Rose during 2016
(table No. 4 of Annex 3 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

Stock options exercised by Mr. Frédéric Rose during 2016
(Table No. 5 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

No. and date of the plan	Number of options exercised during the fiscal year	Exercise price
May 23, 2013 plan	None	€3.19

Performance shares

Long-Term Management Incentive Plan – LTIP 2016

Mr. Rose is the beneficiary of a Long-Term Management Incentive Plan (LTIP) approved by the Board of Directors on April 29, 2016. The plan, which applied to 213 Group employees, has taken the form of a grant of performance shares.

Upon the Remunerations Committee's recommendation, the Board decided to grant Mr. Rose 270,000 performance shares out of the 3,040,500 awarded (*i.e.* 8.88% of the total grant, representing 0.06% of the share capital on December 31, 2016). The grant to Mr. Rose is subject to the plan rules. Inter alia, they specify that the performance shares will vest on April 29, 2019 subject to conditions of performance and presence within the Group (see section 6.1.4: "Stock Option Plans and Free Share Plans" of Chapter 6).

Pursuant to Article L. 225-197-1 II of the French Commercial Code, Mr. Rose must keep in registered form 20% of the vested performance shares until he leaves offices.

Performance shares granted to Mr. Frédéric Rose during 2016 (Table No. 6 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

No. and date of the plan	Number of shares granted during the year	Valuation of the shares	Acquisition date	Availability date	Performance conditions
LTIP 2016 April 29, 2016	270,000	1,536,300	April 30, 2019	April 30, 2019	Yes (see section 6.1.4)

Performance shares granted to Mr. Frédéric Rose that have become available (Table No. 7 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

Free shares that became available in 2016	Number of free shares
	None

Tables 8 and 9 of the Annex to the AFEP-MEDEF Corporate Governance Code are included in section 6.1.4: "Stock Option Plans and Free Share Plans" of Chapter 6 "Social Information and Sustainability" of this Registration Document.

Other compensation items

Mr. Rose benefits from a car allowance in the amount of £10,500 for 2016, corresponding to €12,769 on the basis of the reference exchange rate.

Employer contributions paid by the Group's companies in respect of Mr. Frédéric Rose's compensation amounted to €438,060 in 2016.

Table summarizing the benefits awarded to Mr. Frédéric Rose (Table No. 11 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

Employment Contract		Supplementary pension plan		Indemnifications or benefits due or likely to be due as a result of termination or change of position		Indemnifications relating to a non-compete clause	
Yes	No	Yes	No	Yes	No	Yes	No
	X		X		X		X

Pension plan

Mr. Frédéric Rose does not benefit from any supplementary pension plan.

Severance package

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 of a maximum gross amount equal to fifteen months of his fixed and variable compensation, according to the following principles:

- the indemnity would be 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 increase of July 2013);
- the compensation elements other than the annual fixed and variable compensation, and in particular, the Management Incentive Plans and the multi-annual variable compensation 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 since July 1, 2015.

In compliance with the provisions of Article L. 225-42-1 of the French Commercial Code, the payment of the indemnity shall be subject to compliance with the performance conditions over a three-year period based on the adjusted EBITDA and the generation of consolidated Free Cash Flow of the Group, determined annually by the Board of Directors. The targets are the same as those used for the annual variable portion of Mr. Rose's 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. 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. 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.

Furthermore, in the event of termination from his duties, Mr. Rose shall be bound by a non-compete clause enforceable for a period of nine months, applicable in Europe, Asia and the United States, in exchange for which he will receive a monthly indemnity based on his fixed and variable compensation, determined according to the principles applied to the determination of the severance pay.

4.4.4 COMPONENTS OF THE COMPENSATION OF MR. DIDIER LOMBARD, CHAIRMAN OF THE BOARD, TO BE SUBMITTED TO SHAREHOLDERS' ADVISORY VOTE

GRI [G4-53]

In accordance with Article 26 of the AFEP-MEDEF Corporate Governance Code of November 2016, the Company will submit to the shareholders' advisory vote the following compensation items due or attributable to Mr. Didier Lombard for the last fiscal year.

Compensation items due or attributable for fiscal year 2016 to Mr. Didier Lombard, Chairman of the Board of Directors, subject to the shareholders' advisory vote

Compensation items due or attributable to Mr. Didier Lombard for fiscal year 2016

	Gross amounts	Comments
Directors' fees	€117,000	Mr. Lombard's compensation as Chairman of the Board was determined by the Board of Directors on July 24, 2014, and was revised on January 6, 2017 in order to increase the variable portion of the Directors' fees. Mr. Didier Lombard receives Directors' fees, the amount of which is defined as follows: ■ a fixed amount of €60,000 as Chairman of the Board; ■ a fixed amount of €10,000 for the Chairmanship of the Nominations and Governance Committee; ■ a variable amount depending on attendance at Board and committee meetings, set at €5,000 per Board meeting, and €2,000 per meeting of the Nominations and Governance Committee and of the Strategy Committee, in a total amount of €47,000.
Benefits in kind	€10,369	Mr. Lombard had the use of a vehicule representing a benefit in kind.

For 2016, Mr. Didier Lombard was not awarded nor did he benefit from the following: annual fixed or variable compensation, deferred or multi-annual variable compensation, stock options, performance shares, supplemental retirement plan, severance pay or non-compete indemnity.

4.4.5 COMPONENTS OF THE COMPENSATION OF MR. FRÉDÉRIC ROSE, CHIEF EXECUTIVE OFFICER, TO BE SUBMITTED TO SHAREHOLDERS' ADVISORY VOTE

GRI [G4-53]

In accordance with Article 26 of the AFEP-MEDEF Corporate Governance Code of November 2016, the Company will submit to the shareholders' advisory vote the following compensation items due or attributable to Mr. Frédéric Rose for the last fiscal year.

Compensation items due or attributable for fiscal year 2016 to Mr. Frédéric Rose, Chief Executive Officer, subject to shareholders' advisory vote

Compensation items due or attributable to Mr. Frédéric Rose for fiscal year 2016

	Gross amounts	Comments
Fixed compensation	€1,054,091	Mr. Rose's compensation was reviewed by the Board of Directors at its meeting of July 25, 2013. Its amount has not been modified since then. The Board of Directors, at its meetings of April 22, 2015 and July 22, 2015, took note, upon recommendation by the Remunerations Committee, of the partial relocation to the United States and to the United Kingdom of the activities of the Chief Executive Officer. This relocation falls within the framework of the deployment of the international operations of the Group, and with a view to the strategic acquisitions made since then. In this context, Mr. Rose was appointed, in addition to his position as Chief Executive Officer of the Company, to the following positions: President of Technicolor Inc., one of the Group's holding companies in the United States, and Chairman of Technicolor Limited (UK), the holding company of the Group in the United Kingdom, effective as of July 1, 2015. Consequently, the Board of Directors, during its meeting of April 22, 2015, approved the partial payment of Mr. Rose's fixed compensation for such positions in U.S. dollars and pounds sterling. Since July 1, 2015, the fixed compensation of Mr. Rose has thus been paid in euros, pounds sterling and U.S. dollars, according to the following distribution key on an annual basis: €200,000, £317,000 and $516,800. The positions of Mr. Rose in the United States and United Kingdom companies 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.

Compensation items due or attributable to Mr. Frédéric Rose for fiscal year 2016

	Gross amounts	Comments
Annual variable compensation	€620,957	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 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 2016 was subject to the following performance objectives: ■ a consolidated adjusted EBITDA target of €600 million, accounting for 40% of the target bonus; ■ a consolidated Free Cash Flow objective of €240 million accounting for 40% of the amount of the target bonus; and ■ a qualitative objective accounting for 20% of the target bonus, the fulfillment of which was assessed by the Board of Directors, relating to the successful integration of the activities acquired in the course of the Drive 2020 strategic plan, the search for new growth opportunities, and the development of synergies among the Group's business lines in key areas. The quantitative objectives are the performance indicators set out by the Group in its financial communication, and the target amounts set by the Board correspond to the objectives communicated to the market on February 18, 2016 for 2016. These objectives are also those used for determining the variable compensation of all Group employees who receive this type of compensation. For 2016, the Board of Directors decided to change its distribution key which, for determining the variable compensation in fiscal year 2015, was 30% for EBITDA and 50% for Free Cash Flow. The Board deemed that a balanced weighting of 40% for each of the two criteria would be better suited to the Company's current situation and its priority focused on the integration of acquisitions. Mr. Rose's variable compensation is subject to the achievement of minimum levels with respect to the financial objectives set by the Board each year, provided this minimum level does not fall below 80% of the set objective. The same minimum levels are applicable to all Group employees benefiting from the variable compensation plan. Thus, for 2016, the Board of Directors decided that: ■ if the consolidated adjusted EBITDA does not amount to at least €590 million, no compensation will be paid in respect of that objective; ■ if the Free Cash Flow does not amount to at least €230 million, no compensation will be paid in respect of that objective; ■ if these two financial objectives are only partially achieved (between that minimum threshold and the set objective), the compensation paid will vary between 0% and 100% in a linear fashion. On February 22, 2017, the Board of Directors examined the level of achievement of Mr. Rose's performance conditions for 2016 and recorded that: ■ as the 2016 consolidated adjusted EBITDA amounted to €565 million, the objective was not achieved; ■ as the 2016 consolidated Free Cash Flow amounted to €248 million, the objective was achieved with a rating of 1.136 (on a scale of 0 to 1.5); ■ the qualitative objective was achieved with a rating of 1 (on a scale of 0 to 1.5), as Drive 2020 acquisitions have been successfully integrated from an operational and financial point of view. Upon the recommendation of the Chief Executive Officer, the Board further applied a negative 10% performance factor to Mr. Rose's variable compensation. The same 10% negative performance factor is also being applied to all Technicolor employees benefitting from variable compensation. This resulted in an achievement of Mr. Rose's objectives for 2016 of 58.90% and a variable compensation of €620,957 (after conversion in euros at the reference exchange rate).
Long-term compensation: performance shares	€1,536,300 270,000 shares	Mr. Rose is the beneficiary of a Long-Term Management Incentive Plan (LTIP 2016) which has taken the form of a grant of performance shares. Under the authorization granted by the Annual General Meeting of April 29, 2016 in its 28th resolution, the Board decided, on April 29, 2016, to grant Mr. Rose 270,000 performance shares out of the 3,040,500 awarded (*i.e.* 8.88% of the total grant, representing 0.06% of the share capital on December 31, 2016). The grant to Mr. Rose is subject to the plan rules. Inter alia, they specify that the performance shares will vest on April 29, 2019 subject to a condition of presence within the Group and the achievement of two performance objectives, with respect to EBITDA and Free Cash Flow (see section 6.1.4: "Stock Options and Free Share Plans" in Chapter 6).
Benefits in kind	€12,769	Mr. Rose benefits from a car allowance in in the amount of £10,500 for 2016, corresponding to €12,769 on the basis of the reference exchange rate.

Commitments to Mr. Frédéric Rose that were approved by the Shareholders' Meeting during previous fiscal years under the procedure for regulated agreements and commitments

Severance package	No payment	In the event of dismissal from his position as Chief Executive Officer, except in cases of serious or gross misconduct, Mr. Rose shall receive an indemnity of a maximum gross amount equal to 15 months of his fixed and variable compensation, according to the following principles: ■ the compensation shall be determined on the basis of a fixed compensation of €800,000 and a variable compensation of €800,000 corresponding to his target fixed and variable compensation prior to the increase of July 2013; ■ the compensation elements other than the annual fixed and variable compensation, and in particular, the Management Incentive Plans and the multi-annual variable compensation 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 since July 1, 2015. Half of the indemnity payment is subject to the achievement of a consolidated adjusted EBITDA target and the remaining half is subject to achievement of a Free Cash Flow target for a three-year period. These are determined each year by the Board of Directors. The targets are the same as those used for the annual variable portion. Details of the elements pertaining to such indemnity appear in section 4.4.3 of this Registration Document. 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 9 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. Details of the elements pertaining to such indemnity appear in section 4.4.3 of this Registration Document. 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.

For 2016, Mr. Frédéric Rose was not awarded nor did he benefit from the following: deferred variable compensation, exceptional compensation, stock options, Directors' fees or a supplementary pension plan.

4.4.6 DIRECTORS' FEES AND OTHER COMPENSATION

GRI [G4-51]

Directors' fees

In accordance with Article L. 225-37 of the French Commercial Code, the principles and rules defined by the Board of Directors to determine Director's fees granted to Corporate Officers 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 General Shareholders' 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 increase over the amount previously set by the Annual General Meeting, €650,000, is attributable to the increase in the number of Directors.

The rules governing the allotment of the Directors' fees payable for 2016 are the following:

- a fixed fee of €30,000 for each Director;
- a fixed fee of €10,000 for each committee Chairman;
- a fee of €4,000 for each meeting of the Board of Directors;
- an additional Director's fee of €2,500 for each meeting of the Board of Directors that requires overseas or U.S. Coast to Coast travel;
- a fee of €3,000 for each meeting of the Audit Committee;
- a fee of €2,000 for each meeting of the Remunerations Committee, Nominations and Governance Committee and Strategy Committee;
- no payment of fees for teleconference meetings or meetings lasting under two hours;
- a fixed fee of €50,000 for the Director representing employees, paid directly to the trade union that appointed him.

These rules were amended for fiscal year 2016 in order to increase the variable portion of the Directors' compensation, in line with the recommendation of Article 20.1 of the AFEP-MEDEF Corporate Governance Code.

Except for Mr. Frédéric Rose, the Directors received no compensation other than the Directors' fees for fiscal year 2016 and held no offices in other Group companies.

Directors' fees and other compensation paid to Corporate Officers in 2016 and 2017 (Table No. 3 of the Annex of the AFEP-MEDEF Code)

Name	Gross amounts due in respect of fiscal year 2015 and paid in 2016		Gross amounts due in respect of fiscal year 2016 and paid in 2017	
(in euros)	Directors' fees	Extraordinary compensation	Directors' fees	Extraordinary compensation
BPIfrance Participations(1)	N/A	-	63,000	-
Virginie Calmels	60,500	-	50,000	-
Birgit Conix(2)	N/A	-	50,500	-
Ana Garcia Fau(2)	N/A	-	50,500	-
Nicolas Grelier(3)	50,000	-	50,000	-
Bruce Hack	110,500	-	110,000	-
Hugues Lepic	57,000	-	57,000	-
Didier Lombard	122,000	-	117,000	-
Melinda Mount(2)	N/A	-	57,500	-
Laura Quatela	91,000	-	92,000	-
Hilton Romanski(4)	0	-	59,500	-
TOTAL	**491,000**	**-**	**757,000**	**-**

(1) *Director since January 2016.*
(2) *Director since April 2016.*
(3) *His Directors' Fees are directly paid to the trade union that appointed him.*
(4) *Director since November 2015.*

4.5 EXECUTIVE COMMITEE

4.5.1 MEMBERS OF THE EXECUTIVE COMMITTEE

GRI [G4-48] [G4-LA12]

As of the date hereof, the Executive Committee comprises twelve members. The following table shows their responsibilities and year of appointment.

Name of Executive Committee Member	Age	Responsibility	Appointed
Frédéric Rose	54	Chief Executive Officer	2008
Fabienne Brunet	61	Human Resources & Corporate Social Responsibility	2014
Sandra Carvalho	48	Chief Marketing Officer	2013
Esther Gaide	55	Chief Financial Officer	2015
Cristina Gomila	43	Research & Innovation, Chief Technology Officer	2016
Simon Hibbins	53	International Operations, Home Entertainment Services	2016
Quentin Lilly	55	Home Entertainment Services	2014
Luis Martinez-Amago	54	Connected Home North America	2016
Vince Pizzica	53	Corporate Development & Strategy	2008
Michel Rahier	64	Deputy CEO – Connected Home – Operations Services & Transformation	2011
Tim Sarnoff	57	Deputy CEO – Production Services	2014
Nathan Wappet	49	Chief Operating Officer, Production Services	2016

Biographies of Executive Committee Members

Mr. Frédéric Rose has assumed the position of Chief Executive Officer since September 1, 2008. For more information about his biography, please refer to paragraph 4.1.3.1 above.

Ms. Fabienne Brunet is Head of Human Resources & Corporate Social Responsibility and a member of the Executive Committee since June 2014. She joined Technicolor in 2009 as Senior Vice-President Corporate Human Resources. Prior to joining Technicolor, Ms. Brunet was Vice-President Human Resources of Alcatel-Lucent's Services Group. She began her career at Thomson-CSF before joining Alcatel-Alstom where she held the positions of General Secretary at Occidentale Medias and Human Resources Director at Express Group, and subsequently of Vice-President Group Internal Communications. Ms. Fabienne Brunet holds a Master of Law degree and a Master of Science in Human Resources degree from Paris University.

Ms. Sandra Carvalho is Chief Marketing Officer since she joined Technicolor in September 2013. With over twenty years' experience, she brings end-to-end marketing management expertise working in senior positions for marquee brands like IBM, Bloomberg and Nokia in the areas of strategic planning, program development, marketing communications and brand strategy. She has built a highly successful track record in leading change, converting technology into innovative marketing opportunities and building high performance teams. Originally from Portugal and fluent in four languages, Ms. Sandra Carvalho holds a degree in International Business from Fordham's Marymount College.

Ms. Esther Gaide is Chief Financial Officer and a member of the Executive Committee since February 2015. She joined Technicolor in September 2011 before she became Deputy CFO in September 2012, after 5 years in The Havas Group as Deputy CFO and Group Human Resources Director and 12 years in the Bolloré Group where she held various positions, first as Director of Internal Audit, CFO of Bolloré Logistics Division, CFO of Bolloré Africa Logistics Division and finally as Group controller. She began her career with PricewaterhouseCoopers in both Paris and London and Deloitte in both Paris and Los Angeles. Ms. Gaide is a graduate of ESSEC, a French business school, and is a French CPA.

Ms. Cristina Gomila is Head of Research & Innovation since 2014, and Chief Technology Officer and member of the Executive Committee since 2016. She joined Technicolor in 2002 and has spent most of her career in the USA moving into different positions for strategy and management of R&D engineering teams with focus on Consumer Electronics and Media & Entertainment markets. Ms. Gomila holds an MS degree in Telecom Engineering from the UPC (Spain) and a PhD degree from Mines ParisTech (France). She has authored more than 60 granted patents and a large number of standard contributions and publications.

Mr. Simon Hibbins joined Technicolor in 2000 and since then has held various positions across Australia and Asia Pacific of increasing responsibility and in 2012 was appointed Senior Vice-President of Technicolor Home Entertainment Services (HES) International Operations. Prior to joining Technicolor Mr Hibbins worked in various roles in the publishing and printing industry for News Corporation and for Price Waterhouse in Corporate Finance. He holds a Bachelor of Commerce degree from the University of Melbourne in Australia, and in 2008 completed the Advanced Management Program at INSEAD.

Mr. Quentin Lilly is Head of the Home Entertainment Services Division and a member of the Executive Committee since June 2014. He has been President of Technicolor Home Entertainment Services (HES) since 1999. Prior to this appointment, he held a number of positions of increasing responsibility within HES including Senior Vice-President of Corporate Development as well as Chief Operating Officer. Before joining Technicolor in 1994, Mr. Lilly spent approximately 10 years in the corporate finance sector as a member of the Investment Banking/Capital Markets Groups at Smith Barney and Crowell, Weedon & Co. Mr. Quentin Lilly holds a Bachelor of Science degree in Business Administration, with a concentration in Finance, from California Polytechnic University.

Mr. Luis Martinez-Amago is President of Connected Home North America since joining Technicolor in October 2015 and a member of the Executive Committee since January 2016. Coming to Technicolor from Alcatel-Lucent, Mr. Martinez-Amago has carried out multiple roles and responsibilities during his 27 years with Alcatel. Most recently he was the CEO of Alcatel-Lucent Shanghai Bell in China. Prior to this, he spent several years as President of the Europe, CIS, Middle East and Africa region. Prior to that, he held the responsibility of several worldwide business divisions as its President, from Fixed Broadband Networks Division, to Applications Business Division, to Wireless Transmission Division. Before this he was COO of the Integration and Services Division of the Company. Mr. Martinez-Amago holds a Technical degree in Telecommunications Engineering from the University La Salle, Barcelona; as well as PDD in General Management from IESE Business School.

Mr. Vincent Pizzica is Head of Corporate Development and Technology since May 2014. In addition, he assumes responsibility for managing the Corporate Ventures investments and for Mergers & Acquisitions. Previously, he led the Digital Delivery Business Group. He joined Technicolor as Head of the Strategy, Technology and Research corporate teams. Prior to joining Technicolor and over a 29-year career in the telecoms industry, Mr. Vince Pizzica spent 17 years at Telstra at various operation and technology positions. In 2008, he was Advisor to the COO of Telstra on Mediacomms technology. He also spent 7 years at Alcatel-Lucent in charge of Technology, Strategy and Marketing for the EMEA and APAC region. Mr. Vince Pizzica holds a Bachelor of Engineering degree from the Institute of Engineers in Australia, and a Master of Telecoms & Info Systems from the University of Essex, UK.

Mr. Michel Rahier is Head of Connected Home since October 2011 and Deputy CEO since February 2015. He is also in charge of Global Operations for the Group including IT, Sourcing and Real Estate. He joined the Technicolor Executive Committee in April 2011 following his appointment as Executive Vice-President, Operations Services & Transformation. Before joining Technicolor, Mr. Rahier was Executive Vice-President Operations and member of the Management Committee at Alcatel-Lucent, in charge of the global company transformation. Prior to this, he became President of the Fixed Communications Group at Alcatel in 2005, then at Alcatel-Lucent, and President of the Carrier Business Group in 2007. Mr. Michel Rahier holds a Master and a Ph.D. in electrical engineering from the University of Louvain as well as an MBA from Boston University.

Mr. Tim Sarnoff is Head of the Production Services Division. As a Deputy CEO since February 2015, he also manages the marketing function and the development of closeness with Technicolor's key entertainment customers. Mr Sarnoff joined Technicolor in 2009 as President of Technicolor Digital Production. Prior to joining Technicolor, Mr Sarnoff was President of Sony Pictures ImageWorks for 12 years, and previously created Warner Digital Studios as a division of Warner Bros., and shepherded the start-up and growth of Warner Bros. Animation. Mr Sarnoff holds Bachelor's Degrees in Psychology and in Journalism from Stanford University.

Mr. Nathan Wappet joined Technicolor in 2013 in the newly created role of Chief Operating Officer (COO) for its Creative Services Division and became COO of the Production Services Division in 2014. Mr Wappet has some 25 years' experience in the IT&T industries with multinational companies such as Alcatel-Lucent and HP, as well Australia's largest carrier, Telstra. He has significant operational experience, particularly in implementing large-scale integrations as well as bringing value to an organization through a Services-based model. Mr Wappet holds an Honors degree in Electrical & Communications Engineering from Swinburne University of Technology in Australia and an Executive Masters in Business Administration (EMBA) from the Australian Graduate School of Management (AGSM).

Role of the Executive Committee

The Executive Committee meets every month under the direction of the CEO, with an agenda determined collectively by its Members. It examines questions relating to the activities of the Group. In this regard, it deals primarily with business activities, specific projects, following up on transactions and financial results, and the identification and assessment of risks.

Please refer to section 4.2.2.2: "General control environment – Group management and decision-making processes" of this Registration Document.

4.5.2 EXECUTIVE COMMITTEE COMPENSATION

GRI [G4-51]

Executive Committee compensation

In 2016, 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 €12.4 million for a total of 12 members (excluding charges and including variable components – short-term plans – of €5.4 million, calculated on the basis of the 2015 Group financial results).

In 2015, 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 €10.4 million (excluding charges and including a variable component of €4.6 million – short and long-term plans – calculated on the basis of the 2014 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 €0.41 million in 2016.

Loans and guarantees granted or established for the Members of the Executive Committee

None.

5 TECHNICOLOR AND ITS SHAREHOLDERS

5.1 SHARE CAPITAL 110

5.1.1 Holding of share capital and voting rights 110

5.1.2 Modifications in the holding of share capital over the past three years 112

5.1.3 Company acquisition of its own shares – Board of Directors' report on treasury shares 112

5.1.4 Individuals or entities holding control of the Company 114

5.1.5 Shareholders' agreements 114

5.1.6 Changes to share capital 115

5.1.7 Potential modifications to the Company's share capital 116

5.1.8 Delegations granted to the Board of Directors by the Shareholders' Meetings 116

5.1.9 Dividend policy 117

5.1.10 Other information relating to share capital 118

5.2 LISTING INFORMATION 118

5.2.1 Markets for the Company's securities 118

5.2.2 Listing on Euronext Paris 119

5.1 SHARE CAPITAL

Share capital as of December 31, 2016

During 2016, the Company carried out several capital increases in respect of the delivery of shares following the exercise of stock options:

Transaction date	Number of shares issued	Beneficiary	Preferential subscription rights	New share capital (*in euros*)
From January 1, 2016 to December 31, 2016	1,802,677	Beneficiaries of the 2010-SP1 MIP, of the 2015 MIP and of the 2016 MIP (*exercise of stock options*)	-	413,245,967

As of December 31, 2016, the Company's share capital was divided in 413,245,967 shares with a nominal value of €1, fully paid-up (ISIN FR0010918292) and all of the same class (see section 5.1.6: "Changes to share capital" of this Chapter).

5.1.1 HOLDING OF SHARE CAPITAL AND VOTING RIGHTS
GRI [G4-9]

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

	December 31, 2016			December 31, 2015			December 31, 2014		
Shareholders	Number of shares	% of share capital	% of voting rights[4]	Number of shares	% of share capital	% of voting rights[4]	Number of shares	% of share capital	% of voting rights[4]
Public[1][2]	295,782,293	71.58%	71.71%	356,719,358	86.70%	86.78%	264,228,530	78.65%	78.75%
OppenheimerFunds, Inc.	41,484,036	10.04%	10.06%	-	-	-	-	-	-
Bpifrance Participations + Caisse des Dépôts et Consignations	32,970,309	7.98%	7.99%	32,934,473	8.00%	8.01%	27,846,252	8.29%	8.30%
Cisco Systems, Inc.	21,418,140	5.18%	5.19%	21,418,140	5.21%	5.21%	-	-	-
DNCA Finance, SA and DNCA Finance Luxembourg	20,838,421	5.04%	5.05%	-	-	-	-	-	-
Vector TCH (Lux) 1, S.à r.l.	-	-	-	-	-	-	43,461,319	12.94%	12.95%
Treasury shares	752,768	0.18%	-	371,319[3]	0.09%	-	371,569[3]	0.11%	-
TOTAL	**413,245,967**	**100%**	**100%**	**411,443,290**	**100%**	**100%**	**335,907,670**	**100%**	**100%**

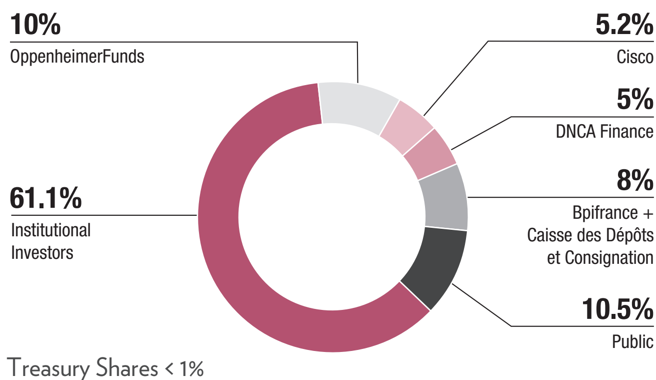
(1) *Estimate obtained by subtraction.*
(2) *Including equity held by major shareholding funds.*
(3) *Direct registered shares, excluding shares allocated to the Share Management Agreement.*
(4) *Net of shares deprived of voting rights.*

Share ownership thresholds' crossings notified to the Company in 2016

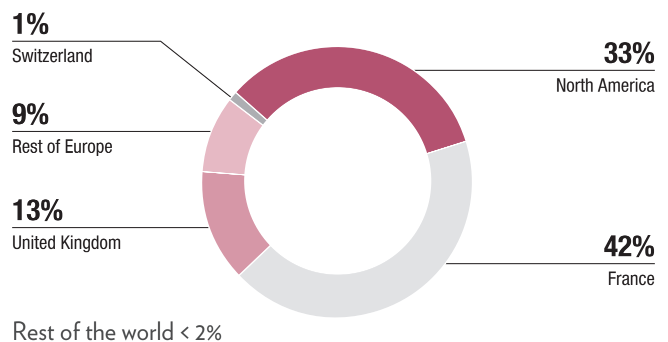
In accordance with Article L. 233-13 of the French Commercial Code, and to the Company's knowledge, the following legal share ownership thresholds' crossings were notified to the Company and/or the *Autorité des marchés financiers* (AMF) during 2016 fiscal year:

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
DNCA Finance, SA and DNCA Finance Luxembourg	May 4, 2016	Upwards	5%	5.06%	20,838,421
OppenheimerFunds, Inc.	July 28, 2016	Upwards	5%	5.06%	20,889,981
OppenheimerFunds, Inc.	October 24, 2016	Upwards	10%	10.04%	41,484,036

Total shareholding composition



Institutional holders by geography



Shareholders holding more than 5% of the Company's capital

On July 28, 2016, OppenheimerFunds, Inc. ("OppenheimerFunds") disclosed that it held, on behalf of clients and funds managed by the firm, 5.06% of the Company's share capital and voting rights. Subsequently, on October 24, 2016, OppenheimerFunds disclosed that it had exceeded the 10% threshold, as it now held 10.04% of the Company's share capital and voting rights. OppenheimerFunds has not disclosed any further crossing of a legal threshold since then. On that occasion, OppenheimerFunds stated that *"The acquisition of TECHNICOLOR securities by OppenheimerFunds, Inc. was part of the firm's normal portfolio management business, with no intention of implementing a specific strategy targeting TECHNICOLOR nor exercising any particular influence on the latter's management. OppenheimerFunds, Inc. is not acting in concert with any third party and has no intention of gaining control of TECHNICOLOR nor asking for its appointment, or that of any person(s), as Director(s), member(s) of the Management Board, or member(s) of the Supervisory Board, for itself or for others"*. As of December 31, 2016, OppenheimerFunds held 10.04% of the share capital and 10.06% of the voting rights.

On June 22, 2016, *Caisse des Dépôts et Consignations* disclosed that it held, jointly with Bpifrance Participations SA, 7.99% of the Company's share capital and voting rights. They have not disclosed any crossing of statutory threshold since then. As of December 31, 2016, *Caisse des Dépôts et Consignations* held, jointly with Bpifrance Participations SA, 7.98% of the share capital and 7.99% of the voting rights.

On November 20, 2015, Cisco Systems, Inc. ("Cisco") received 21,418,140 newly issued shares in compensation for the Company's acquisition of Cisco Connected Devices. Out of these shares, 16,795,834 are subject to a lock-up period expiring on May 20, 2017. As of December 31, 2016, Cisco holds 5.18% of the share capital and 5.19% of the voting rights of the Company.

On May 4, 2016, DNCA Finance disclosed that it held, jointly with funds under its management, 5.06% of the Company's share capital and voting rights. DNCA Finance has not disclosed any further crossing of a statutory threshold since that date. As of December 31, 2016, DNCA Finance held 5.04% of the share capital and 5.05% 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 March 31, 2017.

Other information regarding the Company's shareholders

To the Company's knowledge, no Board member or Executive Committee member currently holds more than 1% of the Company's share capital or voting rights, except for Bpifrance Participations SA. Moreover, Cisco, a legal entity connected to Mr. Romanski, a Director, holds 5.18% of the Company's share capital (for further information on Board members' holdings see section 4.1.3.4: "Directors' holdings in the Company's share capital" under Chapter 4 "Corporate governance and internal control" of this Registration Document).

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

GRI [G4-13]

In 2014

On March 11, 2014, Vector Capital, which at that time held close to 70 million shares of the Company, sold 26 million shares in a private placement with institutional investors. As of December 31, 2014, it held, directly or indirectly, in its own name or on behalf of its clients, 12.94% of the Company's share capital.

In 2015

In 2015, Vector Capital proceeded with the disposal of several blocks of shares of the Company directly on the market, and in particular, on March 24, 2015, with the disposal of 13,390,354 shares.

Following various other sales on the market, Vector Capital no longer held shares in the Company as of December 31, 2015.

Furthermore, on November 20, 2015, the Company issued 21,418,140 new shares to the benefit of Cisco. Following this reserved capital increase, Cisco held 5.21% of the Company's share capital.

In 2016

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 (*cf.* "Share ownership thresholds' crossings notified to the Company during fiscal year 2016" of section 5.1.1.).

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 (*cf.* "Share ownership thresholds' crossings notified to the Company during fiscal year 2016" of section 5.1.1.).

Holdings of institutional shareholders in the Company's share capital and the crossing of thresholds declared to the Company are noted under section 5.1.1: "Distribution of share capital and voting rights" of this Chapter.

5.1.3 COMPANY ACQUISITION OF ITS OWN SHARES – BOARD OF DIRECTORS' REPORT ON TREASURY SHARES

The following paragraphs specify the information to be provided pursuant to Article L. 225-211 of the French Commercial Code and describe, pursuant to the provisions of Article 241-2 of the General Regulation of the *Autorité des marchés financiers* (AMF), the share purchase program submitted for the approval of the Annual General Shareholders' Meeting to be held on May 24, 2017.

Share purchase program approved in 2016

A share purchase program was, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, approved by the Combined Shareholders' Meeting of April 29, 2016, superseding the authorization granted by the Combined Shareholders' Meeting of April 9, 2015. The description of this program was published in the 2015 Registration Document of the Company.

Share purchase program submitted for approval in 2017

A new share purchase program will be submitted for approval at the Combined Shareholders' Meeting convened on May 24, 2017.

In accordance with (i) Articles L. 225-209 *et seq.* of the French Commercial Code, (ii) the European regulation No. 596/2014 of April 16, 2014 on market abuse and its delegated regulations and (iii) Title IV of Book II of the General Regulation of the AMF, the aims of this program would be:

- the allotment or transfer of shares to employees or Executive Officers of the Company and/or of current or future related companies, for the purposes of implementing any Stock Option or Free Share Plan, or any other grant, allocation or disposal to employees and Executive Officers of the Company and its Group and realize any hedging operation relating to these transactions, in the conditions set by law;

- the delivery of shares as a result of the exercise of rights attached to securities giving access to the Company's capital by redemption, conversion, exchange, presentation of a warrant or by any other mean;
- the cancellation by way of share capital decrease of all or part of these repurchased shares;
- the delivery of shares (for exchange, payment or otherwise) in connection with external growth operations;
- their provision for the purposes of a share management agreement entered into with an investment services provider in order notably to maintain a liquid market; or
- the implementation of any market practice which would be allowed by the AMF.

This program would also allow the Company to trade in its shares for any other purpose that may be authorized by law or regulation. In such case, the Company would inform its shareholders through a press release.

The number of shares that may be purchased would be subject to the following limits:

- the number of shares that the Company may purchase during the term of the buyback program should not exceed 10% of the Company's share capital at any time, it being specified that:
  - the number of shares acquired in view of their retention and their future delivery for the purpose of an external growth operation cannot exceed 5% of the Company's share capital, and
  - when the shares are purchased in order to increase the liquidity of the share under the conditions defined by the General Regulation of the AMF, the number of shares taken into account to calculate the 10% cap specified above corresponds to the number of purchased shares net of the number of shares resold during the validity period of this authorization; and
- the number of shares that the Company can hold at any time may not exceed 10% of the Company's share capital.

The purchase, exchange, disposal or transfer of shares could be decided by the Board of Directors on one or more occasions, at any time except during public offering on the Company's shares, within the limits permitted by law, by all appropriate means, on the market or over-the-counter, including by acquisition or disposal of blocks (with no limit on how much of the share purchase program may be implemented in this way), or by using options or other future financial instruments traded on a regulated market or over the counter, or by delivery of shares resulting from the issuance of securities giving access to the Company's capital by conversion, exchange, redemption, exercise of a warrant, or otherwise allowed by market regulative bodies and in compliance with the applicable regulations.

The maximum purchase price of the shares would be €8 per share, or the equivalent in any other currency.

The total amount allocated to this share purchase program would not exceed €330,596,768.

The General Shareholders' Meeting would grant authority to the Board of Directors, in case of modification of the par value of the share, of free allotment of shares, of split or merger of securities, of distribution of any reserve or other asset, of capital amortization, or of any other operation on the equity, to adjust the above mentioned purchase price in order to take into account the impact of these operations on the share's value.

This authorization would be granted for an 18 (eighteen) month period as of this Shareholders' Meeting and would supersede the authorization given to the Board of Directors by the Combined Shareholders' Meeting of April 29, 2016 in its nineteenth resolution.

Share management agreement

The Company has 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.

Holding and allocation of treasury shares as of December 31, 2016

As of December 31, 2016, the Company held 752,768 treasury shares[1] representing 0.18% of the share capital, with a gross book value of €57,117,376.72 and a nominal value of €752,768.

Percentage of treasury shares held directly or indirectly	0.18%
Number of treasury shares held directly or indirectly	752,768
Number of shares canceled over the last 24 months[2]	-
Gross book value of shares owned (in euros)	57,117,376.72
Market value of shares owned[3] (in euros)	3,869,227.52

(1) As of December 31, 2016, the Company held 371,069 registered shares directly and 381,699 shares in the frame of the share management agreement.
(2) Last 24 months preceding December 31, 2016.
(3) Based on a quoted market price of €5.14 per share on December 30, 2016.

Out of the total 752,768 treasury shares held on December 31, 2016:

- 371,069 shares are allocated to employee stock option programs or other allocations of shares to employees and Corporate Officers of the Group; and
- 381,699 shares are allocated to a liquidity objective.

During the course of 2016, the Company delivered 250 free shares to beneficiaries of the 2013 Free Share Plan, pursuant to the terms and conditions of the rules of the plan.

Transactions carried out by the Company on its own shares between January 1, 2016 and December 31, 2016

In accordance with Article L. 225-211 of the French Commercial Code, under the share management agreement and during the period from January 1, 2016 to December 31, 2016, the Company's aggregate purchases totaled 4,360,512 shares (at the average price of €5.708) or 1.06% of the share capital, amounting to €24,889,640, while the aggregate sales totaled 4,009,018 shares (at the average price of €5.706), amounting to €22,875,706 or 0.97% of the share capital.

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

5.1.4 INDIVIDUALS OR ENTITIES HOLDING CONTROL OF THE COMPANY

None

5.1.5 SHAREHOLDERS' AGREEMENTS

To the Company's knowledge, there are no shareholders' agreements among its shareholders.

5.1.6 CHANGES TO SHARE CAPITAL

GRI [G4-13]

Transaction date	Number of shares issued or canceled	Increase/ reduction in capital *(in euros)*	Total amount of share capital at closing *(in euros)*	Additional paid-in capital variation *(in euros)*	Carrying amount of additional paid-in capital *(in euros)*	Cumulative number of shares at closing	Nominal value *(in euros)*
As of December 31, 2013			**335,709,392**		**1,160,946,424**	**335,709,392**	**1**
March 31, 2014	198,278	198,278		(198,278)			1
Increase of Capital							
Creation of new shares under the MIP-SP2 (2010)							
As of December 31, 2014			**335,907,670**		**1,160,748,146**	**335,907,670**	**1**
June 8, 2015							
Increase of Capital	738,205	738,205		(738,205)			1
Creation of new shares under LTIP 2011							
on October 6, 2015							
Increase of Capital	1,989,525	1,989,525		4,689,553			1
Creation of new shares under MIP 2015							
on November 17, 2015							
Capital increase with preferential subscription rights	48,376,485	48,376,485		178,992,994			1
on November 20, 2015							
Capital increase reserved to Cisco Systems, Inc.	21,418,140	21,418,140		115,756,071			1
Costs related to capital increases				(8,939,178)			
Tax impact of costs related to capital increases				764,300			
From November 18, 2015 to December 31, 2015							
Increase of Capital	3,013,265	3,013,265		6,959,239			1
Creation of new shares under MIP 2010 & MIP 2015							
Allocation of net loss for FY 2014 to retained earnings by the Shareholders' General Meeting of April 9, 2015				(317,150,857)			
Dividend distribution decided by the Shareholders' General Meeting of April 9, 2015				(16,795,384)			
As of December 31, 2015			**411,443,290**		**1,124,286,679**	**411,443,290**	**1**
From January 1, 2016 to January 29, 2016							
Increase of Capital	533,909	533,909		1,308,865			1
Creation of new shares under MIP 2015							
From February 1, 2016 to December 31, 2016							
Increase of Capital	1,268,768	1,268,768		2,944,099			1
Creation of new shares under MIP 2015							
Allocation of net loss for FY 2015 to retained earnings by the Shareholders' General Meeting of April 29, 2016				(186,444,553)			
Dividend distribution decided by the Shareholders' General Meeting of April 29, 2016				(24,745,266)			
As of December 31, 2016			**413,245,967**		**917,349,824**	**413,245,967**	**1**

5.1.7 POTENTIAL MODIFICATIONS TO THE COMPANY'S SHARE CAPITAL

GRI [G4-13]

Subscription options

As of December 31, 2016, a total of 13,968,054 stock options had been allocated to employees and Corporate Officers under stock option plans (for details of these plans, see Chapter 6 "Social information and sustainability", section 6.1.4: "Stock Option Plans and Free Share Plans" of this Registration Document).

If all options in the stock option plans were exercised, this would lead to the issuance of 13,968,054 shares. Technicolor's share capital would be composed of 427,214,021 ordinary shares, *i.e.* a 3.38% increase in the number of shares from December 31, 2016.

Free shares

As of December 31, 2016, a total of 3,638,875 free shares had been allocated to employees and Corporate Officers under free share plans (for details of these plans, see Chapter 6 "Social information and sustainability", section 6.1.4: "Stock Option Plans and Free Share Plans" of this Registration Document).

If all shares in the free share plans were delivered, this would lead to the issuance of 3,638,875 shares. Technicolor's share capital would be composed of 416,884,842 ordinary shares, *i.e.* a 0.88% increase in the number of shares from December 31, 2016.

Convertible/Exchangeable bonds/Share purchase warrants

On March 31, 2017, no other securities giving access to capital are in circulation.

5.1.8 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 2016 fiscal year:

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

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

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

Type of the financial delegation	Duration of the authorization and date of expiration	Number of shares and percentage of capital likely to be issued	Amount used	Amount available
Capital increase without preferential subscription rights, reserved for employees who are members of a Group Savings Plan **(26th resolution of the AGM of April 29, 2016)**	18 months October 29, 2017	4,112,743 shares representing 1% of the share capital on April 29, 2016)	None	N/A
Capital increase without preferential subscription rights, reserved for specific categories of beneficiaries – shareholding operations for employees outside the Group savings plan **(27th resolution of the AGM of April 29, 2016)**	18 months October 29, 2017	4,112,743 shares representing 1% of the share capital on April 29, 2016	None	N/A
Grant of free shares to all employees or certain categories of employees and/or officers **(28th resolution of the AGM of April 29, 2016)**	26 months June 29, 2018	8,239,744 shares representing 2% of the share capital on February 29, 2016	3,040,500 shares granted(1)	5,199,244 shares available for allocation(2)
Overall limits on issues under the above authorizations **(29th resolution of the AGM of April 29, 2016)**	N/A	164,794,880 shares representing 40% of the share capital on February 29, 2016	3,040,500 shares granted	161,754,380 shares available

(1) 3,040,500 shares were granted by the Board of Directors in 2016. They will be issued in 2019, subject to the achievement of performance and presence conditions as laid down in the plan regulations (See section 6.1.4: "Stock Option Plans and Free Share Plans" under Chapter 6 "Social information and sustainability").
(2) In consideration of the 3,040,500 shares granted in 2016, 5,199,244 shares remain available for allocation by the Board of Directors under this authorization.

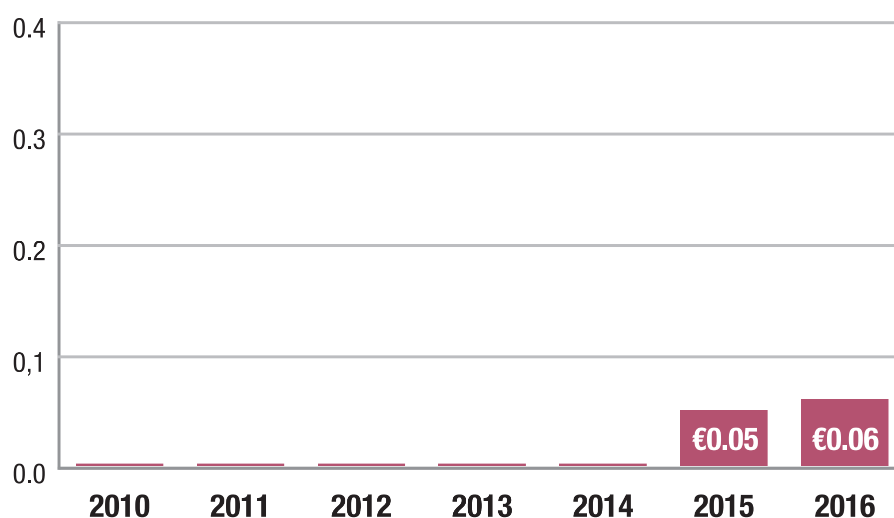
5.1.9 DIVIDEND POLICY

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 2015, the General Shareholders' Meeting of April 29, 2016 voted the payment of a dividend of €0.06 per share, which was paid in cash as of May 26, 2016.

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

The Company did not distribute any dividend in respect of the 2013 fiscal year.



Furthermore, the New Term Loan Debt, the Old 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: "Main features of the Group's borrowings").

5.1.10 OTHER INFORMATION RELATING TO SHARE CAPITAL

Technicolor shares subject to a security interest

To the Company's knowledge, as of March 31, 2017, no shares of the Company were 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 New Term Loan Debt, the Old Term Loan Debt and the RCF agreements 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 2.10.3: "Financial resources" of this Registration Document.

the New Term Loan Debt, the Old Term Loan Debt and the RCF

5.2 LISTING INFORMATION

5.2.1 MARKETS FOR THE COMPANY'S SECURITIES

Technicolor's shares are listed on Euronext Paris (Compartment A), under the designation "Technicolor", ISIN Code FR0010918292, with the trading symbol TCH.

Technicolor's shares are eligible for the Long-only Deferred Settlement Service. With this service, the purchaser may on the determination date, which is the fifth trading day prior to the last trading day of the month, inclusive, either (i) settle the trade no later than the last trading day of such month, or (ii) upon payment of an additional fee, extend to the determination date of the following month the option either to settle no later than the last trading day of such month or postpone again the selection of a settlement date until the next determination date. Such option may be maintained on each subsequent determination date upon payment of an additional fee.

Equity securities traded on a deferred settlement basis are considered to have been transferred only after they have been 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 on the CAC Media, CAC Consumer Services, CAC MID&SMALL and CAC Mid 60 Indices.

On March 21, 2011, Technicolor voluntarily delisted from the New York Stock Exchange. The American Depositary Shares (ADSs) were then traded on the Over-the-Counter (OTC) market until early 2014. Since then, ADSs have been traded on OTCQX International Premier, a premium OTC securities listing service (symbol: TCLRY).

5.2.2 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**
2012	1,146.30	593,522,948	2,318,449	1.87	2.69	1.14
2013	807.00	258,614,158	1,014,173	3.30	4.17	1.93
2014	1,231.30	248,831,865	975,811	4.99	6.18	3.52
2015	1,375.13	227,934,940	890,371	6.03	7.57	4.27
2016	1,473.64	263,351,060	1,024,712	5.62	7.46	4.55

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**
2014						
First quarter	342.35	77,640,440	1,232,388	4.25	5.37	3.52
Second quarter	381.86	71,029,786	1,145,642	5.40	6.10	4.77
Third quarter	264.88	47,214,456	715,371	5.66	6.18	5.01
Fourth quarter	242.18	52,947,183	827,300	4.62	5.37	4.02
2015						
First quarter	337.67	63,546,559	1,008,676	5.23	6.01	4.27
Second quarter	252.04	43,500,208	701,616	5.79	6.25	5.46
Third quarter	374.91	59,168,436	896,491	6.30	7.21	5.25
Fourth quarter	410.51	61,719,737	949,534	6.77	7.57	5.85
2016						
First quarter	473.97	81,604,784	1,316,206	5.89	7.46	4.76
Second quarter	392.48	69,505,908	1,069,322	5.63	6.30	4.85
Third quarter	268.66	46,054,451	697,795	5.85	6.25	5.35
Fourth quarter	338.53	66,185,917	1,034,155	5.14	6.05	4.55

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**
2016						
September	94.44	15,570,240	707,738	6.07	6.25	5.85
October	129.74	23,537,707	1,120,843	5.57	6.05	5.15
November	113.37	23,261,540	1,057,343	4.89	5.35	4.62
December	95.43	19,386,670	923,175	4.98	5.17	4.55
2017						
January	186.94	45,024,809	2,046,582	4.42	5.28	3.69
February	114.73	29,383,379	1,469,169	4.00	4.19	3.48

Source: Euronext.

6 SOCIAL INFORMATION AND SUSTAINABILITY

6.1 EMPLOYEES AND WORKFORCE 122
- 6.1.1 Overview 122
- 6.1.2 Employee profit-sharing 123
- 6.1.3 Shares held by employees 123
- 6.1.4 Stock Option Plans and Free Share Plans – Board of Directors' special reports 123
- 6.1.5 Human Resources & Sustainable Development 131
- 6.1.6 Talent and development 132
- 6.1.7 Training policy 136
- 6.1.8 Remuneration policy 136
- 6.1.9 Labor relations 137
- 6.1.10 Working time management and absenteeism 137
- 6.1.11 ILO and Global Compact progress 139
- 6.1.12 Health and Safety management 139

6.2 ENVIRONMENTAL MATTERS 142
- 6.2.1 General 142
- 6.2.2 Programs, systems, and activities 143
- 6.2.3 Operational data and results 147
- 6.2.4 Data collection method and rationale 152

6.3 STAKEHOLDER RELATIONS AND LOCAL IMPACTS OF THE COMPANY'S ACTIVITIES 154

6.4 SUPPLIER AND SUB-CONTRACTOR RELATIONS 156

6.5 EDUCATIONAL INITIATIVES 158

6.6 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD-PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT 159

6.1 EMPLOYEES AND WORKFORCE

6.1.1 OVERVIEW

GRI [G4-9] [G4-10] [G4-LA1] [G4-LA12] [G4-DMA Employment]

On December 31, 2016, the Group employed 17,017 employees (70% male and 30% female), compared to 16,720 employees on December 31, 2015, an increase of 1.77%.

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, 2016, 2015, and 2014, as well as the distribution of personnel across geographical regions.

	2016	2015	2014
Europe	3,988	4,231	3,921
North America	7,678	7,790	5,681
Asia(1)	3,387	2,510	2,183
Other countries(2)	1,964	2,189	2,416
TOTAL NUMBER OF EMPLOYEES	**17,017**	**16,720**	**14,201**
Number of employees in entities accounted for under the equity method	45	352	344
(1) Including India.	*2,862*	*1,915*	*1,755*
(2) Including Mexico.	*1,313*	*1,395*	*1,418*

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 164 full time jobs over 2016 while their number grew from 256 in December 2015 to 388 in December 2016.

The following table indicates the number of Group employees by segment as of December 31, 2016:

Segment	Number of employees	Percentage
Entertainment Services	13,385	78.66%
Connected Home	2,018	11.85%
Technology	362	2.13%
Transversal functions	1.252	7.36%
TOTAL	**17,017**	**100%**

Split by gender and age

At the end of December 2016, the Group employed 5,184 women (representing 30% of Technicolor headcount) and 11,833 men (representing 70% of Technicolor headcount) with the following breakdown per age:

Age	Women	Men	Total
< 20	9	26	35
20 to 29	1,166	2,794	3,960
30 to 39	1,744	4,393	6,137
40 to 49	1,224	2,542	3,766
50 to 59	862	1,656	2,518
60+	179	422	601
TOTAL	**5,184**	**11,833**	**17,017**

Hiring and Termination

During 2016, 6,664 employees have been hired of which 2,469 permanent employees and 1,826 were made redundant.

Methodology

Employees and workforce figures are extracted from the Technicolor worldwide HR repository system currently implemented in all Technicolor.

6.1.2 EMPLOYEE PROFIT-SHARING

GRI [G4-LA2]

The Holding company and six 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 2014 for year 2013: €2,017,398;
- amounts distributed in 2015 for year 2014: €1,992,803; and
- amounts distributed in 2016 for year 2015: €2,198,531.

In addition, several of our locations offer their employees profit-sharing plans based on Company results and/or achievement of objectives.

6.1.3 SHARES HELD BY EMPLOYEES

GRI [G4-LA2]

As of December 31, 2016, 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 294,000 shares, representing 0.07% of the share capital.

6.1.4 STOCK OPTION PLANS AND FREE SHARE PLANS – BOARD OF DIRECTORS' SPECIAL REPORTS

GRI [G4-51] [G4-EC3] [G4-LA2]

6.1.4.1 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 2016.

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 was valid until July 23, 2016. Options granted under this authorization would not give rights to a total number of shares greater than 26,843,507 representing 8% of the share capital at the date of the Shareholders' Meeting held on May 23, 2013 and 6.5% of the share capital as of December 31, 2016.

It is noted that the Board of Directors did not use this authorization in 2016.

Stock Options Plans as of December 31, 2016

Stock option plans in existence as of December 31, 2016 (Table No. 8 of Annex 3 to the AFEP-MEDEF Code)

	Plan MIP-SP1	Plan MIP 2015	Plan MIP 2016	Plan MIP June 2017	Plan MIP October 2017
Date of Shareholders' Meeting	**05/22/2008**	**05/23/2013**	**05/23/2013**	**05/23/2013**	**05/23/2013**
Date of Board of Directors' meeting	06/17/2010	05/23/2013 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:	12,167,000[1]	17,188,000	5,145,000	250,000	1,710,000
Number of options granted to Directors and officers[2]:					
Frédéric Rose					
■ *before adjustments and performance condition review*	*2,155,700[1]*	*2,685,000*	-	-	-
■ *after 2010 & 2012 adjustments and performance condition review[3]*	*190,529*	-	-	-	-
■ *after 2015 adjustments[4]*	*197,758*	*2,786,864*			-
Number of options granted to the first ten employee beneficiaries – before adjustments and performance condition review when applicable	*6,533,400[1]*	*4,345,000*	*1,790,000*	*250,000*	*1,310,000*
■ *after adjustments and performance condition review[3][4]*	*599,324*	*4,490,875*	*1,857,913*	*259,485*	*1,310,000*
Beginning of the exercise period	06/18/2014	05/23/2015	06/20/2016 10/21/2016	06/26/2017	10/19/2017
Plan life			8 years		
Expiration date	06/17/2018	05/23/2021	06/20/2022 10/21/2022	06/26/2023	10/19/2023
Exercise price at grant time	€0.66[1]	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	100%: 06/18/2014	50%: 05/23/2015 75%: 05/23/2016 100%: 05/23/2017	50%: 06/20/2016 10/21/2016 75% : 06/20/2017 10/21/2017 100%: 06/20/2018 10/21/2018	50%: 06/26/2017 75%: 06/26/2018 100%: 06/26/2019	50%: 10/19/2017 75%: 10/19/2018 100%: 10/19/2019
Number of shares subscribed as of December 31, 2016	116,190	6,647,760	41,517	-	-
Number of options cancelled since the beginning of the plan	3,395,679	3,741,199	965,559	155,691	230,000
Number of options cancelled during the 2016 exercise	0	563,077	166,074	155,691	230,000
Number of outstanding options at the end of the exercise (after adjustment)[4]	805,476	7,266,130	4,312,654	103,794	1,480,000
Exercise price (after adjustments)[4]	€6.29	05/23: €3.19 06/07: €3.19 10/24: €3.93 12/18: NA[5] 03/26: €4.53	06/20: €5.79 10/21: €4.92 04/09: €5.83	06/26: €5.88	10/19: €7.11

(1) Before 2010 reverse share split.
(2) Information provided pursuant to Article L. 225-184 of the French Commercial Code.
(3) 2012 capital share increase adjustment coefficient: 1,012348451.
(4) November 2015 capital share increase adjustment coefficient: 1,037937866.
(5) All beneficiaries of this attribution have left the Company.

As of December 31, 2016, the total outstanding options under the plans amounted to 13,968,054 subscription options to the benefit of 117 beneficiaries. If all subscription options under the stock option plans mentioned above were exercised, Technicolor's share capital would be composed of 427,214,021 ordinary shares, *i.e.* a 3.38% increase in the number of shares from December 31, 2016.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that 1,802,677 options were exercised in 2016.

Management Incentive Plans 2017 – MIP June 2017 and MIP October 2017

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, granted stock options on June 26, 2015 (MIP June 2017) and October 19, 2015 (MIP October 2017). The table below summarizes the characteristics of both plans (MIP June 2017 and MIP October 2017).

Management Incentive Plans 2017 – MIP June 2017 and MIP October 2017

Shareholders' Meeting authorizing the grants	May 23, 2013 (15th resolution)	
Plan	**MIP June 2017**	**MIP October 2017**
Remunerations Committee recommending the grants	June 26, 2015	October 19, 2015
Board of Directors approving the grants	June 26, 2015	October 19, 2015

Beneficiaries	Additional key contributors promoted or hired since autumn 2014 or coming from the newly acquired companies
Number of beneficiaries (as of December 31, 2016)	20
Number of outstanding stock options (as of December 31, 2016)	1,583,794, representing 0.38% of the share capital(1)
Exercise price	No discount
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	Exam of this achievement shall be realized in 2018 by the Board	Exam of this achievement shall be realized in 2019 by the Board
Number of options acquired at Board date	**MIP June 2017**	51,897	-	-
	MIP October 2017	740,000	-	-
Period of exercise	**MIP June 2017**	From June 26, 2017 to June 26, 2023, subject to fulfillment of the presence condition	From June 26, 2018 to June 26, 2023, subject to fulfillment of the presence condition	From June 26, 2019 to June 26, 2023, subject to fulfillment of the presence condition
	MIP October 2017	From October 19, 2017 to October 19, 2023, subject to fulfillment of the presence condition	From October 19, 2018 to October 19, 2023, subject to fulfillment of the presence condition	From October 19, 2019 to October 19, 2023, subject to fulfillment of the presence condition

Management Incentive Plan 2016 – MIP 2016

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, granted stock options on June 20, 2014, October 21, 2014 and April 9, 2015. The table below summarizes the characteristics of these plans.

Management Incentive Plans 2016 – MIP 2016

Shareholders' Meeting authorizing the grants	May 23, 2013 (15th resolution)		
Plan	**MIP June 2016**	**MIP October 2016**	**MIP April 2016**
Remunerations Committee recommending the grants	June 20, 2014	October 21, 2014	April 9, 2015
Board of Directors approving the grants	June 20, 2014	October 21, 2014	April 9, 2015
Beneficiaries	Additional key contributors who were promoted or hired since spring 2013		
Number of beneficiaries (as of December 31, 2016)	57		
Number of outstanding stock options (as of December 31, 2016)	4,312,654, representing 1.04% of the share capital[(1)]		
Exercise price	No discount		
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	Exam of this achievement shall be realized in 2018 by the Board
Number of options acquired at Board date	**MIP June 2016**	1,318,199	625,358	-
	MIP October 2016	718,783	346,410	-
	MIP April 2016	207,588	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

Management Incentive Plan 2015 – MIP 2015

Upon the recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, granted stock options on several occasions (see the chart below). The table below summarizes the characteristics of these plans.

Management Incentive Plans 2015 – MIP 2015

Shareholders' Meeting authorizing the attributions	May 23, 2013 (15th resolution)				
Remunerations Committee recommending the grants	May 23, 2013	June 7, 2013	October 24, 2013	December 18, 2013	March 26, 2014
Board of Directors de approving the grants	May 23, 2013	June 7, 2013	October 24, 2013	December 18, 2013	March 26, 2014
Number of beneficiaries (as of December 31, 2016)	64				
Number of outstanding stock options (as of December 31, 2016)	7,266,130, representing 1.76% of the share capital(1)				
Exercise price	No discount				
Conditions for exercise	▪ Performance condition (consolidated Free Cash Flow, chosen for being one of the main objectives of the Amplify 2015 Plan) ▪ 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 2014 equal or greater than €100 million	for fiscal year 2015 equal or greater than €100 million	for fiscal year 2016 equal or greater than €100 million
Options becoming exercisable	50% of the options awarded	25% of the options awarded If performance objective for 2014 not achieved: 75% of the options	25% of the options awarded If performance objective for 2014 and/or 2015 not achieved: options that had not become exercisable in 2015 and/or 2016
Review of the level of achievement of the performance condition	Board of Directors of February 18, 2015	Board of Directors of February 18, 2016	Board of Directors of February 22, 2017
Number of options acquired at Board date	7,640,000	3,409,801	2,857,954
Period of exercise	From May 23, 2015 to May 23, 2021 subject to fulfillment of the presence condition	From May 23, 2016 to May 23, 2021 subject to fulfillment of the presence condition	From May 23, 2017 to May 23, 2021 subject to fulfillment of the presence condition

6.1.4.2 Free 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 free shares under Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code during fiscal year 2016.

In order to promote the achievement of the objectives pursued, the Company announced, in February 2015, at the time of the launch of its strategic plan Drive 2020, its intention to put into place a multi-year stock incentive plan in order to involve the Group's employees in the success of Drive 2020.

The Shareholders' Meeting of April 29, 2016, in its twenty eighth resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 26-month period, and is valid until June 29, 2018. The shares to be issued pursuant to this authorization shall not represent more than 2% of the share capital on February 29, 2016 (8,239,744 shares).

Upon recommendation of the Remunerations Committee, on April 29, 2016, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty eighth resolution, approved the establishment of a Long-Term Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders. The Company wishes to mobilize its teams in order to successfully lead the integration of the acquisitions made in the second half of 2015, and to carry out its strategic plan Drive 2020, upon which the development of the Group relies.

This plan allows 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.

Free Share Plans as of December 31, 2016

Free Share Plans in existence as of December 31, 2016 (Table No. 9 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

	Free Shares Plan 2013	**LTIP 2016**
Date of Shareholders' Meeting	**May 23, 2013**	**Apr. 29, 2016**
Date of Board of Directors' meeting	Oct. 24, 2013	Apr. 29, 2016 Jul. 27, 2016 Oct. 20, 2016
Number of shares initially granted, including:	1,604,000	3,040,500
Number of shares granted to Directors and officers(1):		
Frédéric Rose	**0**	**270,000**
Number of shares granted to the top ten employee beneficiaries	*1,250*	*840,000*
Acquisition date	Nov. 6, 2017	Apr. 30, 2019
End of the holding period	N/A	N/A
Performance conditions	No	Yes
Number of shares acquired as of December 31, 2016	500(2)	0
Number of forfeited shares since the beginning of the plan	724,125	281,000
Number of forfeited shares cancelled during the 2016 exercise	142,625	281,000
Number of outstanding shares to be acquired	879,375	2,759,500

(1) Information provided pursuant to Article L. 225-184 of the French Commercial Code.
(2) Free shares delivered to the heirs of the deceased beneficiaries.

As of December 31, 2016, the total outstanding shares under the plans amounted to 3,638,875 shares, *i.e.* 0,88% of the share capital as of December 31, 2016.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that 250 shares were acquired in 2016 under those plans.

Long-Term Incentive Plan – LTIP 2016

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty eighth resolution, granted Performance Shares. The table below summarizes the characteristics of these grants.

Long-Term Incentive Plans 2016 – LTIP 2016

Shareholders' Meeting authorizing the attributions	April 29, 2016 (28th resolution)		
Remunerations Committee recommending the grants	April 27, 2016	July 26, 2016	October 11, 2016
Board of Directors approving grants	April 29, 2016	July 27, 2016	October 20, 2016
Number of beneficiaries (as of December 31, 2016)	205		
Number of outstanding shares (as of December 31, 2016)	2,759,500, representing 0.67% 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)		

Characteristics of the LTIP

Performance condition (chosen for being the two financial objectives of the Drive 2020 Plan)	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 announced to the public by the Company 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 announced to the public by the Company over the same period, 50% of the Performance Shares would be definitively earned ■ in the opposite case, no Performance Shares would be earned
Review of the level of achievement of the performance condition	Exam of this achievement shall be realized in 2018 by the Board	

On February 22, 2017, the Board of directors updated the Drive 2020 plan reflecting what was learned from the 2016 experience. The Company's ambitions for years 2017 to 2020 have been revised downwards. In light of such adjustments, the Board resolved to maintain the alignment of the terms of the incentive plan with those of the strategic plan by deleting the reference made to the 2018 projections released in February 2016 for the purposes of determining the performance conditions. The objectives considered for 2018 will therefore be, in line with previous years, those set by the Board and to be announced in February 2018 (annual "guidance"), the 2018 projections no longer being used as a floor. Subject to this change, the outline and conditions of the incentive plan remain unchanged.

Performance conditions

The objectives used are not specific to the incentive plan, but based upon the objectives provided by the Company to the market in order to assess the financial performance of the Group and the success of its strategy.

It was stated at the time of the 2016 Shareholders' Meeting that:

- the objectives for adjusted EBITDA and Free Cash Flow that would be used to assess the meeting of the Performance Conditions would be those initially announced for each fiscal year (annual "guidance") at the end of the meeting of the Board approving the financial statements of the preceding fiscal year. The possible adjustments, upwards or downwards, announced during the course of a fiscal year would not be taken into account;
- the objectives are of a complementary type and reflect the key indicators tracked by investors and analysts.

The objectives for EBITDA and Free Cash Flow indicated by the Group are as follows:

	2016		2017	2018
Set objectives for the plan	Announced objective	Achieved	Announced objective	Objective
Adjusted EBITDA	€600 million	€565 million	€460 million	To be determined in February 2018
Group Free Cash Flow	€240 million	€248 million	€150 million	

Presence condition within the Group

A beneficiary of Performance Shares who would leave the Group before the expiration of the vesting period of at least three years would forfeit his Shares, except in the case of legal premature exit and other customary exceptions decided upon by the Board of Directors (including cases of death, disability, retirement, termination without cause).

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.

Free Share Plan 2013 (My Technicolor Shares)

Making use of the authorization given by the Shareholders' Meeting on May 23, 2013, held in its sixteenth resolution, to the Board of Directors to proceed with the allocation of existing shares or shares to be issued which would not represent more than 0.50% of the share capital at the date of such Shareholders' Meeting, in favor of Group's employees or certain categories of employees, the Board of Directors on October 24, 2013 approved the implementation, in accordance with Article L. 225-197-1 of the French Commercial Code, of a global Free Share Plan to the benefit of 12,832 eligible employees of the Group in 13 countries.

This worldwide plan provides, for all beneficiaries, an acquisition period of four years. 125 shares will be delivered to eligible employees at the end of the acquisition period subject to conditions of continuous employment within the Technicolor group during the acquisition period. The plan is not subject to performance conditions.

As of December 31, 2016, the maximum number of shares to be delivered, subject to the fulfillment of the presence condition, was 879,375 shares, accounting for 0.21% of Technicolor's share capital.

6.1.5 HUMAN RESOURCES & SUSTAINABLE DEVELOPMENT

GRI [G4-DMA Overall] [G4-DMA Employment]

Technicolor's Human Resources & Corporate Social Responsibility (HR&CSR) organization is aimed at reinforcing Technicolor's strategic priorities and at contributing to the Group's objectives. In order to remain fully aligned with the needs of the Group's different businesses and to reinforce global HR leadership capability, HR&CSR has adopted in 2010 a new operating model and has, during 2016, pursued its reinforcement across the Group.

This model has three dimensions:

- strong partnership with Business;
- global centers of expertise;
- regional Human Resources competence centers, reinforced with HR sites leaders.

The integration of business strategy within the HR processes has been reinforced through the HR Business Partner function. HR Business Partners work closely with each business leader to analyze and plan the evolution of Technicolor's workforce skills and competencies, and ensure they are in line with their development goals. They leverage the Company's HR Global Centers of Expertise and Regional Competence Centers to deliver high quality and cost-efficient services.

The HR Global Centers of Expertise ensure consistency and delivery of key Group HR projects and provide specialized advice and expertise across the whole organization in the following areas:

- Compensation & Benefits focusing on rewards, incentive programs, international mobility programs, pension schemes, medical care and other benefits;
- Talent and Development focusing on people development, organizational development practices, career and performance management;
- HR Information Systems, HR Processes and KPIs focusing on implementing coherent and sustainable tools supported with adequate processes;
- Resources Management focusing on Technicolor resource plan definition and tracking;
- Corporate Social Responsibility (CSR) focusing on all areas pertaining to Sustainable Responsibility Environmental care and Social Responsibility;
- Labor Relations, focusing on keeping a consistent set of relationships and interactions with all European Union's representatives.

The Regional HR Competence Centers, built on a shared service model, ensure a consistent HR approach across sites and functions within each geographical region, and guarantee that Technicolor remains fully compliant with local employment laws and practices. In order to maximize services delivery and quality, Technicolor's regions (Asia Pacific, Americas and Europe) are regrouped under a unique leader and Regional HR Centers are geographically organized as follows:

- Asia-Pacific: including India, China, Malaysia, Hong Kong, Japan, Singapore, Taiwan, Korea, and Australia;
- Americas: including; Brazil, Chile, Peru, Columbia, Argentina, Panama, Mexico, Canada and USA;
- European Cluster France: including France, Belgium, Germany, the Emirates and Switzerland;
- European Cluster UK: including UK, the Netherlands, Sweden, Norway, Italy, Israel, Spain, Hungary and Poland.

HR Leaders are appointed within the Regional Competence centers in each of the sites to better support business activities with common processes and regulations at site level by delivering all necessary HR transactional activities. HR Site Leaders also contribute to the implementation of Corporate HR programs and facilitate coherent local communications. HR Sites Leaders report to their respective Regional HR Competence Centers.

The Head of HR&CSR, a Member of Technicolor's Executive Committee, defines HR&CSR strategic priorities in line with Technicolor's strategic plan, implements and adapts the HR&CSR model, identifies organizational needs and related resources, and pilots HR&CSR initiatives across all of the Group's activities.

6.1.6 TALENT AND DEVELOPMENT

GRI [GA-LA9] [G4-LA10] [G4-LA11] [G4-LA12] [G4-HR3] [G4-HR12]
[G4-DMA Training and education] [G4-DMA Diversity and equal opportunity]
[G4-DMA Equal remuneration for women and men] [G4-DMA Labor practices grievance mechanisms]
[G4-DMA Non-discrimination]

The global Talent and Development policies at Group level rely mainly on the following principles.

Further to the deep analysis of the learning and development needs and the alignment of training investments with the strategy, Technicolor's priorities in Talent and Development focus on leadership development, innovation and excellence in execution to support the growth of our divisions and the implementation of the Drive 2020 strategic plan.

In parallel, many programs in all divisions and corporate functions enable the identification of the technical and non-technical critical competencies to be developed in the next years. The outputs of these programs are the foundations of a global training and development strategy.

In addition, with the objective to improve efficiency and consistency of Talent Development actions, a comprehensive and detailed review of the architecture of jobs in the organization has been conducted in 2013 that is now the framework for various Development actions. Development Plans are since then conducted on a yearly basis by every division and function.

Talent Review and Development of Leadership

A yearly Leadership Talent Review process is conducted in all divisions and corporate functions. The process involves managers at all levels of the organization as well as the members of the Executive Committee and of the Management Committee in the identification of employees with the right level of potential and performance to integrate the Group's talent pool. The members of this talent pool are eligible to benefit from dedicated leadership development trainings, activities and events during the year.

Further to the 2016 Talent Review, the total talent pool represents 9.2% of the exempt population of the Group.

Members of the Leadership talent pool were led to assess their competencies through a 360 evaluation against the leadership profile as expanded to innovation and entrepreneurship in 2013. Individual Development Plans were drawn and executed from the conclusions of this assessment. HR Business Partners or coaches were assigned to each member of the talent pool to guide and support the execution of the Individual Development Plans and the development of leadership competencies.

The Leadership Development programs included workshops on "Leadership & Influence" where members of the talent pool reflect and learn how to take action not only on their leadership development but also on recognizing and fostering talents of others. These workshops took place in Paris and Los Angeles and gathered participants from all geographic regions.

Our support to our employees who have been identified as able and willing to take some group level leadership positions (Group High Potential) has been updated again in 2016 to stick to the needs of the Drive 2020 new strategic plan. To do so, we have designed and implemented a Learning Expedition.

The purposes of this new program were to raise awareness of future leaders on one key topic for the Company and to prepare them to act and work as one future team.

HR Development and Management Academy

An HR development program was created in 2011 to reinforce the people development capabilities of HR Team Members and to support the development of skills aligned with Technicolor vision, values and strategy. This initiative has been continued in 2016, and 14 people are fully trained and can operate as internal coaches for High Potentials.

The Management Academy plays an important role in the support HR provides to managers in the Group. After a pilot period during which sessions were delivered both internally and externally in the U.S., UK, France and Belgium in 2014, we evolved the program in 2015 to a truly "bootcamp" for management capabilities at group level and in 2016 five sessions of the new program were delivered: 4 days of collaborative training sessions were delivered in UK, U.S., Canada and India, impacting 76 managers in all divisions and functions. We also provided participants with 4 additional webex to reinforce the learnings and give them an opportunity to keep working on a couple of topics that were covered during the sessions.

A total of 14,665 hours of training were delivered to managers world-wide in order to enhance management capacities and posture for our employees.

Resource & Development Plans

After a pilot phase in 2013, all the divisions and functions now monitor their Resource & Development Plan. The ambition is to provide each division or function with a comprehensive HR road map that is fully consistent with the business needs and strategy evolutions. These plans that rely mainly on the existing HR processes and tools are built by HRBPs hand in hand with their business leaders. They aim at identifying HR priorities for the future and detail specific HR action plans to support the business evolutions: hiring policies, evolution and mobility, learning and development priorities and training plans, and all HR-related actions that could support the business transformation.

As part of these plans, a comprehensive work has been initiated to identify the evolutions of key jobs. This work includes a review of the mission and responsibilities of jobs as well as the set of competencies that are necessary to achieve excellence in the execution of these jobs. A set of customer facing, R&D and research jobs were the first to benefit from this initiative.

A series of learning tracks were designed to ensure the development of crucial competencies and give new perspectives on the evolution of execution in key jobs. Linked with the learning tracks, Professional accreditation programs were designed to recognize the level of competencies and achievements of the employees that have followed the tracks. The accreditation program launched in 2012 is now available for 8 jobs, representing 274 persons enrolled at end of 2016: Product/Service Line managers, R&D Project managers, Customer Project managers, Solution Architects, Customer Technical Support, New Product Introduction manager, Product Quality Assurance and Project Sourcing managers. Incumbents of these jobs who have completed all the learning tracks designed for their jobs can be candidates to be accredited in. More than 11,000 hours of training were delivered in this program since it started in 2013.

One "Training and Development program" also addresses the specific needs of four key roles identified as critical throughout the Resource & Development Plan process (ex: Producers, Customer Service, Sales, and Heads of Departments). These roles benefit from specific curricula that are defined at job level and delivered internally or externally. The objective is to improve employee engagement and develop and maintain excellence on specific skills that will drive innovation and customer engagement and support the growth of the business in the future.

The MPC Academy also supports globally the efforts to develop excellence in our skills and jobs: this program can be defined as an endeavor to bring in raw talent freshly graduated from University and provides training to prepare them to work on shots; it targets graduate level artists who are recognized as high potential but yet to show a full level of competency. Participants benefit from 8 to 12 weeks of training while being paid, followed by 12 months of employment. This programs impacted 317 artists in three locations in 2016 (Bangalore, Vancouver, Montreal) – representing 131,736 hours of training.

Job Architecture

In order to respond to evolving business needs and provide the foundations for a number of HR programs, an update of the Technicolor job architecture has been conducted in 2013. Operational managers and HR teams from all regions have worked together to build a consistent framework throughout the divisions and geographies.

As a result, a lean and standardized collection covering all jobs in the Group is now available. This is the first step for a longer journey that will support, in the short-term, to align existing job structure and job profiles. In a longer-term, it will be used as a base layer for various activities such as Resource & Development Plan (individual development, succession planning, benchmarking, compensation planning).

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.

Early in 2016, additional awareness sessions were held in-person with the senior leadership team and also with the HR leadership team. After that, a learning experience focused on reducing and mitigating unconscious bias was offered to the HR leadership team on a pilot program basis with a duration of about four months. The majority of participants completing the learning experience achieved long-term reduction in unconscious bias partnered with decision-making tools that assist to combat unconscious bias during critical decisions, as with recruitment and hiring. The next step is to roll out this learning experience to an additional leadership group within Technicolor.

Gender Diversity

A first program was launched in 2014 under the sponsorship of the EXCOM, in order to better balance gender diversity and increase the ratio of women in business roles, management levels and leadership pipeline. Actions were put in place through a full range of processes and progress continued during 2016:

- Four women are now members of the EXCOM, representing 33% of the total number of members. At MCOM level, five women are now members, reaching 40% of the total number of members;
- A recruitment policy was adopted to encourage gender diversity in senior management positions: Technicolor requires recruitment and personnel search professionals worldwide to ensure that the curriculum vitae of at least one qualified woman is included in every list of finalists submitted for open senior management positions within the Company;
- Leadership talent criteria are adapted to secure equity between men and women in leadership positions; gender diversity is integrated in divisions Talent review, which outcomes are presented to EXCOM, including dedicated action plans as needed;

In addition, initiatives to promote gender diversity are encouraged locally as in India, France, the UK and Poland:

- in India, the local Women's Network continued to build momentum and several specific events were held during the year 2016 such as one week of Women's Day celebration, 2 Women's Discussion Circle sessions, awareness sessions on sexual harassment, an awareness session about cervical cancer, and a safe travel to home program was launched that provides transportation and personal escort to women working late to ensure they arrive home safely. Technicolor India also developed outreach information and activity at other entity locations such as JAIN school of animation ICAT Design and Media College, the Asian Institute of Gaming and Animation, Yellow Tree Academy and the Maya Academy of Advanced Cinema, all with the idea to attract more women to join Technicolor. Also women are actively encouraged to participate and to present their papers to the Grace Hopper celebration of women in computing that is India's largest Gathering of Women Technologists;
- in France, an agreement was reached early in 2016 about "Gender Equity". It includes compensation alignment between men and women, with a dedicated budget, training for managers to appreciate gender diversity, training to support women in developing their leadership and promoting their career;
- in the UK, Technicolor continued its engagement with Women in Film & Television Network by continuing to sponsor the Creative Technology Award Category for the 2016 Women in Film and Television Awards. Technicolor continue to attract and retain female talent with the focus on work life balance and the engagement with our flexible working policy, we had a 42% increase in flexible working requests from 2015 to 2016;
- in Poland, women candidates make up at least 50% of the short list for any open permanent position, and the industrial operation actively manages lifestyle expectation concerning shift duration, physical capability, on-site restaurant offerings, and social events. Women are represented in the same proportion as employment for the site's stakeholder representatives Committee, which reviews operational changes and provides input to management.

Principle of Non-discrimination

A diverse workforce is a business imperative to Technicolor in its competitive environment. It must be able to recruit and retain the most talented candidates from a broad range of disciplines and experiences. Technicolor's policy is to provide equal employment opportunity without regard to race, sex, religion, national origin, age or disability status.

Non-discrimination and equal employment opportunity policies, based upon the Ethics Charter and locally augmented according to specific legal requirements if needed, including the anti-harassment policy, are implemented at all Technicolor sites. In several countries, managers and supervisors are provided Legal awareness training sessions about anti-harassment and non-discrimination. Several initiatives continued or were launched in 2016:

- in France, the "generation contract" initiative to enhance employment of juniors and maintain employment of seniors continued;
- in the UK, equal opportunities policy is part of the employee handbook and of the induction for all new starters;

- in India, practice was developed to make provision for mutually agreeable extension of employment for senior workers, past the national retirement age of 58. The Bangalore operation also provides a written document concerning local community conditions and advice for new workers moving in from other areas. Partnering with Oxfam India, the Technicolor team supported 18 local teams in the 2016 Trailwalker "Walk for Equality" event, with walks of 50 and 100 km over three days, while also staffing a checkpoint along the route for support and hospitality during the 3 day event.

In addition to the role of the management, detection of discrimination cases also relies on the whistleblower policy allowing any employee to confidentially disclose their situation or the situation of a co-worker, without fear of publicity or adverse reaction. Such cases are reported to the Ethics Committee and investigated with the Audit team. Some countries implement in addition an official trust person or advocate for employees if there is a discrimination issue. Overall, about less than twenty-five cases of discrimination and harassment were reported in 2016.

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 with labor representatives in support of Technicolor's 'Mission Handicap – France' program, which was launched during the second half 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 – companies employing people with disabilities have now been specifically contracted to subcontract dedicated tasks.

In Canada, Technicolor policy recognizes and promotes the hiring of persons with disability.

In Australia, Technicolor partnered with a disability employment agency to hire employees with disabilities, and initial placements were made, progress is on-going.

In the UK, The Mill has partnered with Mencap, a charity, to support Mencap's initiative to bring seventy young people with learning disabilities into seventy different companies for a week of professional work experience.

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.

6.1.7 TRAINING POLICY
GRI [G4-LA9] [G4-LA10] [G4-LA11] [G4-DMA Training and education]

The objective of Technicolor training policy is to ensure the development of competencies and capabilities are aligned with the Group's strategy and, simultaneously, support employee's growth and development.

Training priorities are set based on the evolution of existing jobs and technologies, on the identification of new capabilities to develop and on the individual needs of employees in terms of job performance and/or of professional evolution. The creation of specific learning tracks per job has been encouraged in each division, resulting in an optimization of training resources and in an increased number of training opportunities. In order to ensure the same quality level as well as alignment and consistency, development programs regarding Leadership, Management and Technical or Functional skills are coordinated at corporate level.

To do so, Talent & Development Center of Expertise supports business heads and HR Business Partners in all aspects regarding Learning and Development. HR Business Partners coordinate the building and monitoring of the Development Plans at division or function.

Training is implemented locally by the HR Competency Centers who are in charge of ensuring training actions are optimized between the divisions and that training complies with all local regulations.

Overall training initiatives offered in 2016 encompass 302,683 hours of training. Additional training hours of informal on the job training activities and discussion groups having taken place in 2016 are not reported.

6.1.8 REMUNERATION POLICY
GRI [G4-52]

Total remuneration is considered a key pillar of Technicolor's Human Resources policy. The remuneration policy is tailored to acknowledge and fairly recognize an employee's contribution to the short and longer term success of the Group.

Technicolor continues to incorporate a classification structure based upon Towers Watson methodology, with grades and bands that ultimately emphasizes and reinforces the strong link between contribution and remuneration. Technicolor is steadily reviewing its job definitions and levels and reflects the evolutions of the Group. Such classification allows the Group to ensure the internal equity of remuneration packages; moreover, Technicolor participates to relevant salary surveys to assess the competitiveness of remuneration in the proper marketplaces. This provides Technicolor with sustainable, objective and equitable means of remunerating employees while closely controlling its wage bill.

The total remuneration policy is structured around flexible and competitive fixed and variable compensation elements driven by market best practices and the Group's objectives for long-term value creation appropriate to circumstances and goals:

- **Competitiveness:** appropriate market benchmarks of total compensation against comparable companies allow Technicolor to offer competitive compensation packages to employees in accordance with competitive pressures in the marketplace. This ensures that Technicolor continues to attract, motivate and retain high potentials and key contributors for which Technicolor competes in an international market place while controlling cost structures;
- **Equitable approach:** Technicolor believes that it remunerates its employees on an equitable basis in each of its geographical locations both in line with local standards and proposed corporate programs. The remuneration policy is set according to the Group's "broadbanding policy" which allows consistent assessment of responsibility, contribution and levels of expertise on an international business basis across all businesses and functions. In addition, the remuneration policy of top executives is managed by Corporate Human Resources to facilitate consistency of various remuneration components and ease international and cross-business mobility;
- **Business and skills focus:** the remuneration of professionals, engineers and managers is a sound, market-driven policy and ultimately administered to stimulate business performance. A substantial part of the total remuneration package is composed of variable elements which drive a performance culture and support the Company's strategy. These variable elements are meant to stimulate, recognize and reward not only individual contribution, especially innovation and risk-taking, but also and in particular, solid and consistent Group and divisions performances.

In accordance with the principles and rules established by the Group, each Group entity is entitled to recognize the potential and encourage the development of its employees by means of various remuneration factors defined by the Group.

At constant currency rate exchange (end 2016) and at constant population of employees (all employees present both in 2015 and in 2016), the evolution of the base salary payroll mass (without variable elements and social contributions paid by the employer) between 2015 and 2016 increased by 4.08%.

6.1.9 LABOR RELATIONS

GRI **[G4-11] [G4-DMA Labor/Management relations] [G4-DMA Freedom of association and collective bargaining]**

Labor relations with Technicolor employees are the responsibility of site managers in each country with the support of Human Resources.

With respect to its European operations, Technicolor entered into a labor agreement with a European council of employee representatives (the "European Council") confirming the Group's labor practices. This council, which meets several times each year, comprises union representatives or Members of local works councils in European countries.

In 2011, Technicolor has renewed the composition of its European Works Council in order to reflect its business evolution in Europe; as a consequence, the European Works Council is now composed with:

Country	Number of European Works Council seats
Belgium	1
France	2
Germany	1
Poland	1
UK	2

Technicolor's European Works Council is a supranational body, the purpose of which is to address topics of a transnational nature. The European Works Council is informed of Technicolor's European operations in respect of personnel, finance, production, sales, and research and development, and their impacts upon employment and working conditions. It is also informed of major structural, industrial and commercial changes as well as organizational transformations within the Group. It met one time in 2016.

In accordance with applicable law in the European Union, Technicolor's managers of each European country meet annually with labor organizations to discuss remuneration and working conditions.

In accordance with domestic laws, data regarding the level of unionization is not available in most of European countries (the laws in these countries do not allow this type of statistic to be published). In 2016, Technicolor entered into 23 collective bargaining agreements in France and 1 such agreement in Belgium. 3.7% of employees are unionized in Poland.

In Australia 57% of the employees belong to a union and collective agreements are multiyear but none was to be renewed in 2016.

In Canada, collective bargaining agreements are negotiated on a pluriannual basis and 3.7% of the Group's employees are unionized. No agreement was to be renewed in 2016. In Mexico, we entered into 3 bargaining agreements and 53% of the employees are unionized. In Brazil, we entered into 5 bargaining agreements. In the United States, approximately 2.9% of the Group's employees are unionized and were covered by the collective bargaining agreements negotiated with the national and/or local unions. These agreements, with an average duration of three years, address salaries, employment benefits and working conditions and organization. No agreement was to be renewed in 2016.

6.1.10 WORKING TIME MANAGEMENT AND ABSENTEEISM

GRI **[G4-LA6] [G4-DMA Employment] [G4-DMA Occupational health and safety]**

Working time is managed according to the needs of Technicolor's various business activities in both the parent company and its subsidiaries. The Group complies with regulatory obligations and contractual commitments in terms of working time in each country in which it operates. Through various working time management tools, the Group ensures employees do not exceed legal thresholds and are appropriately compensated for any overtime according to their employment agreement. However, a large part of Technicolor's workforce is exempt and paid a flat rate for a number of days worked per year: worked days are then monitored.

Part time and remote working are authorized on a case-by-case basis according to the Group policies and depending on the occupational requirements. At the end of 2016 Technicolor has about 350 part time employees working less than 5 days per week. Over the year, part time employees working at least half time represent 97% of part time employees and part time employees working at least the equivalent of 4 days per week (80% of a full time worker's time) represent 45 to 50% of part time employees. French "intermittent" contracts are not considered as part time employees.

Some activities of Technicolor experience seasonal peak workloads (such as DVD Services) and require significant interim and temporary (fixed-term) workers to support client requirements, mainly in the distribution and warehouse sites, in addition to overtime. These seasonal workers are typically directly hired over a period of a few months (temporary) or contracted through a third party labor services company (interim), while overtime for long-term employees is more

achievement-related and is used to complete very time-limited peak activity (manufacturing or project development achievement). Interim workers are not included in the year end Group headcount figures as they are not employees of the Group. The main countries employing seasonal workers are the United States, Mexico, Canada, and to a lesser extent Australia, and Europe.

Production Services activities such as visual effects, animation and post-production are mainly project based driven activities and rely for a significant part on fixed-term contracts (including "Intermittents" contracts) to be able to adapt team skills mix, experience and size to the requirement and the timeline of the productions, as this is the common rule in this industry.

Overall, seasonal interim workers represent about the equivalent of 6,250 full time jobs while at the peak they may more than double the number of workers present on the relevant sites.

Fixed-term contracts and "intermittents" represent the equivalent of about 2,600 full time jobs across the Group activities.

Across Technicolor, total overtime represents about the equivalent of 700 full time jobs.

Working time is managed in the Group's various sites *via* software such as ADP, Punchout, Kronos, Sisnom and Casnet. There are also some additional manufacturing related tools that track working time such as ScheduAll, Laserbase and CETA.

Absences are generally defined on an annual basis in terms of holidays, vacations, personal and family medical leave or other possible unplanned absence such as jury duty, as described by bargaining unit contract, employment contract, or regulation. Throughout the year, each employee categorizes any absence according to its definition, and all absences are subsequently reviewed and approved inside the applicable working time tracking software solution.

The average rate of employee absenteeism for sickness and unauthorized absence at the Group level in 2016 was 2.6%.

Absenteeism Methodology

Population coverage: all sites above 10 employees present throughout the 2016 are covered for the calculation. It represents 99% of the employees of these activities. All employees with an active and not terminated working contract with Technicolor are included in the scope (interns, apprentices, contracted workers, employees under a notice period are excluded).

Absence reported: paid and unpaid medical leave up to 12 continuous week of absence, work accidents absence, short-term and long-term disability if employment working contract is not suspended, unauthorized absences – Unpaid leave / absence – other unjustified unpaid absence. All other categories of absence are not included. The 2016 coverage is identical to 2015 coverage after it has been modified in 2015 compared to 2014 to cover only the above categories. In 2014, all absences categories except vacations, bank holidays, training, severance absence, time in lieu off/compensation time, medical leave beyond 12 continuous weeks of absence were reported, including maternity and paternity leave and sabbatical, which represent the major sources of variation after 2014.

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.

6.1.11 ILO AND GLOBAL COMPACT PROGRESS

GRI [G4-15] [G4-DMA Labor/Management relations] [G4-DMA Investment] [G4-DMA Non-discrimination] [G4-DMA Freedom of association and collective bargaining] [G4-DMA Child labor] [G4-DMA Forced and compulsory labor] [G4-DMA Compliance]

Technicolor closely follows the international principles laid out in the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work in its approach to Ethics and Social Responsibility, a standard reinforced in the Group's Ethics policy and in its membership with the UN Global Compact. In this way, the Company pledges to ensure freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor and elimination of discrimination in respect of employment and occupation. These principles carry through into the supply chain, and supplier compliance with the Company's policies and principles relating to ethics and human rights is monitored through a Supplier Ethics and Social Responsibility program.

Technicolor has been a Member of the United Nations Global Compact since 2003. The Global Compact is a United Nations initiative which challenges Member companies to align their operations and strategies around 10 universally accepted principles in the areas of human rights, labor standards, environmental practices and anti-corruption and to develop best practices in these fields. Technicolor seeks to comply with the highest ethical standards, to take into account the legitimate and ethical interests of all its stakeholders as well as the United Nations founding principles and each year submits a Communication on Progress as part of its support and engagement in favor of the Global Compact. The most recent public Communication on Progress is available on the Group's website at the following location under the Governance and Ethics section:

http://www.technicolor.com/en/who-we-are/corporate-social-responsibility

6.1.12 HEALTH AND SAFETY MANAGEMENT

GRI [G4-27] [G4-LA5] [G4-LA6] [G4-LA7] [G4-LA8] [G4-DMA Occupational health and safety] [G4-DMA Local communities]

Health and Safety

An effective occupational Health and Safety (H&S) program, as defined by Technicolor, looks beyond specific requirements of law to address all hazards. The aim of the occupational health and safety program is to prevent injuries and illnesses, whether or not compliance is an issue. The Group believes that the necessary elements of an effective program include, at a minimum, provisions for systematic identification, evaluation, and prevention or control of general workplace hazards, specific job hazards, and potential hazards that may arise from foreseeable conditions.

Technicolor's health and safety programs are designed to identify potential risks and take appropriate prevention and severity reduction measures. Accident and injury prevention programs include active local Safety Committees and specialized task forces, job safety analysis, written plans and procedures, employee training, monitoring for potential chemical, physical, biological, and ergonomic risks, inspections and audits, incident investigations and the implementation of appropriate corrective actions.

There were many notable H&S achievements during 2016 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.

- The Mexicali site received a Certificate of 100% compliance in the "Empresa Segura" program (safe business program) of the Baja California State of Mexico, which validates an observation and auditing period of several months. Beyond building up awareness on working at height and wearing individual protection equipment, the site also relied on the support of the local health center to propose employees screening tests for illnesses and conditions such as diabetes, cholesterol, and weight.

- In Australia, the Melbourne site updated its occupational risk assessment and put in place new corrective actions and improvement programs as a consequence, while the Sydney site began using biodegradable air pouches to replace foam peanut fill, reducing possible repetitive motion injuries due to spring-loaded valves that were previously actuated by hand to complete the bulk packaging process.
- In Piaseczno, Poland, further efforts to separate the flow of pedestrians from vehicle and materials handling equipment were made in different areas.
- Lawrenceville developed site emergency plan and emergency preparedness training materials, including a desktop site safety reference guide and all were distributed to employees, contractors, and visitors.
- In India, initiatives were put in place to protect women from harassment or illness, including provision for individual escort home when any woman is working after hours or at night. Self-defense classes were offered as well as medical screening tests such as Pap smear.
- In France, the Rennes and Issy les Moulineaux sites launched quality of life surveys among employees and in Edegem, Belgium, stress and burnout prevention training was provided to managers.
- The Mill in London is promoting health and well-being through stop smoking talks, yoga classes, fitness boot camps, nutrition talks, mindfulness classes and cancer screening checks. Other initiatives include adjustable workstations, discounted gym memberships, and a bike to work scheme. Vancouver MPC also proposes massages and the Toronto Mr. X site proposes stand-up workstations, yoga sessions, massages and has also a prayer room.
- The Manaus operations team in Brazil continued to bring focus and awareness to their team regarding cancer, sponsored pink October events throughout the month concerning breast cancer followed by blue November events concerning prostate cancer.

Technicolor has initiated some discussion bearing on health and safety with employee representatives in countries where structured dialogue with employee representatives is well established.

Technicolor understands that each employee has the ability to impact Environment, Health and Safety (EH&S) efforts and performance, thus it is critical that they are provided with the appropriate tools, resources and knowledge. EH&S training programs develop awareness and skills that allow employees and contractors to perform their jobs in such a manner that will not only ensure compliance with appropriate laws, regulations and policies, but also so that they may prevent accidents which may lead to injuries or harm to the environment. Training programs are evaluated during the EH&S Audit process, and are a core requirement in the EH&S performance measurement process.

EH&S Training

In 2016, about 22,990 hours of documented training on a wide variety of environmental and safety compliance and protection, injury prevention, emergency preparation and response, and occupational health topics were provided to employees and contractors throughout Technicolor.

Community Outreach and Employee Initiatives

Technicolor sites facilitated a variety of community outreach and employee protection initiatives in 2016, including medical exams, vaccinations, flu shots, blood drives, wellness programs, massage, yoga, ergonomic evaluations, first aid training, holiday adoptions, food, clothing, eyewear collections and other cash, product, and time donations.

Safety Performance

What follows are results of key safety metrics that were tracked in 2016.

In 2016, Technicolor experienced a 5.5% increase in work-related injury and illness incident rate (number of reportable injuries and occupational illnesses per 200,000 hours worked) from 0.91 in 2015 to 0.96 in 2016.

The work-related lost workday incident rate (number of reportable lost workday injuries and occupational illnesses per 200,000 hours worked), increased similarly to 0.46.

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 (0.047), to average lost days per incident (9.9), to average lost days per equivalent full-time worker (0.093).

Work related incident rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Incidents	Rate	Incidents	Rate
2014	177	1.02	77	0.44
2015	159	0.91	77	0.44
2016	215	0.96	102	0.46

2016 incident and lost workday incident rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Incidents	Rate	Incidents	Rate
Connected Home	5	0.24	1	0.05
Entertainment Services	203	1.04	96	0.49
Technology	-	-	-	-
Other	7	1.46	5	1.04

6.2 ENVIRONMENTAL MATTERS

GRI [G4-14] [G4-27] [G4-DMA Overall]

This report provides an overview of the activities that Technicolor is taking to fulfill its responsibilities as a global corporate citizen with respect to Environment, Health, and Safety (EH&S). As such, Technicolor is reporting on what it has determined to be the most significant aspects and impacts, both globally and by business unit, for the fiscal year 2016.

In alignment with the principles stated within the EH&S Charter, Technicolor continually assesses the EH&S performance of its facilities to identify opportunities and implement measures to reduce adverse environmental impacts and to improve the health and safety of its workplaces and their surrounding communities. For the 2016 management report, a total of 52 reporting locations are included.

There were many notable environmental achievements during 2016 targeting energy efficiency, conservation of water, and improved recycling. Several of them are summarized below:

- The Mill sites are using electricity 100% supplied from renewable sources;
- MPC locations involve their security teams to turn off lights and air conditioning in office when occupants are away. Bicycling and taxi-sharing practices are encouraged, as is video conferencing in lieu of travel. One location weatherproofed fire escape doors to retain interior climate and improve efficiency. LED lighting bulb substitution programs are in place, and one site has changed sump pump technology to inverter driven pumps to improve efficiency;
- the Piaseczno DVD production site reduced energy consumption by about 250 kWh per day by eliminating 25% of temperature controllers/regulators and by increasing the insulation on water piping used for mold temperature control;
- Memphis packaging and distribution has continued campaigns to replace existing lighting with LED lamps through warehousing and operations, conserving power and generating savings year after year;
- Sydney operations improved harvest and storage of used cardboard to facilitate and optimize collection and recycling;
- Mexicali and Tultitlan sites improved their recycling rate over 2015, by 3% in Mexicali and 12% in Tultitlan, increasing the profitability of the recycling program, which is registered with the environmental agency of Mexico;
- Chennai eliminated paper cups in the cafeteria, distribution ceramic mugs to all workers, reducing waste generation by as much as 10,000 cups per month;
- Bangalore improved paper recycling programs, and began an effort to supply more eco-friendly products in rest-rooms and cafeterias. The operations team also partnered with Oxfam India to improve awareness about sustainability through a "Making the Most out of Waste" project at a rural school located along the Oxfam trailwalker route, where Technicolor volunteers could interact with students aged 6-10 and assist them in their projects to create models of the solar system, food chain, or water cycle out of waste materials;
- in Manaus, to improve protection of neighboring properties, facility improvements were made to capture 100% of rain water, preventing downstream erosion of land. At the same time, 60% of the harvested rainwater was passed beneficially to the nearby community.

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.

6.2.1 GENERAL

GRI [G4-DMA Overall]

Policy and Charter

As a global leader in providing a diverse range of communication and video technologies, finished products, systems, equipment, and services to businesses and professionals in the entertainment and media industries, Technicolor understands the importance of establishing consistent and universally applied standards. Such standards not only assist each of its locations to meet the requirements of the country in which they are located, but also provide an added benefit of encouraging each location to develop programs that go beyond local regulatory requirements. To formalize this critical philosophy, Technicolor has developed a Corporate Environment, Health, and Safety (EH&S) Charter. The EH&S Charter supports the Technicolor Ethics Charter and the Corporate Social Responsibility Charter, and is the cornerstone of the Group's EH&S program. It defines key management principles designed to protect human health and the environment, helps Technicolor meet its legal and corporate responsibilities, and provides direction for each Technicolor location's activities and operations.

The EH&S Charter has been translated into six languages and is available on the Group's Intranet, and is displayed at each industrial site.

Environmental Risk Profile

During 2016, the Group operated 52 main locations, 16 of which are industrial. By Technicolor's definition an industrial location is a facility where DVDs are produced, packaged or distributed or where any Connected Home product is made.

To provide finished products and services, Technicolor utilizes purchased materials, chemicals, components, energy, and water. As a result of the products and services it provides, there are a number of potential activities that may result in adverse impacts to the environment.

Environmental aspects reviewed in this report include waste management (total waste generated, landfilled, and recycled), energy consumption (electricity and fossil fuels), water consumption, air emissions (greenhouse gas emissions), main materials used, and processing wastewater effluents. The 52 sites included in this report may be reviewed in the subsection "Data Collection Method and Rationale" (6.2.4) herein.

Organization

EH&S is managed transversally within Technicolor and by extension becomes the duty of each Executive Committee Member, Technicolor business manager and Site manager. Technicolor established a Corporate EH&S group in 1993 to develop, direct and oversee the development of global policies, guidelines, programs and initiatives. The Corporate EH&S organization reports to Corporate Social Responsibility, headed by the Director of Human Resources and Corporate Social Responsibility, who is a Member of Technicolor's Executive Committee. Overseeing the EH&S group is a Corporate manager, who directs the efforts of EH&S personnel throughout the business. Business Unit liaisons work to ensure that initiatives relevant to their particular business are shared quickly among sites with similar industrial activity. Legal support and counsel for issues such as product safety, environmental protection and workplace safety is provided by Technicolor in-house attorneys.

It is the responsibility of the Corporate EH&S Organization to develop policies, programs, processes and initiatives to help the business meet the principles and commitments outlined within the EH&S Charter. Each Technicolor location identifies personnel who, along with the support of local EH&S Committees, are responsible for reviewing and localizing Corporate Policies and Guidelines and applicable governmental laws and regulations, and for implementing site-specific programs and procedures which will ensure compliance and minimize the potential for their operation to cause harm to human health or the environment.

6.2.2 PROGRAMS, SYSTEMS, AND ACTIVITIES

GRI [G4-DMA Overall]

A number of programs and initiatives have been established and implemented to ensure that the Group meets its legal responsibilities and operates in a manner that identifies risks and takes measures to reduce harm to human health and the environment. The most significant of these are described below.

Policies and Guidelines

Corporate EH&S Policies and Guidelines have been developed to establish requirements and provide guidance for the development, implementation and maintenance of EH&S programs. EH&S Policies and Guidelines were first developed in 1993 and are periodically reviewed and revised, and when necessary, adapted to ensure that they address current regulatory and business needs, most recently working alone and first-aid, Cardio-Pulmonary Resuscitation, and Automated External Defibrillator.

Each Technicolor industrial location is responsible for reviewing the EH&S Policies and Guidelines and applicable laws and regulations, and developing local programs that ensure compliance and address site-specific issues. Along with the charter and other key information, the Policies and Guidelines are available to employees *via* the Technicolor EH&S Intranet website.

Annual Performance Measurement Process

A process was implemented in 1997 to allow for the consistent internal benchmarking of key management programs and requirements within each of the Group's industrial locations, and tracking of site progress toward environmental, safety and resource conservation improvement goals. This process was revised during 2012 to better support the wider network and diversity within the Group's mix of industrial and non-industrial locations, and it assesses benchmark criteria, helping the Group create consistent global focus and action plans on key programs, requirements and initiatives.

Training

GRI [G4-LA9] [G4-DMA Training and education]

Technicolor understands that each employee has the ability to impact the Group's EH&S efforts and performance, thus it is critical that they are provided with appropriate tools, resources and knowledge. The EH&S training program develops awareness and skills that allow employees and contractors to perform their jobs in such a manner that will not only ensure compliance with appropriate laws, regulations and policies, but also prevents accidents which may lead to injuries or harm to the environment. Training programs are evaluated during the

Corporate EH&S audit process, and are a core requirement in the EH&S performance measurement process. In 2016, about 22,990 hours of documented training were provided on a wide variety of environmental and safety compliance and protection, injury prevention, emergency preparedness and response, and occupational health topics.

Emergency Preparedness and Response

Even the best designed programs and procedures cannot eliminate the occurrence of unforeseen events. The development and periodic review of emergency preparedness and response plans is critical to the success of Technicolor's EH&S program, making these, along with associated training and testing, key components of the EH&S performance measurement process.

One of the many challenges that are present in a globally operated business is ensuring effective communication, particularly in the event of a crisis. At Technicolor, a system was designed to provide a consistent worldwide approach for managing and mitigating significant EH&S incidents. The Significant Business Incident (SBI) system enables timely communication to and involvement of top management and ensures the quick and effective allocation of appropriate resources with consistent crisis management measures throughout the world. This process also serves as a valuable tool for identifying potential concerns within each of Technicolor's businesses and to ensure that appropriate preventive measures are effectively implemented.

In 2016, eleven SBIs associated with EH&S aspects were reported, and no penalties or fines were incurred as a result of these SBI events.

Environmental Management Systems

GRI [G4-DMA Environmental grievance mechanisms]

An Environmental Management System (EMS) is a continual cycle of planning, implementing, evaluating and improving practices, processes and procedures to meet environmental obligations and successfully integrate environmental concerns into normal business practices. An effective EMS helps identify and eliminate the causes of potential environmental problems, establish and achieve environmental goals, reduce potential risk and liability, and operate a more effective environmental program.

ISO 14001 is the most widely accepted international standard for an EMS. In today's global market, participation in the ISO 14001 process is one way for an organization to demonstrate its commitment to the environment. To receive certification, organizations are required to develop detailed plans and procedures to identify, evaluate, quantify, prioritize and monitor environmental impacts of its activities.

During 2016, a total of six sites held an ISO 14001 certification and two additional recently acquired operations are working toward it. The Group makes an environmental risk assessment of each site before concluding an ISO 14001 certification is required. A few sites work beyond the Group requirement and achieve the certification even though the risk threshold is not exceeded.

Technicolor locations with ISO 14001 certified EMS

Site	Segment	Original certification date
Guadalajara	Entertainment Services	October 2004
Manaus	Connected Home	February 2004
Melbourne	Entertainment Services	December 2005
Piaseczno	Entertainment Services	December 2004
Rugby	Entertainment Services	November 2004
Sydney	Entertainment Services	December 2005

Product Design and Life Cycle Assessment

GRI **[G4-EN7] [G4-EN27] [G4-DMA Products and services]**

As a leading supplier of Set-Top Box (STBs) and Home Gateways, Technicolor has acquired experience and decided to incorporate Ecodesign principles and methodology into its main new products families. Rigorous product environmental performance analysis is used to measure the impact of innovations and to target key areas of focus. Specific ecodesign studies have been completed on many aspects of core product design (*e.g.,* energy consumption, electronic cards and components, casing and cable materials, accessories, etc.) as well as on related elements including packaging and transportation. To support eco-design, Technicolor uses the most recent version of a Life-Cycle Analysis Tool (EIME V5) to measure the environmental impacts of a product over its entire life (*i.e.,* from cradle to grave).

Key Product Environmental and Safety Requirements Compliance

GRI **[G4-EN7] [G4-EN27] [G4-PR1] [G4-PR3] [G4-DMA Products and services] [G4-DMA Compliance] [G4-DMA Public policy] [G4-DMA Customer health and safety] [G4-DMA Product and service labeling]**

Technicolor operates in a worldwide market and thus has to deal with a wide variety of national and regional initiatives governing the environmental performance and risk management associated with its products.

In particular, energy consumption, which is the main significant environmental impact for our products remains a key priority across the industry and regions.

In Europe, therefore, Technicolor continues to support voluntary EU industry initiatives such as the Industry VA for Complex set top boxes, the Code of Conduct (CoC) for Digital TV and the CoC for Broadband equipment.

Technicolor has actively contributed to new or revision of eco-design regulation by providing inputs to the EU commission, *via* its membership of the Digital Europe organization of leading Digital Technology European companies. The scope of Technicolor contributions and monitoring are extended beyond energy efficiency such as Reusability/Recyclability/Recoverability (RRR), and planned obsolescence. In 2014 and 2015, Technicolor has provided key contributions to the EU eco-design work plan 2015-2017, the revision of 278/2009 on External Power Supply, the revision of 1275/2008 and 801/2013 regulation on standby and network standby, the CoC for Broadband Equipment version 6 (CoC BBV6), and to VIA for STB Version 4 (VIA V4), which are all impacting significantly the design, development, and cost of Technicolor GW and STB.

In the Americas, in Australia, in Asia, in Africa, and in the same manner, Technicolor monitors and follows environmental regulations and standards. In the United States for example, Technicolor follows the Department of Energy proposed amendment on external power suppliers and rulemaking initiatives on efficiency standards for Set-Top Box and Network Equipment, including planned obsolescence. For a number of years, most of Connected Home STB models marketed in U.S. met the Energy-Star STB energy efficiency levels. In Australia, Technicolor is an Associate Member of the Subscription Television Industry Voluntary Code for improving the energy efficiency of conditional access Set-Top Box.

Compliance methods and actions are in place with regard to the RoHS, and WEEE European directives, and the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) European regulation, or similar legislation in regions other than EU Member States, dealing with the Restriction on the use of Hazardous Substances within products and systems, and preparing for better end-of-life handling of Electrical and Electronic Equipment Waste.

Regarding consumer product health and safety, the Group ensures that all products sold comply with all consumer safety regulations applicable in each country where the product is marketed. Additionally, in some emerging markets where safety regulations may not yet be robust, the Group applies its knowledge of appropriate product safety regulations and ensures that emerging market products comply with a higher product safety standard.

Audits and Internal Governance

EH&S audits and inspections are a key part of Technicolor's continued efforts to improve EH&S management and performance, and to prevent incidents from occurring. In addition to the establishment of Internal Audits within each manufacturing, packaging, and distribution site, 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 2016, six locations were audited as part of Technicolor's objective of auditing each industrial location at least every three years. As a result of these audits potential improvement items were identified and evaluated, and more importantly, appropriate associated action plans developed.

Acquisitions and Closures

Technicolor has established a process for reviewing locations prior to acquisition and upon closure to identify and understand the likelihood and extent of potential environmental contamination associated with the locations' activities. This process not only helps limit financial liability, but also to understand the type and level of support required to ensure that the Group's corporate policies and guidelines are effectively implemented. Once acquired, locations are expected to comply with Technicolor's EH&S policies and guidelines, which include, as an example, the development of chemical and waste management practices to minimize the potential for uncontrolled releases to air, water and land.

Environmental Investments, Remediation, and Pollution Prevention

GRI [G4-EN24] [G4-EN29] [G4-EN31] [G4-EN34] [G4-DMA Environmental grievance mechanisms]

In total, approximately €1.77 million was spent on environmental remediation projects in 2016.

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 10.2 of Technicolor's consolidated financial statements for 2016, included in this report).
- During site closure at an Indiana (USA) CRT factory, soil contamination was discovered while de-commissioning storage pits and liners. Site assessment work was begun in 2005 and Technicolor entered into a Voluntary Remediation Agreement with the appropriate environmental agency in 2006. Initial soil clean-up actions took place in 2006 and groundwater assessment was completed during 2009. The remediation work plan for this site has been approved and is now primarily related to monitoring.
- As a result of a minor groundwater contamination discovered at a former Technicolor site in North Carolina (USA), an exhaustive environmental site assessment and corrective action plan was completed in 2005. The corrective action plan was approved by the appropriate environmental agency in September 2006, and remediation activities at the site were completed in 2007. Monitoring of the declining groundwater contamination is on-going.
- During site demolition at a closed London film lab with a prior history of contaminated groundwater, soil contamination was discovered while removing below grade structures and piping. All contaminated soil was excavated and disposed of properly. After demolition was completed, a site wide groundwater assessment was made, and a remediation strategy prepared. The remediation strategy was approved by the governing environmental and health agencies at end of 2009, and sub-surface remedial chemical treatment was completed during 2010. Post-remediation groundwater monitoring indicated a likely source point remaining within on-site soils, and this hot-spot was excavated and disposed during 2014. Localized chemical treatment was re-applied to the base of the excavation prior to backfill. Groundwater monitoring continues as the effects of the remedial treatment progress.
- 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 2016.

The Group believes that the amounts reserved and the contractual guarantees provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be sufficient. In addition, future developments such as changes in governments or in safety, health and environmental laws or the discovery of new risks could result in increased costs and liabilities that could have a material effect on the Group's financial condition or results of operations. Based on current information and the provisions established for the uncertainties described above, the Group does not believe it is exposed to any material adverse effects on its business, financial condition or results of operations arising from its environmental, health and safety obligations and related risks.

In addition, Technicolor has initiated a number of environmental projects at various locations to ensure that they are in compliance with applicable laws and regulations and Technicolor standards, or to reduce or prevent unwanted emissions, for which approximately k€830 was invested. Potential pollution not directly related to chemicals or waste, such as noise pollution or noise restrictions, are assessed at the site level and mitigating measures are taken where appropriate.

6.2.3 OPERATIONAL DATA AND RESULTS

GRI [G4-15] [G4-EC2] [G4-EN1] [G4-EN3] [G4-EN5] [G4-EN8] [G4-EN10] [G4-EN15] [G4-EN16] [G4-EN22] [G4-EN23] [G4-DMA Materials] [G4-DMA Energy] [G4-DMA Water] [G4-DMA Emissions] [G4-DMA Effluents and waste]

Goals and Performance 2015-2018

Technicolor established the following EH&S goals and objectives for the Group, to be met by its worldwide industrial operations by the end of 2018:

- 5% annual reduction of injury rate;
- 20% minimum proportion of electricity coming from renewable sources;
- 75% minimum waste recycling rate;
- reporting to satisfy GRI (Global Reporting Initiative) G4 Guidelines.

Reporting Perimeter

This report contains data from 52 operating locations, of which 16 are industrial. Prior year data are reported for the same locations when available, although some newly acquired sites may not have data values for years prior to acquisition. Given the diversity of the Group's operations, the environmental aspects and potential impacts vary by location, thus not every location is required to report on each of the established metrics.

The Corporate EH&S Organization has identified key information that is tracked and reported on either a monthly, quarterly, or annual basis. This information includes utility consumption, waste generation, recycling and disposal, air emissions, main raw materials used, and water effluent from industrial locations.

Technicolor is firmly committed to continually assessing the impacts of its facilities and products. Technicolor's goal is to continually evaluate information needs and collection processes to ensure that it remains consistent, with a focus on present activities and issues as well as anticipated future requirements.

Environment

The year 2016 continued a shift in the environmental profile of the Group in alignment with the increasing emphasis on business to business partnerships with Media & Entertainment professionals.

What follows are results of key environmental metrics that were tracked in 2016. Prior year results are reported for sites within the reporting perimeter of the year reported, thus sites divested may continue to be reported in prior years and sites acquired are not reported in prior year's results.

Energy

In 2016 worldwide energy use was approximately 1,633 tera joules, an increase of about 45% compared with 2015, driven mainly by acquisitions. Of the total energy consumed, 88.6% was in the form of electricity (of which 16.8% was from renewable sources), 11.2% was in the form of fossil fuels, and 0.2% was in the form of purchased steam. When compared to total revenue, average energy intensity was 0.334 TJ/M€ across the business in 2016.

Energy consumption *(terajoules or TJ/M€)*

	Total	Electricity	Fuel sources	Total per revenue
2014	1,134(1)	963	168	0.340
2015	1,124(2)	975	145	0.326
2016	1,633(2)	1,446	183	0.334

(1) Total energy includes about 3 TJ steam purchase.
(2) Total energy includes about 4 TJ steam purchase.

2016 energy consumption *(terajoules or %)*

	Total Energy	% Total Group	Electricity	% Total Segment	Fuels	% Total Segment
Connected Home	83.2	5.1%	72.5	87.2%	10.7	12.8%
Entertainment Services	1,531.1	93.8%	1,359.4	88.8%	171.7	11.2%
Technology	2.0	0.1%	1.0	100%	-	-
Other	16.7(1)	1.0%	12.4	74.2%	0.3	1.8%

(1) Total energy includes about 4 TJ steam purchase.

Water

In 2016, water consumption at the Technicolor reporting locations increased by about 56% versus 2015 to 709 thousand cubic meters, driven mainly by acquisitions. When compared to revenues, average water consumption rate was 0.144 km^3/M€ across the business in 2016.

Where raw water is developed on-site from local wells, all consumption and pre-treatment is in accordance with granted permissions and approved processes. All water consumption, other than that related to building and facilities, is linked to DVD replication or Set-Top Box manufacturing. Locations experiencing periodic water shortages, such as DVD replication in Australia, invest in rainwater harvesting, while other manufacturing locations in Brazil, Mexico, and Poland may invest in process water recycling so that overall source consumption is reduced. Including laboratory operations in Rennes, France, total rainwater harvested and consumed during 2016 was about 7,600 m^3.

Water consumption *(thousand cubic meters or km3/M€)*

	Total Consumption	Total per Revenue
2014	447	0.134
2015	455	0.132
2016	709	0.144

2016 water consumption *(thousand cubic meters)*

	Total Consumption	% Total
Connected Home	49.6	7.0%
Entertainment Services	650.2	91.7%
Technology	2.4	0.3%
Other	6.8	1.0%

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 2016, the amount of treated water discharged was 115 thousand cubic meters, and the total estimated amount of discharged priority pollutants was 126 kilograms.

Discharged priority pollutants *(kilograms or kg/M€)*

	Total Discharged	Total per Revenue
2014	90	27.0
2015	46	12.6
2016	126	25.8

In addition, due to effluent characteristics, 3 sites are required to monitor biological oxygen demand (BOD) or chemical oxygen demand (COD), in 2016 an estimated total of 3.3 and 1.1 metric tons were discharged within process effluent respectively

All above quantities of discharged pollutants are fully compliant with authorized limits.

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 2016 were:

Raw materials *(metric tons)*

Polycarbonate molding plastic	25,911
Cardboard and paper packaging	13,590
Wood packaging	7,791
DVD bonding resin	1,401
Plastic packaging	1,173

Waste

Technicolor has a long-standing commitment to the principles of sound and environmentally responsible management of waste. Establishing the hierarchy of internal re-use, recycling and reclaiming followed by treatment and then landfill as the last option, Technicolor has developed and implemented programs to reduce waste generation, decrease the amount of hazardous waste, decrease waste sent to landfill, and increase recycling.

Hazardous waste is defined at each site using guidance from local governing agencies, but in general it means waste chemicals, fuels, oils, solvents, batteries, fluorescent light bulbs, or other items that may have been in contact with the hazardous material, for example, cleaning materials or empty containers. All these hazardous wastes are handled, stored, and disposed in compliance with local regulation and Group Policy.

Total waste generated was 40,342 tons (about 3% of total waste was generated by non-industrial sites). The increase of 11,817 metric tons, or 41% compared to 2015, was driven mainly by acquisitions. The recycling rate was 77.9% increasing about 1 percent compared to 2015. When compared to total revenue, the average waste generation rate across the business was 8.25 M-Ton/m€ in 2016.

Waste *(metric tons or m-ton/m€)*

	Total Waste Generated	% Treated Hazardous	% Recycled	Total per Revenue
2014	30,394	2.4%	81.7%	9.12
2015[(1)]	28,525	2.9%	77.2%	8.27
2016[(1)]	40,342	1.97%	77.9%	8.25

(1) Group waste figures for 2015 and 2016 include all reported non-industrial waste.

2016 waste generation *(metric tons or%)*

	Total Waste Generated	% Total	% Treated Hazardous	% Recycled
Connected Home	572.6	1.4%	4.7%	25.9%
Entertainment Services	39,673.5	98.4%	1.9%	78.6%
Technology	10.6	-	0%	40.1%
Other	85.3	0.2%	0%	81.1%

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 2017 to more completely measure and categorize this waste generation. For 2016, the overall reported waste was significant at about 3% of the Group total tonnage, with approximately 39 tons of hazardous waste from non-industrial locations (batteries, mercury-containing bulbs, e-waste). Some sites are already well into reducing the amount of office paper used through a groupwide paperless initiative. New for 2016 was the first recognition of organic composting as part of recycled waste, with about 10 tons reported.

Air Emission

Upon evaluation of its operations, Technicolor determined the most significant but limited air emission contaminant resulting from the Group's operations (Scope 1) to be carbon dioxide associated with on-site combustion of fuels for heating, back-up power generation, or fire-suppression equipment.

In 2016, a total of 10,557 metric tons of CO_2 were emitted from combustion sources within Technicolor's industrial plants and larger non-industrial locations. This figure was calculated using the 1996 Intergovernmental Panel on Climate Change (IPCC) Emission factors.

Air emission *(metric tons)*

Scope 1 emissions	CO_2
2014	9,478
2015	8,160
2016	10,557

Indirect emissions from consumption of electricity (Scope 2) were 218,386 metric tons CO_2 and were estimated using guidance and tools from the GHG Protocol (World Resources Institute (2014) GHG Protocol tool version 4.5 for stationary combustion).

Scope 2 emissions	CO_2
2014	139,323
2015	140,515
2016	218,386

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:

- electricity consumption during the use of Connected Home devices (set-top boxes and gateways) during their estimated product lifetime of 7 years;
- raw materials, manufacturing, distribution, and dismantling (cradle-to-cradle) of Connected Home devices (set-top boxes and gateways);
- raw materials and distribution of DVD and Blu-ray™ discs;
- employee commuting;
- business travel.

Climate Change

In 2016, Technicolor participated for the ninth consecutive year in the Carbon Disclosure Project, targeting collaboration between large international firms and investors related to global warming. Technicolor's answer is available on the CDP's website: http://www.cdproject.net.

The Group's first carbon footprint assessment was published for the year 2008, taking into account business travel, worker travel between home and work, incoming and outgoing freight and transportation, energy use, waste disposal, raw materials, and the use of refrigerants and industrial gasses.

Climate change is integrated into Technicolor's business strategy along two primary axes: development of eco-friendly products and services and infrastructure improvements to reduce emissions or to maintain performance when faced with climate impacts. The development strategy has Technicolor joining or leading various industry groups, regulatory Committees, or trade collaborations as a way to find or to create improvements and manage them in to the product or service offerings. The infrastructure strategy is to seek out improved efficiencies in technology or human process/behavior.

Examples are upgrades of existing lighting installations, building management systems, Research & Innovation programs linked to integration of smartgrid software in Set-Top Box, energy efficiency improvements from eco-design of products or packaging, anticipation on upcoming legislation, increase use of energy from renewable resources.

Locally other initiatives exist such as a "green car" policy for leased vehicles or a CO_2 emissions compensation program implemented at the Set-Top Box manufacturing facility in Manaus, Brazil.

Finally, Technicolor is preparing its facilities to mitigate the material effects of climate change (principally severe weather episodes such as heavy rainfalls and flooding or draughts or storms) by putting in place the needed prevention programs and adapting emergency action and contingency plans where needed.

Biodiversity

All 52 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 2016, 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.

6.2.4 DATA COLLECTION METHOD AND RATIONALE

GRI [G4-6]

This report contains data from 52 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, 2016 to December 31, 2016.

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:

				2014			2015			2016	
Site	**Segment (ref 2016)**	**Location**	**E**	**Utility**	**H&S**	**E**	**Utility**	**H&S**	**E**	**Utility**	**H&S**
Avon	Entertainment Services	France					X	X		X	X
Bangalore	Entertainment Services	India		X	X		X	X		X	X
Beijing	Connected Home	China		X	X		X	X		X	X
Boulogne	Entertainment Services	France		X	X		X	X		X	X
Brampton	Entertainment Services	Canada	X	X	X	X	X	X	X	X	X
Burbank	Entertainment Services	California, USA		X	X		X	X		X	X
Camarillo	Entertainment Services	California, USA	X	X	X	X	X	X	X	X	X
Chennai	Connected Home	India								X	X
Chicago The Mill	Entertainment Services	Illinois, USA								X	X
Culver City M-GO[1]	Technology	California, USA		X	X		X	X			
Culver City MPC	Entertainment Services	California, USA								X	X
Edegem	Connected Home	Belgium		X	X		X	X		X	X
Glendale[1]	Entertainment Services	California, USA		X	X						
Guadalajara	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Hannover[1]	Technology	Germany		X	X		X	X			
Hollywood	Entertainment Services	California, USA		X	X		X	X		X	X
Huntsville	Entertainment Services	Alabama, USA							X	X	X
Indianapolis	Connected Home	Indiana, USA		X	X		X	X		X	X
Issy	Corporate	France		X	X		X	X		X	X
LaVergne	Entertainment Services	Tennessee, USA							X	X	X
Lawrenceville	Connected Home	Georgia, USA								X	X
Livonia	Entertainment Services	Michigan, USA	X	X	X	X	X	X	X	X	X
London MPC	Entertainment Services	UK		X	X		X	X		X	X
London Post	Entertainment Services	UK					X	X		X	X
London The Mill	Entertainment Services	UK								X	X
Los Altos	Technology	California, USA					X	X		X	X

Site	Segment (ref 2016)	Location	2014			2015			2016		
			E	Utility	H&S	E	Utility	H&S	E	Utility	H&S
Los Angeles The Mill	Entertainment Services	California, USA								X	X
Manaus	Connected Home	Brazil	X	X	X	X	X	X	X	X	X
Melbourne	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Memphis	Entertainment Services	Tennessee, USA	X	X	X	X	X	X	X	X	X
Mexicali	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Montreal Mikros Image	Entertainment Services	Canada								X	X
Montreal MPC	Entertainment Services	Canada		X	X		X	X		X	X
Montreal Post[2]	Entertainment Services	Canada	X	X	X		X	X		X	X
Mumbai	Entertainment Services	India								X	X
New York MPC	Entertainment Services	New York, USA		X	X		X	X		X	X
New York Mr. X	Entertainment Services	New York, USA					X	X		X	X
New York The Mill	Entertainment Services	New York, USA								X	X
Olyphant	Entertainment Services	Pennsylvania, USA							X	X	X
Ontario California[3]	Corporate	California, USA	X	X	X	X	X	X		X	X
Paramount	Entertainment Services	California, USA		X	X		X	X		X	X
Paris Mikros Image	Entertainment Services	France								X	X
Piaseczno	Entertainment Services	Poland	X	X	X	X	X	X	X	X	X
Pinewood[1]	Entertainment Services	UK	X	X	X		X	X			
Princeton	Technology	New Jersey, USA		X	X		X	X		X	X
Rennes Cesson	Connected Home	France	X	X	X		X	X		X	X
Rugby	Entertainment Services	UK	X	X	X	X	X	X	X	X	X
San Francisco[1]	Entertainment Services	California, USA		X	X						
Santa Monica MPC[1]	Entertainment Services	California, USA		X	X		X	X			
Shanghai	Connected Home	China								X	X
Sydney	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Toronto HES	Entertainment Services	Canada							X	X	X
Toronto Mr. X	Entertainment Services	Canada					X	X		X	X
Toronto Post	Entertainment Services	Canada		X	X		X	X		X	X
Tultitlan	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Vancouver MPC	Entertainment Services	Canada		X	X		X	X		X	X
Vancouver Post	Entertainment Services	Canada		X	X		X	X		X	X
Warsaw	Corporate	Poland		X	X		X	X		X	X
Wilmington[1]	Entertainment Services	Ohio, USA	X	X	X						

E = Environmental data, Utility = Water and Energy data, H&S = Work injury and illness data.

(1) These sites have been moved or closed or sold.
(2) The prior Montreal location stopped Photochemical film operations during 2012 and was refurbished for digital production operations for 2013 and beyond.
(3) The prior Ontario location stopped Industrial during 2014 and remaining non-industrial operations moved to a different facility beginning 2015.

6.3 STAKEHOLDER RELATIONS AND LOCAL IMPACTS OF THE COMPANY'S ACTIVITIES

GRI [G4-16] [G4-24] [G4-25] [G4-26] [G4-27] [G4-37] [G4-EC6] [G4-EC7] [G4-SO2] [G4-DMA Indirect economic impacts] [G4-DMA Training and education] [G4-DMA Local communities] [G4-DMA Anti-corruption] [G4-DMA Public policy] [G4-DMA Product and service labeling]

Technicolor's main activities are in the field of Research, Intellectual Property, Entertainment Services and Connected Home devices. They require creative talents for innovation of technologies and services and for development of products. This leads Technicolor to maintain relationships with a variety of key stakeholder groups to ensure growth and sustainability of its businesses, primarily:

- Employees;
- Clients and Customers;
- Investors and Shareholders;
- Educational Institutions and Research Bodies;
- Standard Setting or Standard Developing Organizations;
- Communities;
- Suppliers and Subcontractors;
- Public Authorities.

Within these general categories, specific stakeholders are identified as engagement opportunities based on their nearness to or connection with critical aspects of Technicolor (people, products, services, or property). Dialog may take place in a variety of ways, such as face-to-face meetings, memberships, surveys, contracts, or public event/forum/webinar/panel, as detailed in the below descriptive examples.

In the field of research, emphasis is put on cooperation with educational institutions, public research bodies and other companies to keep the technology pace. During 2016, 13 cooperative programs involving academics were running, with European as well as overseas educational institutions and public research bodies. In addition, Technicolor contributes actively to several technology clusters, including at the governance level, where R&D activities are located. Technicolor has established strong relationships with neighboring educational institutions in close proximity to Technicolor research locations such as Stanford University and Berkeley University (California) and Inria (France).

Standardization bodies are key for the implementation of patents in the frame of our Licensing activity. Technicolor contributes to 44 standardization bodies or standard setting organizations around the world and is part of the governance for some of them, as shown in the following table about aspects of Technicolor's significant participation with stakeholders.

Customer satisfaction is monitored and managed through regular face-to-face structured meetings with individual customers and executive review of any customer complaints for all activities. In addition, Connected Home also drives customer satisfaction surveys for its activities as they involve a large number of customers. Findings of these surveys and meetings are used to correct processes and improve relationships and quality of products and services.

Retaining our talents is important. Employee satisfaction surveys are conducted on selected sites, typically where retention rate may be an issue. Two global surveys were performed in 2016. A worldwide employee engagement survey has been conducted for all employees of Connected Home and another one for employees of VFX film activities. In addition several site employee satisfaction surveys have been performed (Brazil, Belgium, Australia) and a work life balance survey was conducted in France.

Technicolor maintains close relations with local communities in order to limit the impacts of the Company's activities on the local environment (*e.g.* noise pollution, light pollution, air pollution and road traffic). The Group strives to take the necessary steps in these contexts in order to achieve a satisfactory outcome for all concerned.

Technicolor strives to hire locally most of its employees. Technicolor's locations are usually in very large cities and surrounding metropolitan areas and, as a result, Technicolor holds a minority employer position in most employment areas where it is located and has limited direct local economic influence, except for research and development impact as detailed above.

Due to the continuous changes in the digital cinema domain, Technicolor divested from several domains. When sale of the impacted activities to an external party was not achievable, the Group committed significant resources and support, according to its existing policies, in order to mitigate the impact for the concerned stakeholders.

We maintain strong relationships with our shareholders and investment community. Technicolor participated to 405 events (roadshows, conference calls and conferences), met 646 institutions (institutional investors) and had 53 contacts with analysts during the course of the year. Overall Technicolor handled 752 meetings or calls with investors and analysts over the course of the year.

Technicolor focuses its involvement in community initiatives on digital artist education. In addition to its support to the Training Academies (see section 6.5), the Group support other educational initiatives to give opportunities to young talent to access to studios and to develop their skills: training students in schools, donating equipment, one week work experience, paid summer internship in VFX studios, supporting third party digital artists schools. The Group supports also the India Foundation for the Arts to help advanced projects of cinematographers.

It also continues to support activities in various environments relating to the world of film: launching festivals for new talent, supporting charities, and developing new experimental technologies or supporting joint initiatives with students to foster product and service innovation.

Aspects of Technicolor's Significant Participation with Stakeholders

Stakeholder Group	Type
Allseen Alliance	Standards Development
Advanced Television Systems Committee	Standards Development
Blu-ray Disc Association	Standards Development
Cap Digital (FR)	Research Cluster
Networked and Electronic Media Initiative – European Technology Platform	Research
Digital Video Broadcasting Group	Standards Development
High Definition Forum (FR)	Standards Development
High Definition Multimedia Interface Forum	Standards Development
Moving Pictures Expert Group	Standards Setting
Society of Motion Picture & Television Engineers	Standards Development
Consumer Technology Association	Standards development
Images & Reseaux (FR)	Research Cluster
ETSI	Standards Setting
UHD Alliance	Standards Setting
Virtual Reality Industry Forum	Standards development

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.

During 2016, the strongest themes related to Social Responsibility that were linked to the wide range of stakeholders centered on conservation of natural resources, increased attention to community sustainability, increased transparency, and continuous improvement related to human rights in supply chain.

6.4 SUPPLIER AND SUB-CONTRACTOR RELATIONS

GRI [G4-12] [G4-15] [G4-21] [G4-27] [G4-EN33] [G4-LA15] [G4-HR1] [G4-HR2] [G4-HR4] [G4-HR5] [G4-HR6] [G4-HR11] [G4-SO10] [G4-DMA Procurement practices] [G4-DMA Supplier environmental assessment] [G4-DMA Employment] [G4-DMA Supplier assessment for labor practices] [G4-DMA Investment] [G4-DMA Non-discrimination] [G4-DMA Child labor] [G4-DMA Forced and compulsory labor] [G4-DMA Supplier human rights assessment] [G4-DMA Supplier assessment for impacts on society]

Through meetings, contracts, and other methods of formal communication, the Group shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by Human Rights laws and standards, and strive for continual improvement in their environmental management systems, processes and products.

Technicolor requires its suppliers and sub-contractors to actively support its EH&S Principles. Suppliers are required to comply with the legal requirements and standards of their service or industry as applicable under the national law of the countries in which they operate. Technicolor suppliers and sub-contractors also ensure the compliance of their components and products with specific legal requirements applicable in the countries where their products are being sold.

Beyond raw material and component purchasing, the main areas where Technicolor subcontracts production and services are the manufacturing of set-top-boxes and gateways (96%), and part of the logistics of the DVD Services in Europe (35%) (see section 7.1.1). In addition, to manage seasonal peak workloads within DVD Services, Technicolor uses contracted labor services to provide additional workforce on packaging and distribution sites in America, where site headcount may double during the peak season.

To ensure effective supplier and subcontractor assessments, Technicolor has defined and implemented the Supplier Ethics program with a specific audit scope and focus for suppliers categorized as "high risk," defined as suppliers in countries with a relatively high potential for adverse Human Rights Issues. This key supplier audit tool, which includes a review of EH&S systems and performance, has been developed and implemented since 2003, with 20 audits performed in 2016. The primary sub-contracting scope within the Group is within the Connected Home business, where sub-contracting represents the majority of units sold, and thus almost all audits originating as part of the Supplier Ethics program are targeting suppliers and sub-contractors for the Connected Home business as sub-contracting is very low profile in Entertainment Services and Technology. Conversely, the year-end seasonal labor peaks are strongly represented in Entertainment Services and the Group ensures that all temporary workers receive all required EHS training, information, and equipment for their responsibilities, no matter how limited the duration of employment, the same as any other worker within the Group.

During 2016, Technicolor completed the implementation of the Code of Conduct for the Electronics Industry Citizenship Coalition under its Applicant Member status and has reached the status of Member.

Technicolor monitors key performance indicators according to SA8000 criteria for key active electronics manufacturing service partners to ensure they comply with CSR regulations and practices. Technicolor Sourcing gives preference to suppliers who have achieved ISO 9001 certification and who are certified to meet such EH&S standards such as ISO 14001 and OHSAS 18001. The Technicolor Supplier Ethics program:

- ensures that Technicolor suppliers respect our policies and program requirements;
- promotes economic and social welfare through the improvement of living standards and support for non-discriminatory employment practices. Technicolor actively seeks suppliers with similar interests and ethics commitments. Suppliers are expected to adhere to these basic principles:
- tolerate no discrimination and encourage diversity,

- promote best working conditions,
- use no child or forced labor,
- protect peoples' health, safety and the environment,
- support employee development,
- respect fair market competition,
- strive to be a good corporate citizen,
- respect consumer and personal privacy,
- avoid potential conflicts of interests.

To ensure that suppliers respect established principles, Technicolor sourcing management:

- defines a list of high risk commodities and countries;
- determines when ethics audits, always performed by Technicolor-selected auditors, are required;
- requires all suppliers must sign the General Rules of Conduct Compliance Certificate;
- periodically reviews all suppliers according to the Technicolor Suppliers Ethics Handbook/Checklist procedure.

Through these audits and other methods, Technicolor shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by human rights laws and standards, and strive for continual improvement in their environmental management systems, processes and products. During the audit process, instances of child labor are classified as "critical," resulting in an immediate stoppage of business. Audits revealing employee discrimination, forced labor, safety violations, permanent disabilities or fatal injuries are classified as "major," and require immediate corrective action.

Mindful of regulations banning or restricting certain chemical substances, Technicolor implemented a process for obtaining and tracking information about its suppliers. This system allows for the identification and estimation of relevant chemical substances in Technicolor's products and ensures that banned substances are not included.

6.5 EDUCATIONAL INITIATIVES

GRI [G4-27] [G4-EC8] [G4-DMA Indirect economic impacts] [G4-DMA Training and education] [G4-DMA Local communities]

MPC Academy is a global initiative of the Group to help bring new talent into the visual effects business. It is an in-house finishing school. We hire candidates with some education in a specialty within our field, and train them up to the level where they are ready to work on feature film visual effects.

Growth in the Montreal, Vancouver, and Bangalore studios comes with a large demand for talent. The educational institutions in these areas do not graduate talent with the necessary skill sets in the quantity demanded by the industry. In response, MPC decided to be proactive and started this initiative to develop our own talent. We created in-house training space with industry standard equipment in Montreal, Vancouver and Bangalore. We offer paid employment for a one-year contract where they will spend from 8-12 weeks in full time training. Those who graduate transition into their department where they work on feature films.

Our first Academy run in our Canadian studios was in the autumn of 2014 and in our Indian studio, mid 2015. The departments we have trained for are compositing, lighting, FX, Digital Matte Painting (DMP), animation, roto prep and match-move. Since this project began, MPC has trained over 600 artists globally. The project has been a success and continues to be a central part of our talent strategy in Canada and India. 2017 is slated to be our most ambitious year for Academies, with plans to train an additional 400 individuals, and adding software and assets Academies.

It represents an excellent opportunity for young people in the communities in which we operate to break into the film visual effects business. It is challenging to get a chance to work in visual effects and the MPC Academy opens the door and provides this opportunity. It is an investment not only in our own future talent, but in the communities where we operate. Access is not limited to the national citizens, but open to talent around the world, wherever they come from. We have welcomed Academy students from Mexico, Brazil, Thailand, Columbia, Indonesia, China, Japan, Korea, together with India, North American and Europe. Hundreds of young people who may not have otherwise have been given a chance have been provided an opportunity to join our creative community. They have the support of a full time trainer in the department they are preparing for, and they are given detailed feedback along the way so they understand what they need to do to succeed.

The majority of those hired into the Academy have graduated and gone on to complete their first year contract. After a year, many have received subsequent contracts from MPC and others have gone on to work for our competitors. We see that as a validation of the success of the Academy. Visual effects is a show based cyclical business. Artists tend to be contract based and work at a variety of companies on different projects. We believe that since we took a risk and invested on emergent talent and created an excellent experience for their entry to the business, that they are likely to return to MPC because of the loyalty inspired. Overall, this program allows us to contribute to local economies and employment, and can help grow a larger available talent pool for the industry cluster.

We aim to source all of our future junior talent in compositing, lighting, FX and DMP in Canada from Academy graduates. Our heads of department have expressed satisfaction with their performance and we have many cases of Academy graduates performing well above expectations.

We see this as a partnership between the Group and local education establishments make the countries we work in attractive to creative talent. To this end further steps are being taken to better prepare students while they are still in school. We have held events in both Montreal and Vancouver to invite the local colleges and universities to MPC and offer our help to better prepare their students to work in visual effects. Subsequent events have been held in Montreal including an “educator’s week” in January 2017 to provide hands on training for educators in our studios using our tools.

MPC Academy represents both a central strategic talent initiative and a way for the Group to give back to the community. It helps bring social and economic benefits to the cities we work in as every Academy student will need to live, travel, eat and play in their communities. As these communities become recognized as great places for creative talent it will attract new work and companies as well as stimulate other spin-off businesses. It is a great example of a win-win situation where doing the right thing is also good business.

6.6 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD-PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

GRI [G4-33]

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-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 Decembre 31, 2016

To the Shareholders,

In our capacity as Statutory Auditors of Technicolor SA (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1048[(1)], we hereby report to you on the consolidated Human Resources, Environmental and Social information for the year ended December 31, 2016 included in the management report (hereinafter named "CSR Information"), pursuant to Article L. 225-102-1 of the French Commercial Code *(Code de commerce)*.

COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by Article R. 225-105-1 of the French Commercial Code in accordance with the reporting protocols used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the Company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of Ethics *(Code de déontologie)* of our profession and the requirements of Article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

STATUTORY AUDITORS' RESPONSIBILITY

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved six persons and was conducted between December 2016 and February 2017 during a 4 week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this engagement and with ISAE 3000[(2)] concerning our conclusion on the fairness of CSR Information.

(1) Whose scope is available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

1. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding Human Resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with Article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, the Company, its subsidiaries as defined by Article L. 233-1 and the controlled entities as defined by Article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the Chapter 6 titled "SOCIAL INFORMATION AND SUSTAINABILITY" of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

Nature and scope of our work

We conducted about five interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the Human Resources and Environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[3]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us[4] on the basis of their activity, of their contribution to the consolidated indicators, of their location and of a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the

(3) *Quantitative information: total workforce at the end of the year; headcount split by sex; hirings and terminations; full time equivalent number of seasonal interim workers; full time equivalent number of fixed-term contracts and "intermittents"; number of hours-person of training; average rate of employee absenteeism; Work Related Incident Rates; severity rate of work incidents; total waste generated; process waste water; water consumption; energy consumption.*
Qualitative information: Working time management and absenteeism management; Health & Safety management; Environmental programs, systems and activities; Environmental pollution prevention and environmental remediation expenses; Supplier and sub-contractor relations; Stakeholder relation and local impacts of the company's activities.

(4) *Memphis (United-States), Guadalajara (Mexico), Piaseczno (Poland).*

data with the supporting documents. The selected sample represents on average 19% of headcount and between 27% and 56% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR Information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to question on the fact that the CSR Information, taken as a whole, is presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, February 23, 2017

One of the Statutory Auditors

Deloitte & Associés

Ariane Bucaille
Partner

Julien Rivals
Partner, Sustainability Services

7 ADDITIONAL INFORMATION

7.1 PROPERTY, PLANT AND EQUIPMENT 164

Operating facilities and locations 164

7.2 MEMORANDUM AND BYLAWS 167

7.2.1 Corporate purpose 167

7.2.2 Board of Directors and Executive Committee members 167

7.2.3 Rights, privileges and restrictions attached to shares 167

7.2.4 Actions necessary to change the rights of shareholders 167

7.2.5 Shareholders' Meetings 167

7.2.6 Bylaws requirements for holdings exceeding certain percentages 168

7.3 MATERIAL CONTRACTS 169

7.4 ADDITIONAL TAX INFORMATION 169

7.5 ORGANIZATION OF THE GROUP 170

7.5.1 Legal organizational chart of the Group as of December 31, 2016 170

7.5.2 Operational organization 172

7.6 AVAILABLE DOCUMENTS 173

7.7 INFORMATION ON ACCOUNTING SERVICES 173

7.7.1 Statutory Auditors 173

7.7.2 Substitute Statutory Auditors 174

7.8 TABLE OF AUDITORS' FEES 174

7.9 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT 175

7.9.1 Declaration by the person responsible for the Registration Document and the Annual Financial Report 175

7.9.2 Responsible for information 175

7.1 PROPERTY, PLANT AND EQUIPMENT

OPERATING FACILITIES AND LOCATIONS

GRI [G4-6] [G4-20]

Technicolor occupies, as owner or tenant, a number of office buildings, manufacturing plants, and distribution and warehousing sites around the world. Technicolor is constantly reviewing its real estate needs in order to improve efficiency and minimize costs.

In 2016, 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 2016 included:

Operating Facilities	Primary Activity	Type of Action
Shanghai-Technology (China)	Office	Closure
Hannover (Germany)	Lab/Office	Closure
London-117 Wardour (United Kingdom)	Production	Closure
Glendale-Flower St (CA, United States)	Lab	Closure
Glendale-Los Feliz (CA, United States)	Office	Closure
San Diego (CA, United States)	Office	Closure
San Jose (CA, United States)	Office/Lab	Closure
San Ramon (CA, United States)	Distribution	Closure
Kennesaw (GA, United States)	Distribution	Closure
Livonia (MI, United States)	Distribution	Closure
Memphis-Knight Arnold Rd (TN, United States)	Distribution	Closure

In 2016, Technicolor has added the following sites (or relocated from smaller sites as indicated by the footnotes), increasing the total footprint:

New Sites	Primary Activity	Total Square feet
Allen Park (MI, United States)	Distribution	272,853
Lincoln Park (MI, United States)	Distribution	242,182
Toronto-Mr. X (Canada)(1)	Production	36,600
Culver City-MPC (CA, United States)(2)	Production	24,984
Chicago-The Mill (IL, United States)	Production	22,500
Los Angeles-VR Lab (CA, United States)	Production	9,239
Glendale-PS (CA, United States)	Production	5,200
Vancouver-PS (Canada)	Production	3,492
Philadelphia-CH (PA, United States)	Lab/Office	2,645
Los Angeles-Mr. X (CA, United States)	Production	2,367
Mumbai-PS (India)	Production	10,561
London-Mr. X (United Kingdom)	Production	512

(1) *Replaced Toronto McCaul St. Site (16,830 SF).*
(2) *Replaced Santa Monica, CA Site (13,756 SF).*

In 2016, 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
Montreal-Mikros (Canada)	Production
Montreal-MPC (Canada)	Production
Bangalore-MPC (India)	Production
Los Angeles-MPC (CA, United States)	Production
New York-The Mill (NY, United States)	Production

End 2016, the global real estate footprint is 14.7 million square feet compared to 14.5 million square feet end 2015, *i.e.* an increase of 1.4%.

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 2016, Technicolor is owner or tenant of the following key facilities:

Main Operating Facilities	Primary Activity	Own/Lease	Square Feet
Memphis (TN, United States)	Distribution	Lease	4,139,090
Huntsville (AL, United States)	Distribution/Manufacturing	Lease	1,665,135
Olyphant (PL, United States)	Manufacturing	Lease	1,024,000
LaVergne (TN, United States)	Distribution	Lease	770,000
Toronto (ON, Canada)	Distribution	Lease	635,124
Mexicali (Mexico)	Distribution	Lease	633,520
Brampton (ON, Canada)	Distribution	Lease	459,128
Allen Park (MI, United States)	Distribution	Lease	272,853
Rugby (United Kingdom)	Distribution	Lease	282,675
Bangalore (India)	Production	Lease	278,922
Guadalajara (Mexico)	Manufacturing	Own	272,850
Piaseczno (Poland)	Manufacturing	Own	269,000
Lincoln Park (MI, United States)	Distribution	Lease	242,182
Northampton (United Kingdom)	Distribution	Lease	210,000
Rennes-Cesson (France) Les Champs Blancs	Lab	Lease	199,929
Issy-les-Moulineaux (France)	Office	Lease	195,419
Indianapolis (IN, United States)	Lab/Office	Lease	194,310
Lawrenceville (GA, United States)	Lab/Office	Lease	173,308
Tutitlan (Mexico)	Distribution	Lease	170,081
Camarillo (CA, United States)	Distribution	Lease	144,465
Prestons (Australia)	Distribution	Lease	137,014
Murfreesboro (TN, United States)	Distribution	Lease	125,000
Hollywood (CA, United States)	Office	Lease	114,958
Burbank (CA, United States)	Production/Office	Lease	101,889
Toronto (Canada)	Production	Lease	83,770
Sydney (NSW, Australia)	Distribution	Lease	75,062
Beijing (China)	Office	Lease	73,164
Los Angeles Paramount (United States)	Production/Office	Lease	64,573
Montreal Ste Catherine (Canada)	Production	Lease	61,913
Montreal MPC (Canada)	Production	Lease	58,247
Manaus (AM, Brazil)	Manufacturing	Own	50,001
Boulogne (France)	Production	Lease	48,713
Chennai (India)	Lab/Office	Lease	48,000
Melbourne (Australia)	Manufacturing/Distribution	Lease	47,182
Vancouver (Canada)	Production	Lease	43,075
Edegem (Belgium)	Office	Lease	42,076
Calexico (CA, United States)	Distribution	Lease	37,196
Shanghai (China)	Lab/Office	Lease	32,590
New York - The Mill (NY, United States)	Production	Lease	30,550

Summary of Operating Facilities	Square Feet	Percentage of Surface
Office	1,445,088	9.9%
Lab	207,641	1.4%
Manufacturing	1,704,586	11.6%
Production	1,029,457	7%
Warehouse/Distribution	10,338,264	70.1%
ALL PROPERTIES	**14,725,036**	**100%**

Production: *sites dedicated to digital work for Production Services (post production, visual effects, animation, etc.).*
Manufacturing: *sites dedicated to DVDs/Blu-rays™, set top boxes and gateways manufacturing.*
Lab: *research sites.*
Office: *sites dedicated to corporate and support functions activities and product development.*
Warehouse/Distribution: *sites dedicated to DVDs/Blu-rays™ distribution/warehousing.*

Manufacturing, Production and Distribution

Technicolor's manufacturing, production, and distribution facilities accounted for 88.7% of its facilities space, at the end of 2016. The location of each significant facility can be found in the table above.

Technicolor's respective business segments have varying approaches to performing these activities; each is discussed in turn below.

DVD Replication and Distribution

GRI [G4-EN30] [G4-DMA Transport]

Global distribution and supply chain activities are provided in-house and through a network of contracted Third-Party Logistic Providers (3PLs). In markets where distributed unit volumes are sufficient, Technicolor completes all distributions and logistics activities in-house. In smaller markets, or where other considerations prevail, these activities are completed by 3PL's on Technicolor's behalf. In North America and Australia, the Group distributed 100% in-house; in Europe, approximately 65% in-house and approximately 35% 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. 2016 activities were focused on picture and sound post production services and on VFX and animation services. For more information, please refer to section 1.3.2: "Entertainment Services" of this Registration Document.

Set Top Boxes, Gateways, and Connected Devices

In 2016, Technicolor shipped a total of about 50.5 million modems and gateways, Set-Top Box, and other Connected Devices. Overall, around 4% 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 2016:

In-house Manufacturing and Replication	Number of Units
Entertainment Services	
DVD replication	1.1 billion DVDs
Blu-ray™ Replication	339 million Blu-ray™ discs
Theatrical post production (picture & sound)	238 feature films
Broadcast post production (picture & sound)	257 series and pilots
VFX shots for feature films	Nearly 17,000 shots
VFX shots for TV content	Over 4,000 shots
VFX/Post for advertising	over 4,700 commercial spots
Animation for films and TV	over 1,500 minutes delivered
Games production (animation & asset creation services)	34 titles
Connected Home	
Modems and gateways, Set-Top Box and other Connected Devices	2.01 million units

7.2 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.

You may obtain copies of the Company's bylaws in French from the Trade Registry of Nanterre, France.

7.2.1 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).

7.2.2 BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE MEMBERS

Information relating to administrative bodies can be found in Chapter 4: "Corporate governance and internal control", section 4.1.2: "Composition and expertise of the Board of Directors" of this Registration Document.

7.2.3 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).

7.2.4 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.

7.2.5 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).

7.2.6 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).

7.3 MATERIAL CONTRACTS

Readers are invited to refer to the description of the agreements relating to the Incremental Term Loan described in Chapter 2: "Operating and financial review and prospects", section 2.10.3 "Financial resources" of this Registration Document.

7.4 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 €131,506.95 in 2016 for the Company and correspond to non-deductible lease payments on private vehicles.

7.5 ORGANIZATION OF THE GROUP

7.5.1 LEGAL ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2016

GRI [G4-17]

Main legal entities

EUROPE

TECHNICOLOR SA

- 100% Thomson Home Entertainment Services Of America (France)
- 100% Thomson Multimedia Distribution (Netherlands) B.V (Netherlands)
- 100% Technicolor Entertainment Services France S.A. (France)
  - 100% Technicolor Animations Productions SAS (France)
  - 100% Mikros Image SAS (France)
- 100% Technicolor Entertainment Services Spain. S.A. (Spain)
- 100% Technicolor Milan S.R.L. (Italy)
- 100% Thomson Licensing SAS (France)
  - 100% Thomson Licensing DTV (France)
  - 100% Tech 5 SAS (France)
  - 99.90% Technicolor R&D France SNC (France)
  - 97% Laboratoires Thomson AG (Switzerland)
- 83.19% Technicolor Delivery Technologies SAS (France)
  - 99.99% Technicolor Connected Home Rennes SNC (France)
  - 100% Technicolor Connected Home Germany GmbH (Germany)
  - 100% Technicolor Connected Home Italy S.r.l (Italy)
  - 100% Technicolor Connected Home Spain Sl (Spain)
  - 100% Technicolor Connected Home UK Ltd. (United Kingdom)
  - 100% Technicolor Connected Home Poland Sp. Z.o.o. (Poland)
  - 100% Technicolor Delivery Technologies Belgium N.V (Belgium)
  - 100% Thomson Sales Scandinavia A.B. (Sweden)
- 99.99% SOFIA SA (France)
  - 16.81% Technicolor Delivery Technologies SAS (France)
- 100% Gallo 8 SAS (France)
  - 100% Technicolor Holdings Ltd. (United Kingdom)
    - 100% Technivision Ltd. (United Kingdom)
      - 100% Technicolor Videocassette Holdings UK Ltd. (United Kingdom)
        - 100% Technicolor Disc Services International Ltd. (United Kingdom)
        - 100% Technicolor Video Services UK Ltd (United Kingdom)
      - 100% Technicolor Ltd. (United Kingdom)
        - 100% Technicolor Media Services UK Ltd. (United Kingdom)
    - 100% Technicolor Europe Ltd. (United Kingdom)
      - 100% Technicolor Polska Sp. Z.o.o. (Poland)
    - 100% The Moving Picture Company Ltd. (United Kingdom)
    - 100% The Mill Facility Ltd. (United Kingdom)
  - 100% Technicolor Australia Investments Limited (United Kingdom)
  - 100% Technicolor Distribution Services France SARL (France)
- 100% RCA Trademark Management SAS (France)
- 100% Technicolor Trademark Management SAS (France)
  - 100% Technicolor Technology Licensing SAS (France)

SEGMENTS :

7.5.2 OPERATIONAL ORGANIZATION
GRI [G4-17] [G4-20]

The Group's organizational chart below contains the Group's main operating subsidiaries, classified by segments. These subsidiaries are directly held by Technicolor or indirectly held through holding companies as of December 31, 2016. 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 98% of the Group's revenues (external and intra-group) in 2016.

The list of main consolidated subsidiaries is described in Chapter 8, note 14 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 8, 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.

	Technology	Connected Home	Entertainment Services
France	■ Thomson Licensing SAS ■ Thomson Licensing DTV SAS ■ RCA Trademark Management SAS ■ Technicolor R&D France SNC ■ Technicolor Trademark Management SAS	■ Technicolor Delivery Technologies SAS ■ Technicolor Connected Home Rennes SNC	■ Technicolor Distribution Services France SARL ■ Technicolor Entertainment Services France SAS ■ Mikros Image SAS ■ Technicolor Animation Productions SAS
Europe except France			■ Technicolor Polska Sp.Z.o.o. ■ The Moving Picture Company Ltd. (MPC) ■ Technicolor Disc Services International Ltd. (Hammersmith) ■ Technicolor Video Services (UK) Ltd. ■ Thomson Multimedia Distribution (Netherlands) BV ■ Technicolor Ltd. ■ The Mill (Facility) Ltd.
America	▪ Thomson Licensing LLC	■ Technicolor Brasil Midia E Entretenimento Ltda ■ Technicolor Connected Home USA LLC ■ Thomson Telecom Mexico, S.A. de C.V. ■ Comercializadora Thomson de Mexico S.A. de C.V. ■ Technicolor Connected Home Canada Inc.	■ Technicolor USA Inc. ■ Technicolor Videocassette of Michigan, Inc. ■ Technicolor Home Entertainment Services Inc. ■ Technicolor Creative Services USA Inc. ■ Technicolor Canada Inc. ■ Technicolor Home Entertainment Services de Mexico S. de R.L. de C.V. ■ Technicolor Mexicana, S. de R.L. de C.V. ■ Technicolor Home Entertainment Services Southeast, LLC ■ The Mill Group Inc. ■ Mr. X Inc.
Asia		■ Technicolor Delivery Technologies Australia, Pty, Ltd ■ Technicolor (China) Technology Co., Ltd. ■ Technicolor Malaysia Sdn Bhd ■ Technicolor Connected Home India Private Ltd.	■ Technicolor, Pty, Ltd. ■ Technicolor India Privat Ltd. ■ Technicolor Distribution Australia, Pty. Ltd.

Parent company

On December 31, 2016, Technicolor SA had 156 employees. It mainly hosts the activities of Group management, support functions, Group treasury and part of the segments Connected Home and Technology. The Company's income statement (as presented in the corporate financial statements) shows a net profit of €149 million in 2016 (compared with a loss of €186 million in 2015) (for more information regarding the parent company, refer to Technicolor SA's corporate financial statements and notes to the financial statements in Chapter 8: "Financial statements", sections 8.4 "Technicolor SA parent company financial statements" and 8.5 "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 €330 million before depreciation at December 31, 2016) and equity instruments and received €188 million in dividends in 2016 (compared with €622 million in 2015). 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.

7.6 AVAILABLE DOCUMENTS

The bylaws and other corporate documents of the Company, any evaluation or statement prepared by an expert at the request of the Company, part of which is included or mentioned in this Registration Document, and, more generally, all documents sent or made available to shareholders pursuant to French law may be consulted at the Company's registered office, 1-5 rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux, France.

Moreover, historical financial information and regulated information of the Group is available on the Company's website (www.technicolor.com).

Paper versions of this Registration Document are available free of charge. This Registration Document may also be consulted on the Technicolor website.

7.7 INFORMATION ON ACCOUNTING SERVICES

7.7.1 STATUTORY AUDITORS

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
represented by Mrs. Ariane Bucaille.

Mazars
61, rue Henri-Régnault – Tour Exaltis
92400 Courbevoie
represented by Messrs. Jean-Luc Barlet and Guillaume Devaux.

Starting date of Statutory Auditors' first mandate

Deloitte & Associés: 2012.
Mazars: 1985.

Duration and expiration date of Statutory Auditors' mandate

Deloitte & Associés: appointed by the Combined Shareholders' Meeting of June 20, 2012 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2017.

Mazars: re-appointed by the Annual General Shareholders' Meeting held on April 29, 2016 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2021.

7.7.2 SUBSTITUTE STATUTORY AUDITORS

BEAS
195, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

CBA
62 rue Henri Régnault – Tour Exaltis,
92140 Courbevoie

Duration and expiration date of Substitute Statutory Auditors' mandate

BEAS: appointed by the Combined Shareholders' Meeting of June 20, 2012 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2017.

CBA: appointed by the Combined Shareholders' Meeting of April 29, 2016 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2021.

7.8 TABLE OF AUDITORS' FEES

	Deloitte		Mazars		Total	
(in thousands euros)	2016	2015	2016	2015	2016	2015
Audit services[1]	**2,823**	**2,470**	**2,413**	**1,965**	**5,236**	**4,435**
▪ Technicolor SA	784	733	951	793	1,735	1,526
▪ Subsidiaries	2,039	1,737	1,462	1,172	3,501	2,909
Other services relating to the audit function[2]	**113**	**536**	**115**	**177**	**228**	**713**
▪ Technicolor SA	113	181		152	113	333
▪ Subsidiaries	-	355	115	25	115	380
Tax fees[3]	**112**	**214**	**-**	**-**	**112**	**214**
▪ Technicolor SA	-	-	-	-	-	-
▪ Subsidiaries	112	214	-	-	112	214
Other fees	**38**	**526**	**-**	**-**	**38**	**526**
▪ Technicolor SA	-	-	-	-	-	-
▪ Subsidiaries	38	526	-	-	38	526
TOTAL	**3,086**	**3,746**	**2,528**	**2,142**	**5,614**	**5,888**

(1) *Audit Fees are the aggregate fees billed by the Statutory Auditors for professional services in connection with the audit of the Company's consolidated annual financial statements and services normally provided by these auditors in connection with statutory and regulatory filings or engagements, including reviews of interim financial statements, as well as audits of statutory financial statements of the Company and its subsidiaries.*
(2) *Audit-Related Fees consist of fees billed for services related to audits of financial statements in connection with disposals or acquisitions as well as other regulatory attestations.*
(3) *Tax Fees include fees billed for tax compliance and for tax advice on actual or contemplated transactions, expatriate employee tax services and transfer pricing studies.*

7.9 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

GRI [G4-31]

7.9.1 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Frédéric Rose, Chief Executive Officer, Technicolor.

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to affect the fairness of the presentation.

I certify, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of its consolidated subsidiaries, and that the management report, hereby enclosed, fairly presents the evolution of the business, results and financial position of the Company and its consolidated subsidiaries, and describes the principal risks and uncertainties that they face.

I have received a letter of completion of assignment from the Statutory Auditors, in which they state that they have verified the information relating to the financial position and the financial statements set out in this Registration Document and have read the Registration Document in its entirety.

Issy-les-Moulineaux, March 30, 2017

Chief Executive Officer of Technicolor,

Frédéric Rose

7.9.2 RESPONSIBLE FOR INFORMATION

GRI [G4-31]

Mrs. Esther Gaide, Chief Financial Officer of Technicolor
1-5, rue Jeanne-d'Arc – 92130 Issy-les-Moulineaux France
Tel.: +33 (0)1 41 86 50 00 – Fax: +33 (0)1 41 86 56 22

FINANCIAL STATEMENTS

8.1 TECHNICOLOR 2016 CONSOLIDATED FINANCIAL STATEMENTS 178

- 8.1.1 Consolidated statement of operations 178
- 8.1.2 Consolidated statement of comprehensive income 179
- 8.1.3 Consolidated statement of financial position 180
- 8.1.4 Consolidated statement of cash flows 182
- 8.1.5 Consolidated statement of changes in equity 183

8.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 184

8.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 256

8.4 TECHNICOLOR SA PARENT COMPANY FINANCIAL STATEMENTS 258

- 8.4.1 Statement of operations 258
- 8.4.2 Statement of financial position 259
- 8.4.3 Statement of changes in equity 260

8.5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 261

8.6 PARENT COMPANY FINANCIAL DATA OVER THE FIVE LAST YEARS (UNDER ARTICLES R. 225-81 AND R. 225-102 OF THE FRENCH COMMERCIAL CODE) 282

8.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 283

8.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS 285

8.1 TECHNICOLOR 2016 CONSOLIDATED FINANCIAL STATEMENTS

GRI [G4-EC1]

8.1.1 CONSOLIDATED STATEMENT OF OPERATIONS

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

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

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

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

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

The accompanying notes on pages 184 to 255 are an integral part of these consolidated financial statements.

8.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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

The accompanying notes on pages 184 to 255 are an integral part of these consolidated financial statements.

8.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

The accompanying notes on pages 184 to 255 are an integral part of these consolidated financial statements.

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

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

The accompanying notes on pages 184 to 255 are an integral part of these consolidated financial statements.

8.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

The accompanying notes on pages 184 to 255 are an integral part of these consolidated financial statements.

8.1.5 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, 2014	**336**	**(157)**	**939**	**500**	**(43)**	**(1,098)**	**(254)**	**223**	**(4)**	**219**
Net income (loss)*	-	-	-	-	-	150	-	150	(4)	146
Other comprehensive income*	-	-	-	-	22	-	(29)	(7)	-	(7)
Total comprehensive income for the period income	**-**	**-**	**-**	**-**	**22**	**150**	**(29)**	**143**	**(4)**	**139**
Capital increases	75	-	311	-	-	-	-	386	-	386
Capital increase allocated to NCI	-	-	-	-	(12)	-	-	(12)	12	-
Variation of treasury shares	-	2	-	-	-	-	-	2	-	2
Dividend paid	-	-	(17)	-	-	-	-	(17)	-	(17)
Shared-based payment to employees(1)	-	-	-	-	8	-	-	8	-	8
Balance as of december 31, 2015* Restated	**411**	**(155)**	**1,233**	**500**	**(25)**	**(948)**	**(283)**	**733**	**4**	**737**
Net income (loss)	-	-	-	-	-	(26)	-	(26)	-	(26)
Other comprehensive income	-	-	-	-	(39)	-	54	15	-	15
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(39)**	**(26)**	**54**	**(11)**	**-**	**(11)**
Capital increases	2	-	4	-	-	-	-	6	-	6
Change in Non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
Variation of treasury shares	-	(2)	-	-	-	-	-	(2)	-	(2)
Dividend paid	-	-	(25)	-	-	-	-	(25)	-	(25)
Shared-based payment to employees(1)	-	-	-	-	8	-	-	8	-	8
Tax impact on equity(2)	-	-	-	-	-	(8)	-	(8)	-	(8)
BALANCE AS OF DECEMBER 31, 2016	**413**	**(157)**	**1,212**	**500**	**(56)**	**(982)**	**(229)**	**701**	**3**	**704**

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

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

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

The accompanying notes on pages 184 to 255 are an integral part of these consolidated financial statements.

8.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1	General information	185
Note 2	Scope of consolidation	189
Note 3	Information on business and geographical areas	197
Note 4	Goodwill, intangible & tangible assets	202
Note 5	Other operating information	212
Note 6	Income Tax	215
Note 7	Equity & Earnings per share	219
Note 8	Financial assets, financing & derivative financial instruments	222
Note 9	Employee benefit	234
Note 10	Provisions & contingencies	245
Note 11	Specific operations impacting the consolidated statement of cash-flows	249
Note 12	Discontinued operations and held for sale operations	252
Note 13	Subsequent events	254
Note 14	List of main consolidated subsidiaries	254

NOTE 1 GENERAL INFORMATION

Technicolor is a leader in Media & Entertainment Services, developing and monetizing next-generation video and audio technologies. Please refer to note 3.1 for detailed on Group's operating segments.

In these consolidated financial statements, the terms "Technicolor group", "the Group" and "Technicolor" mean Technicolor SA together with its consolidated subsidiaries. Technicolor SA or the "Company" refers to the Technicolor group parent company.

1.1. Main events of the year

GRI [G4-13] [G4-23]

Debt refinancing

On December 6, 2016, Technicolor raised €450 million of Senior Secured Term Loans priced at 350 basis points over EURIBOR with a 0% floor and maturing in 2023. Proceeds were used to partially refinance its existing term loans due 2020, in particular the U.S. dollar portion (see note 8.3 for further details).

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

1.2. Accounting policies

GRI [G4-22]

1.2.1. Basis for preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2016 and adopted by the European Union as of February 22, 2017.

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

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

The consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 22, 2017. According to French law, the consolidated financial statements will be considered as definitive when approved by the Company's shareholders at the Ordinary Shareholders' Meeting, which should take place in May 2017.

The accounting policies applied by the Group are consistent with those followed last year except for standards, amendments and interpretations which have been applied for the first time in 2016 (see note 1.2.2.2).

1.2.2. IFRS transition & new standards

1.2.2.1. Main accounting options selected for the transition to IFRS in 2004

IFRS 1, First-time Adoption of IFRS, sets out the rules to be followed by first-time adopters of IFRS when preparing their first IFRS consolidated financial statements. At the transition date, for the preparation of the opening IFRS balance sheet, the Group has opted to apply the following main options and exemptions provided by IFRS 1:

Business combinations

In accordance with IFRS 3, the Group has opted not to restate past business combinations that occurred before January 1, 2004.

Cumulative translation differences

The Group elected to recognize cumulative translation differences of the foreign subsidiaries into opening retained earnings as of January 1, 2004, after having accounted for the IFRS adjustments in the opening shareholders' equity. All cumulative translation differences for all foreign operations have therefore been deemed to be zero at the IFRS transition date. The gain or loss on a subsequent disposal of any foreign operation will exclude translation differences that arose before the IFRS transition date but will include later translation differences.

1.2.2.2. New standards, amendments and interpretations

■ ***Main standards, amendments and interpretations effective and applied as of January 1, 2016***

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

Main standards, amendments and interpretations that are not yet effective and have not been early adopted by Technicolor

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

1.2.3. *Basis of measurement & estimates*

The financial information has been prepared using the historical cost convention with some exceptions regarding various assets and liabilities, for which specific provisions recommended by the IFRS have been applied:

- non-financial assets are initially recognized at acquisition costs or manufacturing costs including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Long-term assets are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses;
- financial assets & liabilities are initially recognized at fair value or at amortized cost (see note 8.1).

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period of the consolidated financial statements. These assumptions and estimates inherently contain some degree of uncertainty.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable and relevant. Actual results may differ from these estimates, while different assumptions or conditions may yield different results.

Management regularly reviews its valuations and estimates based on its past experience and various other factors considered reasonable and relevant for the determination of the fair estimates of the assets and liabilities' carrying value and of the revenues and expenses.

Technicolor's management believes the following to be the critical accounting policies and related judgments and estimates used in the preparation of its consolidated financial statements:

- impairment of goodwill and intangible assets with indefinite useful lives (see notes 4.1 & 4.4);
- determination of expected useful lives of tangible and intangible assets (see notes 4.2 & 4.3);
- deferred tax assets recognition (see note 6.2);
- assessment of actuarial assumptions used to determine provisions for employee post-employment benefits (see note 9.2);
- measurement of provisions and contingencies (see note 10);
- determination of royalties payables (see note 5.1.1).

1.2.4. *Translation*

Translation of foreign subsidiaries

For the financial statements of all the Group's entities for which the functional currency is different from that of the Group, the following methods are applied:

- the assets and liabilities are translated into euro at the rate effective at the end of the period;
- the revenues and costs are translated into euro at the average exchange rate of the period.

The translation adjustments arising are directly recorded in Other Comprehensive Income.

Translation of foreign currency transactions

Transactions in foreign currency are translated at the exchange rate effective at the trade date. Monetary assets and liabilities in foreign currency are translated at the rate of exchange prevailing at the consolidated statement of financial position date. The differences arising on the translation of foreign currency operations are recorded in the consolidated statement of operations as a profit or loss on exchange.

The non-monetary assets and liabilities are translated at the historical rate of exchange effective at the trade date.

The main exchange rates used for translation (one unit of euro converted to each foreign currency) are summarized in the following table:

	Closing rate		Average rate	
	2016	2015	2016	2015
U.S. Dollar (U.S.$)	1.0526	1.0933	1.1029	1.1076
Pound sterling (GBP)	0.8575	0.7378	0.8223	0.7244
Canadian Dollar (CAD)	1.4189	1.5173	1.4586	1.4224

The average rate is determined by taking the average of the month-end closing rates for the year, unless such method results in a material distortion.

NOTE 2 SCOPE OF CONSOLIDATION

2.1. Scope and consolidation method

GRI [G4-17]

SUBSIDIARIES

All the entities that are controlled by the Group (including special purpose entities) i.e. in which the Group has the power to govern the financial and operating policies in order to obtain benefits from the activities, are subsidiaries of the Group and are consolidated. Control is presumed to exist when the Group directly or indirectly owns more than half of the voting rights of an entity (the voting rights taken into account are the actual and potential voting rights which are immediately exercisable or convertible) and when no other shareholder holds a significant right allowing veto or the blocking of ordinary financial and operating decisions made by the Group. Consolidation is also applied to special purpose entities that met the criteria of IFRS 10, whatever their legal forms are, even where the Group holds no shares in their capital.

ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policies decisions of the investee without having either control or joint control over those policies. Investments in associates are accounted for under the equity method in accordance with IFRS 11. The goodwill arising on these entities is included in the carrying value of the investment.

JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Investments in joint ventures are consolidated under the equity method in accordance with IFRS 11.

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

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

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

In accordance with IFRS 12, significant judgment in determining control on entities even though Technicolor does not hold voting rights is disclosed below:

Since June 2013 Tech Finance is fully consolidated. Tech Finance only relevant activity is to lend the funds it gets from third parties to Technicolor. Any material changes to Tech Finance debt and loan could only be initiated by Technicolor that would decide to early reimburse or amend the characteristics of its debt. Additionally, Tech Finance revenues do not allow to conduct and fund any other sort of activities.

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

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

2.2. Change in the scope of consolidation of 2016

GRI [G4-13] [G4-20] [G4-23]

Exercise of the put granted to the non-controlling interest of Ouido Productions

On January 21, 2015, Technicolor acquired 51% of Ouido Productions, a Paris-based animation company through a capital increase of Ouido Productions for €1 million.

According to the shareholder's agreement, Technicolor purchased the remaining 49% stake as of January 21, 2016 (one year after initial acquisition date) for €1 million with a maximum earn-out of €7 million to be paid until 2021 depending on the performance of the Company in issuing new animated series. The probable earn-out was estimated at €4 million after discount as of December 31, 2015 and reduced to €2 million for the final purchase price allocation due to delays identified on production projects.

A debt of €5 million was already recognized for 2015 closing in relation with the put granted to non-controlling interest and the probable earn-out of €4 million estimated for 2015 closing which was considered the best estimates of the Management. The preliminary goodwill recognized accordingly as of December 31, 2015 for €7 million was reduced to €5 million for the final purchase price allocation. Similarly, the debt was reduced by €2 million.

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

Disposal of Media-Navi

As of January 29, 2016, Technicolor sold its M-GO activity to Fandango Media LLC, a subsidiary of Comcast Corporation, for a purchase price of U.S.$12 million (€11 million) after working capital adjustment.

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

Impacts of this disposal are detailed below:

(in million euros)	**M-GO Activity**
Net assets disposed of	
Fixed assets	21
Other assets	2
Other liabilities	(9)
TOTAL NET ASSETS DISPOSED OF	**14**
Share of non-controlling interests in net assets	1
Share of Technicolor in net assets disposed of	**13**
Cash consideration received	**11**
Costs linked to the disposal	-
Currency translation adjustment recycled in the statement of operations	1
LOSS ON SHARES DISPOSED OF	**(1)**

2.3. Change in the scope of consolidation of 2015

GRI [G4-13] [G4-20] [G4-22] [G4-23]

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

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

2.3.1.1. Restatement of the 2015 comparative information

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

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

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

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

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

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

2.3.1.2. Purchase price allocations of 2015 acquisitions

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

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

Cisco Connected Devices

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

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

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

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

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

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

(in million euros converted at November 20, 2015 exchange rate)	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
Net asset acquired			
Property, plant and equipment	6	2	8
Intangible assets	-	186	186
Working Capital	44	(29)	15
Cash	-	-	-
Deferred tax assets	-	19	19
Provisions	(26)	(29)	(55)
Deferred tax liabilities	-	(72)	(72)
TOTAL NET ASSET ACQUIRED	**24**	**77**	**101**
Purchase price paid (before post-closing adjustment)			498
Post-closing adjustment			(9)
TOTAL PURCHASE CONSIDERATION PAID			**489**
GOODWILL AFTER PRICE ADJUSTMENT			**388**

The Mill

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

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

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

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

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

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

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

(in million euros converted at September 15, 2015 exchange rate)	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
Net asset acquired			
Property, plant and equipment	22	-	22
Intangible assets	-	134	134
Working capital	10	(2)	8
Cash	7	-	7
Borrowings[(1)]	(187)	-	(187)
Deferred tax liabilities	-	(36)	(36)
TOTAL NET ASSET ACQUIRED	**(148)**	**96**	**(52)**
Purchase price paid (after post-closing adjustment)			66
TOTAL PURCHASE CONSIDERATION PAID			**66**
GOODWILL AFTER PRICE ADJUSTMENT			**118**

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

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

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

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

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

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

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

(in million euros converted at November 12, 2015 exchange rate)	**Acquirees' carrying amount before combination**	**Fair value adjustments**	**Fair value**
Net asset acquired			
Property, plant and equipment	20	-	20
Intangible assets	-	38	38
Working capital	(4)	-	(4)
Cash	-	-	-
Borrowings[1]	(19)	-	(19)
Deferred tax assets	-	15	15
Deferred tax liabilities	-	(15)	(15)
TOTAL NET ASSET ACQUIRED	**(3)**	**38**	**35**
Purchase price paid (after post-closing adjustment)			40
TOTAL PURCHASE CONSIDERATION PAID			**40**
GOODWILL AFTER PRICE ADJUSTMENT			**5**

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

2.3.2. Main 2015 disposals

Digital Cinema

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

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

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

(in million euros)	Digital Cinema
Net assets disposed of	
Fixed assets	(7)
Cash contribution to the partner	(4)
TOTAL NET LIABILITIES/(ASSETS) DISPOSED OF	**(11)**
Deferred income recognized on the use of Technicolor Trademark	(2)
Disposal proceeds	**19**
Costs linked to the disposal	(1)
CTA recycled in the statement of operations	-
GAIN ON SHARES DISPOSED OF	**5**

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

2.4. Investments in associates & joint ventures

The Group has investments accounted for using the equity method (see main entities in note 14).

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

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

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

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

In 2015, transactions with the Group associates and joint ventures impacted trade receivables for €1 million, trade payables for €2 million and expenses for €4 million mainly related to SV Holdco.

In 2016, there is no significant transactions.

NOTE 3 INFORMATION ON BUSINESS AND GEOGRAPHICAL AREAS

3.1. Information by business segments

GRI [G4-20]

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

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

Connected Home

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

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

Entertainment Services

Entertainment Services segment is organized around the following divisions:

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

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

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

Technology

Technology segment is organized around the following divisions:

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

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

The Technology segment generates substantially all its revenue from royalties.

Other

This segment includes:

- Unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as Sourcing, Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and that cannot be strictly assigned to a particular business within the three operating segments;
- IZ ON Media, M-GO and Virdata activities (these activities are sold or stopped).

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

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

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

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

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

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

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

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

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

The following comments are applicable to the two tables above:

- the caption "EBITDA adjusted" corresponds to the profit (loss) from continuing operations before tax and net financial income (expense), net of other income (expense), depreciation and amortization (including impact of provision for risks, litigation and warranties);
- the captions "Total segment assets" and "Total segment liabilities" include all operating assets and liabilities used by a segment;
- the caption "Unallocated assets" includes mainly financial assets, deferred and income tax assets, cash and cash equivalents and assets classified as held for sale;
- the caption "Unallocated liabilities" includes mainly the financial debt, deferred and income tax liabilities and liabilities classified as held for sale;
- the caption "Net capital expenditures" includes cash used related to tangible and intangible capital expenditures, net of cash received from tangible and intangible asset disposals;
- the caption "Capital employed" is defined as being the aggregate of both net tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (except for provisions including those related to employee benefits, income tax, payables on acquisition of companies and payables to suppliers of PPE and intangible assets).

3.2. Revenue & geographical information

GRI [G4-9] [G4-20]

Revenue is measured at the fair value of the amount received or to be received, after deduction of any trade discounts or volume rebates allowed by the Group, including customer contract advances amortization.

When the impact of deferred payment is significant, the fair value of the revenue is determined by discounting all future payments.

SALES OF GOODS

Related revenue is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, which generally occurs at the time of shipment.

SERVICES AGREEMENTS

The Group signs contracts which award to the Group a customer's business within a particular territory over the specified contract period (generally over 1 to 5 years). The contracts contain provisions that establish pricing terms for services and volumes to be provided and other terms and conditions. Revenue is recognized when the entity has transferred to the customer the major risk and rewards of ownership, which generally occurs, depending on contract terms, upon duplication or delivery.

ROYALTIES

Patent licensing agreements generally state that a specified royalty amount is earned at the time of shipment of each product to a third-party by a licensee. The gross royalty amount is determined on a quarterly basis and in accordance with the license agreement.

(in million euros)	France	UK.	Rest of Europe	U.S.	Rest of Americas	Asia-Pacific	Total
Revenues							
2016	1,141	215	279	2,495	569	191	4,890
2015	1,050	208	309	1,395	501	189	3,652
Segment assets							
2016	652	240	104	1,990	338	131	3,455
2015	741	276	117	1,916	327	114	3,491

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

Information on main clients

As of December 31, 2016, two external customers represent each more than 10% of the Group's consolidated revenues (respectively €580 million and €451 million).

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

3.3. Operating income & charges

GRI [G4-EC4]

3.3.1. Research & development expenses

(in million euros)	2016	2015
Research and development expenses, gross[(1)]	(205)	(158)
Capitalized development projects	49	34
Amortization of capitalized development projects[(2)]	(36)	(29)
Subsidies[(3)]	14	24
RESEARCH AND DEVELOPMENT EXPENSES, NET	**(178)**	**(129)**

(1) *Increase due to Connected Home segment which almost double its activity in 2016 following CCD business acquisition.*
(2) *Of which €14 million in 2016 and €1 million in 2015 due to amortization of the technology assets identified through the CCD Purchase Price Allocation.*
(3) *Include mainly research tax credit granted by the French State.*

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

(in million euros)	2016[(1)]	2015[(2)]
Selling and marketing expenses[(3)]	(170)	(105)
General and administrative expenses	(230)	(226)
SELLING AND ADMINISTRATIVE EXPENSES	**(400)**	**(331)**
OTHER INCOME (EXPENSE)	**1**	**(45)**

(1) *In 2016, Selling and marketing expenses includes €28 million related to the amortization for the customer relationships identified through the purchase price allocation for the 2015 Acquisitions.*
(2) *In 2015, the customer relationships amortization had not been classified to Selling and marketing expenses. If it had been done, Selling and administrative expenses would have increased by €17 million of which €12 million related to old customer relationships amortization and €5 million related to the amortization of the customer relationship identified through the purchase price allocation for the 2015 Acquisitions.*
(3) *Increase mainly due to amortization of customer lists for €40 million and to increase of Connected Home activity following CCD business acquisition.*

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

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

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 acquire; less*
- *the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.*

Under option, for each business combination, any non-controlling interest in the acquiree is measured either at fair value (thus increasing the goodwill) or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Once control is achieved, further acquisition of non-controlling interest or disposal of equity interest without losing control are accounted as equity transaction.

Goodwill is recognized in the currency of the acquired subsidiary/associate and measured at cost less accumulated impairment losses and translated into euros at the rate effective at the end of the period. Goodwill is not amortized but is tested annually for impairment.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, except if contingent consideration is classified in equity.

The following table provides the allocation of the significant amounts of goodwill to each Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2016 (refer to note 4.4 for detail on impairment tests).

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

(1) *Purchase price allocation.*

4.2. Intangible assets

Intangible assets consist mainly of trademarks, rights for use of patents, capitalized development projects and acquired customer relationships.

Intangibles acquired through a business combination are recognized at fair value at the transaction date. For material amounts, Technicolor relies on independent appraisals to determine the fair value of intangible assets. Separately acquired intangible assets are recorded at purchase cost and internally generated intangibles are recognized at production cost.

Purchase cost comprises acquisition price plus all associated costs related to the acquisition and set-up. All other costs, including those related to the development of internally generated intangible assets such as brands, customer files, etc., are recognized as expenses of the period when they are incurred.

Intangible assets considered to have a finite useful life are amortized over their estimated useful lives and their value written down in the case of any impairment loss. Depending on the nature and the use of the intangible assets, the amortization of these assets is included either in "Cost of sales", "Selling and administrative expenses", "Other income (expense)" or "Research and development expenses".

Intangible assets with indefinite useful lives are not amortized but are attached to GRU and tested for impairment annually (see note 4.4).

ACCOUNTING ESTIMATES AND JUDGMENTS

Regarding intangible assets with finite useful lives, significant estimates and assumptions are required to determine (i) the expected useful life of these assets for purpose of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.

Regarding intangible assets with indefinite useful lives, significant estimates and assumptions are required to determine the recoverable amount of such assets. See section 4.4. for detail on the accounting policy related to impairment review on such assets.

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

(1) Purchase price allocation.

4.2.1. Trademarks

Trademarks are considered as having an indefinite useful life and are not amortized, but are tested for impairment annually, on a stand-alone basis. The main reasons retained by the Group to consider a trademark as having an indefinite useful life were mainly its positioning in its market expressed in terms of volume of activity, international presence and notoriety, and its expected long-term profitability.

As of December 31, 2016, trademarks total €275 million and consist mainly of Technicolor® trademark for €214 million, RCA® trademark for €29 million and The Mill® tradename for €22 million.

The fair market value of Technicolor Trademark is based on a methodology developed in 2014 by Sorgem, a company specialized in valuation of trademarks. Such methodology defines for each business, through a matrix of key success factors of the business and intangible assets used, the contribution of the trademark to the discounted cash flow using an excess profit method.

Except if a trigger event is changing the business environment, the matrix of contribution as defined by Sorgem in 2014 is considered permanent and only the discounted cash flows are updated internally each year to check if the fair value of the Technicolor trademark is above its net book value.

A decrease of earnings before interest and tax to sales ratio of each business by 1 point would not lead to an impairment of the Technicolor trademark.

The recoverable value of RCA® trademark is estimated using the discounted cash flows method based on Budget and cash flow projections on a 5-year period with a long-term growth rate of 0% and a post-tax discount rate of 8%. No reasonably expected change in assumptions would result in any impairment.

Other trademarks include THOMSON® in the Technology; and MPC®, Mr. X®, and Mikros Image® in the Production Services.

4.2.2. Patents & Customer relationships

PATENTS

Patents are amortized on a straight-line basis over the expected period of use.

CUSTOMER RELATIONSHIPS

Customer relationships that are acquired through business combinations are amortized over the expected useful life of such relationships, which range from 8 to 20 years, taking into account probable renewals of long-term customer contracts that last generally from 1 to 5 years. The initial valuation methodology is generally the excess profit method using the attributable discounted future cash flows expected to be generated. They are tested for impairment only if management identifies triggering events that may result in a loss of value of such assets.

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

4.2.3. Other intangibles

Other intangibles comprise mainly capitalized development projects, acquired or internally developed software and acquired technologies.

Research expenditures are expensed as incurred. Development costs are expensed as incurred, unless the project to which they relate meets the IAS 38 capitalization criteria. Recognized development projects correspond to projects whose objectives are to develop new processes or to improve significantly existing processes, considered as technically viable and expected to provide future economic benefits for the Group. Development projects are recorded at cost less accumulated depreciation and impairment losses, if any. The costs of the internally generated development projects include direct labor costs (including pension costs and medical retiree benefits), costs of materials, service fees necessary for the development projects and reduced of tax credits if any. They are amortized over a period ranging from one to five years starting from the beginning of the commercial production of the projects, based on units sold or based on units produced or using the straight-line method.

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

4.3. Property, plant & equipment

All Property, Plant and Equipment (PPE) are recognized at cost less any depreciation and impairment losses. They are essentially amortized using the straight-line method over the useful life of the asset which ranges from 20 to 40 years for buildings and from 1 to 12 years for materials and machinery. Each material component of a composite asset with different useful lives or different patterns of depreciation is accounted for separately for the purpose of depreciation and for accounting of subsequent expenditure.

LEASES

Leases which transfer substantially all risks and rewards incidental to the ownership of the leased asset are classified as finance leases. This transfer is based on different indicators analyzed such as:

- *the transfer of ownership at the end of the lease;*
- *the existence of a bargain price option in the agreement;*
- *the fact that the lease term is for the major part of the economic life of the asset; or*
- *the present value of minimum lease payments amounts to substantially all of the fair value of the leased asset.*

The assets held under finance leases are capitalized at the lower of the present value of future minimum payments and the fair value of the leased assets and the corresponding financial liability is accounted for by the Group. They are amortized using the straight-line method over the shorter of the estimated useful life of the asset and the duration of the lease. The costs related to the assets acquired through these contracts are included within the amortization allowances in the statement of operations.

Leases which are not classified as finance leases are operating leases. The payments related to these contracts are recorded as expenses on a straight-line basis over the lease term.

The aggregate benefits of lease incentives received from the lessor are recognized as a reduction of rental expense over the lease term, on a straight-line basis.

ACCOUNTING ESTIMATES AND JUDGMENTS

Significant estimates and assumptions are required to determine (i) the expected useful lives of these assets for purposes of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.

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

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

4.4. Impairment on non-current operating assets

Goodwill, intangible assets having an indefinite useful life and development projects not yet available for use are tested annually for impairment during the last quarter of the year and updated at the end of December and whenever circumstances indicate that they might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash outflows that are largely independent of the cash flows of other assets or CGU. Goodwill arising from a business combination is allocated to CGUs or group of CGUs (Goodwill reporting units - GRUs) that are expected to benefit from the synergies. The Group identified 4 GRUs:

- *the Entertainment Services segment includes 2 GRUs: DVD Services and Production Services;*
- *the Connected Home segment is considered as a single GRU;*
- *the Technology segment is considered as a single GRU.*

PPE and intangible assets having a definite useful life are tested for impairment at the consolidated statement of financial position date only if events or circumstances indicate that they might be impaired. The main evidence indicating that an asset may be impaired includes the existence of significant changes in the operational environment of the assets, a significant decline in the expected economic performance of the assets, or a significant decline in the revenues or margin versus prior year and budget or in the market share of the Group.

The impairment test consists of comparing the carrying amount of the asset with its recoverable amount. The recoverable amount of the asset is the higher of its fair value (less costs to sell) and its value in use.

The fair value (less costs to sell) corresponds to the amount that could be obtained from the sale of the asset (or the CGU/GRU), in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. It can be determined using an observable market price for the asset (or the CGU/GRU) or using discounted cash flow projections, that include estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance, but exclude any synergies with other CGU/GRU of the Group.

Value in use is the present value of the future cash flow expected to be derived from an asset or CGU/GRU.

For determining the recoverable value, the Group uses estimates of future pre-tax discounted cash flows generated by the asset including a terminal value when appropriate. These flows are consistent with the most recent budgets approved by the Board of Directors of the Group. Estimated cash flows are discounted using pre-tax long-term market rates, reflecting the time value of money and the specific risks of the assets.

An impairment loss corresponds to the difference between the carrying amount of the asset (or group of assets) and its recoverable amount and is recognized in "Net impairment losses on non-current operating assets" for continuing operations unless the impairment is part of restructuring plans, or related to discontinued operations in which case it is recognized in "Restructuring expenses". In accordance with IAS 36, impairment of goodwill cannot be reversed.

ACCOUNTING ESTIMATES AND JUDGMENTS

The Group reviews annually goodwill and other indefinite-lived intangible assets for impairment in accordance with the accounting policy.

Technicolor's management believes its policies related to such annual impairment testing are critical accounting policies the recoverable involving critical accounting estimates because determining amount of GRU requires (i) determining the appropriate discount rate to be used to discount future expected cash flows of the cash-generating unit and (ii) estimating the value of the operating cash flows including their terminal value, the growth rate of the revenues generated by the assets tested for impairment, the operating margin rates of underlying assets for related future periods and the royalty rates for trademarks.

In addition to the annual review for impairment, Technicolor evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an additional impairment test in accordance with the accounting policy.

Management believes the updated assumptions used concerning sales growth, terminal values and royalty rates are reasonable and in line with updated market data available for each GRU.

(in million euros)	Connected Home	Entertainment Services	Technology	Total
2016				
Impairment loss on goodwill	-	-	-	-
Impairment losses on intangible assets	(9)	(2)	-	(11)
Impairment losses on tangible assets	(1)	(1)	-	(2)
Impairment losses on non-current operating assets	**(10)**	**(3)**	**-**	**(13)**
Impairment reversal on intangible assets	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS	**(10)**	**(3)**	**-**	**(13)**
2015				
Impairment loss on goodwill	-	-	-	-
Impairment losses on intangible assets	(11)	-	(12)	(23)
Impairment losses on tangible assets	-	(2)	-	(2)
Impairment losses on contract advances	-	(2)	-	(2)
Impairment losses on non-current operating assets	**(11)**	**(4)**	**(12)**	**(27)**
Impairment reversal on intangible assets	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS	**(11)**	**(4)**	**(12)**	**(27)**

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

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

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

4.4.1. Main assumptions at December 31, 2016

In order to perform the annual impairment test, the Group used the following assumptions to determine the recoverable amount of the main goodwill reporting units:

	Entertainment Services		Connected Home
	DVD Services	Production Services	
Basis used to determine the recoverable amount	Fair Value	Value in use	Value in use
Description of key assumptions		Budget and cash flow projections	
Period for projected future cash flows	*	5 years	5 years
Growth rate used to extrapolate cash flow projections beyond projection period:			
■ As of December 31, 2016	*	2.0%	0.5%
■ As of December 31, 2015	*	2.0%	0.3%
Post-tax discount rate applied[(1)]:			
■ As of December 31, 2016	8.0%	8.0%	11.0%
■ As of December 31, 2015	8.0%	8.0%	11.0%

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

** The main activities of the DVD Services Division has been considered to have a finite life, determined on the expected timing for the obsolescence of the underlying technology of this activity. Accordingly, no terminal value has been applied for this activity.*

For the DVD Services GRU, in the absence of a binding sale agreement at closing date, of an active market and of comparable recent transactions, discounted cash flow projections have been used to estimate fair value less costs to sell. Technicolor management considers that fair value less costs to sell is the most appropriate method to estimate the value of its GRU as it takes into account the future restructuring the Group will need to make to adapt to a quickly changing technological environment. Such restructuring would be taken into account by any market participant given the economic environment of the business.

The discounted cash flow of DVD Services is computed over a finite life of circa twenty years and accordingly the goodwill will be impaired over this period depending on the evolution of the fair value as determined through the discounted cash flow.

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

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

4.4.2. Sensitivity of recoverable amounts at December 31, 2016

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

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

For Connected Home:

- An increase of 1 point in the post-tax discount rate assumption would decrease the enterprise value of €132 million without generating an impairment.

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

For Production Services:

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

4.5. Commitments related to assets operated under operating lease

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

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

The above table includes the leases accrued as restructuring reserve for €1 million for 2016 closing.

The main operating leases relate to the headquarters in France and in the U.S.:

- on April 22, 2008, Technicolor signed a commitment for an operating lease - its headquarters in France in Issy-les-Moulineaux near Paris for a duration of 9 years from November 2009;
- Technicolor USA, Inc. sold its office building (administration and technical services buildings) in March 2000 and subsequently leased back from the purchaser until 2012 and renewed until 2017;
- on November 2016, Technicolor signed a commitment for a new operating lease until 2028 regarding the relocation of its headquarter in the center of Paris (Rue du Renard 75004) from August 2018.

The net operating lease expense in 2016 was €103 million (€107 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)	2016	2015[1]
Customer contract advances and up-front prepaid discount	24	39
Other	32	38
OTHER OPERATING NON-CURRENT ASSETS	**56**	**77**
Payable on acquisitions of business & fixed assets	(50)	(68)
Deferred income	(65)	(42)
Other	(38)	(47)
OTHER OPERATING NON-CURRENT LIABILITIES	**(153)**	**(157)**

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

As part of its normal course of business, Technicolor makes cash advances and up-front prepaid discount to its customers, principally within its Entertainment Services segment. These are generally in the framework of a long-term relationship or contract and can take different forms. Consideration is typically paid as an advance to the customers in return for the customer's various commitments over the life of the contracts. These contracts award to the Group a customer's business within a particular territory over the specified contract period (generally from 1 to 5 years). The contracts contain provisions that establish pricing terms for services and volumes to be provided and other terms and conditions.

Such advanced payments are classified under "Non-current assets", recorded as "Contracts advances and up-front prepaid discount" and are amortized as a reduction of "Revenues" on the basis of units of production or film processed.

5.1.2. Inventories

Inventories are valued at acquisition or production cost. The production costs include the direct costs of raw materials, labor costs and a part of the overheads representative of the indirect production costs, and exclude general administrative costs. The cost of inventory sold is determined based on the weighted average method or the FIFO (first in – first out) method, depending on the nature of the inventory. When the net realizable value of inventories is lower than its carrying amount, the inventory is written down by the difference.

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

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

5.1.3. Trade accounts receivables

The trade receivables are part of the current financial assets. At the date of their initial recognition, they are measured at the fair value of the amount to be received. This generally represents their nominal value because the effect of discounting is generally immaterial between the recognition of the instrument and its realization.

The Group assesses at each balance sheet date whether there is any objective evidence that a trade receivable is impaired. If any such evidence exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(in million euros)	2016	2015[1]
Trade accounts and notes receivable	826	728
Less: valuation allowance	(20)	(19)
TOTAL TRADE ACCOUNTS AND NOTES RECEIVABLE	**806**	**709**

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

Trade accounts receivable include €79 million and €70 million which are past due respectively as of December 31, 2016 and December 31, 2015 for which no valuation allowance was recorded as the amount is still considered recoverable.

The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets (€806 million as of December 31, 2016 compared to €709 million as of December 31, 2015).

5.1.4. Other current assets & liabilities

ESTIMATION OF ACCRUED ROYALTY INCOME

In the normal course of its business, the Group may use certain technology protected by patents owned by third parties. In the majority of cases, the amount of royalties payable to these third parties for the use of this technology will be defined in a formal licensing contract. In some cases, and particularly in the early years of an emerging technology when the ownership of Intellectual Property rights may not yet be ascertained, management's judgement is required to determine the probability of a third party asserting its rights and the likely cost of using the technology when such assertion is probable. In making its evaluation, management considers past experience with comparable technology and/or with the particular technology owner. The royalties payable are presented within the captions "Other current liabilities" and "Other non-current liabilities" in the Group's balance sheet.

DERECOGNITION OF ASSETS

A receivable is derecognized when it is sold without recourse and when it is evidenced that the Group has transferred substantially all the significant risks and rewards of ownership of the receivable and has no more continuing involvement in the transferred asset.

(in million euros)	2016	2015[1]
Value added tax receivable	26	38
Research tax credit and subsidies	24	33
Prepaid expenses	48	40
Accrued royalty income	18	48
Other	168	139
OTHER CURRENT OPERATIONAL ASSETS	**284**	**298**
Taxes payable	(37)	(30)
Accrued royalties expense	(71)	(116)
Payables for fixed assets	(30)	(44)
Other	(366)	(367)
OTHER CURRENT OPERATIONAL LIABILITIES	**(504)**	**(557)**

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

5.2. Related party transactions

A party is related to the Group if:

- *directly or indirectly the party (i) controls, is controlled by or is under common control with the Group, (ii) has an interest in the Group that gives it significant influence over the Group;*
- *the party is an associate or a joint venture in which the Group is a venture;*
- *the party or one of its Directors is a Member of the Board of Directors or of the Executive Committee of the Group or a close Member of the family of any individual referred to above.*

Related party transactions with associates & joint ventures are detailed in note 2.4.

Remuneration of key management is detailed in note 9.4.

Other related parties:

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

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

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)	2016	2015 (1)
Current income tax		
France	(14)	(34)
Foreign	(15)	(22)
Total current income tax	**(29)**	**(56)**
Deferred income tax		
France	(59)	-
Foreign (1)	44	75
Total deferred income tax	**(15)**	**75**
INCOME TAX ON CONTINUING OPERATIONS	**(44)**	**19**

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

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

In France, the current income tax reflects income taxes payable due to the limitation of the usage of tax losses carried forward, withholding taxes on income earned by our licensing activities and the local tax "CVAE".

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

Please see section 6.2.1 for detail on the variation of deferred taxes.

6.1.2. Group tax proof

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

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

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

(1) *In 2016, mainly related to the depreciation of deferred tax assets in France. In 2015, relates mainly to the reversal of allowance on U.S. deferred tax assets up to the deferred tax liabilities recognized in the purchase price allocation of the 2015 main acquisitions for € 74 million, partially offset by the depreciation of deferred tax assets in the U.S. and the release of depreciation in France due to the extension of Licensing visibility for one additional year.*

(2) *In 2016, the mother company benefited from reduced rate taxation, resulting in a tax benefit of €28 million related to the licensing revenue (€32 million in 2015).*

(3) *Related to withholding tax paid on licensing revenues but not refunded through current income tax in France and in the U.S.*

(4) *In 2016 comprises €3 million related to "CVAE" of French entities (€7 million in 2015).*

(5) *Not relevant.*

6.2. Tax position in the statement of financial position

Deferred taxes result from:

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

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

All deferred tax liabilities are recorded except:

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

Deferred tax assets are recorded:

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

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

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

ACCOUNTING ESTIMATES AND JUDGMENTS

Management judgment is required to determine the Group's deferred tax assets and liabilities. When a specific subsidiary has a history of recent losses, future positive taxable income is assumed improbable, unless the asset recognition can be supported for reasons such as: (i) the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future; and/or (ii) the expectation of exceptional gains; or (iii) 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, 2014	**342**	**(106)**	**236**
Changes impacting continuing profit or loss	14	(13)	1
Other movement	9	(7)	2
Year ended December 31, 2015 as published	**365**	**(126)**	**239**
Impact of purchase price allocation	34	(123)	(89)
Changes impacting continuing profit or loss	72	2	74
Other movement	1	-	1
Year ended December 31, 2015 restated	**472**	**(247)**	**225**
Changes impacting continuing profit or loss	(46)	32	(14)
Other movement	(3)	(2)	(5)
YEAR ENDED DECEMBER 31, 2016	**423**	**(217)**	**206**

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

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

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

6.2.2. Source of deferred taxes

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

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

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

NOTE 7 EQUITY & EARNINGS PER SHARE

GRI [G4-13] [G4-EC1]

CLASSIFICATION AS DEBT OR EQUITY

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded for the proceeds received, net of direct issue costs.

EQUITY TRANSACTION COSTS

Incremental and external costs directly attributable to the equity transactions are accounted for as a deduction from equity.

7.1. Change in share capital

(In euros, except number of shares)	Number of shares	Per value	Share capital in Euros
Share Capital as of December 31, 2014	**335,907,670**	**1**	**335,907,670**
Issuance of new shares for LTIP* purpose	738,205	1	738,205
Issuance of new shares for MIP* purpose	5,002,790	1	5,002,790
Share capital increase with preferential subscription rights	48,376,485	1	48,376,485
Share capital increase reserved to Cisco Systems Inc.	21,418,140	1	21,418,140
Share Capital as of December 31, 2015	**411,443,290**	**1**	**411,443,290**
Issuance of new shares for MIP* purpose	1,802,677	1	1,802,677
Share Capital as of December 31, 2016	**413,245,967**	**1**	**413,245,967**

* *LTIP and MIP are Management Incentive Plan described in note 9.3.*

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

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

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

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

In 2016, as part of the 2015 Management Incentive Plan (MIP 2015 & MIP 2016), some share subscription options were exercised and 1,802,677 new shares were issued at an average price of €3.36 for a total of €6,055,641, corresponding to an increase in the share capital of €1,802,677 and additional paid-in-capital of €4,252,964.

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

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

7.2. Other elements of equity

7.2.1. Treasury shares

Treasury shares are recorded at purchase cost and deducted from shareholders' equity. The gain or loss on disposal or cancellation of these shares is recorded directly in equity.

Global amount of Treasury shares includes treasury shares purchased in the frame of the Share Management Agreement authorized by the Combined Shareholder's Meetings on May 23, 2013, May 22, 2014 and April 9, 2015.

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

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

In 2015, other variations are related to the 250 free shares delivered as part of a Free Share Plan (see note 9.3).

7.2.2. Subordinated perpetual notes

On September 26, 2005, Technicolor issued deeply subordinated perpetual notes (TSS) in a nominal amount of €500 million. No derivative was identified because the provisions of the notes fall outside the scope of the definition of a derivative under IAS 39.

Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes were recorded under IFRS in shareholder's equity for the net value received of €492 million (issue price less offering discount and fees).

Further to the restructuring of the Group's debt in 2010, the characteristics of the notes are now as follows:

- they are not repayable other than (i) at Technicolor's sole option, in specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in 2010.

7.2.3. Dividends and distribution

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

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

7.2.4. Non-controlling interests

In 2016, following the exercise of the put granted to the non-controlling interest of Technicolor Animation Productions (formerly Ouido Productions), non-controlling interests decreased from €4 million to €3 million.

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

7.3. Earnings (Loss) per share

Basic earnings per share are calculated by dividing income (loss) attributable to ordinary equity holders of the parent entity by the weighted-average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share is calculated by dividing income (loss) attributable to ordinary equity holders of the parent entity by the weighted-average number of shares outstanding during the period assuming that all potentially dilutive securities were exercised and that any proceeds from such exercises were used to acquire shares of the Company's stock at the average market price of the period or the period the securities were outstanding.

Potentially dilutive securities comprise:

- *outstanding options, if dilutive;*
- *the securities to be issued under the Company's Management Incentive Plan, to the extent the average market price of the Company's stock exceeded the adjusted exercise prices of such instruments.*

Diluted earnings (loss) per share

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

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

Some of stock-options plans have no dilution impact due to stock price but could have a dilution impact in the future depending on the stock price evolution (see details of these plans in note 9.3).

NOTE 8 FINANCIAL ASSETS, FINANCING & DERIVATIVE FINANCIAL INSTRUMENTS

8.1. Classification & measurement

FINANCIAL ASSETS

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Except for financial assets at fair value through profit or loss, financial assets are recognized at fair value plus transaction costs at the date when the Group commits to purchase the asset. Loans and receivables are, subsequent to initial recognition, carried at amortized cost using the effective interest method.

The Group assesses at every reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline (more than 9 months) in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months after the consolidated statement of financial position date. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed and subsequently carried at fair value. Gains or losses arising from changes in fair value, including interest and dividend income, are presented in the statement of operations within "Other financial income (expense)", in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Within the Group, available-for-sale financial assets consist mainly of investments held in unlisted entities.

Available-for-sale financial assets are subsequently carried at fair value and changes in the fair value are recognized in Other Comprehensive Income. The foreign exchange differences on monetary securities denominated in a foreign currency are recognized in profit or loss. When securities are sold or impaired, the accumulated fair value adjustments recognized previously through Other Comprehensive Income are recycled through profit or loss in the line item "Other financial income (expense)" in the statement of operations. Impairment losses are not reversed through the statement of operations, except if the instruments are disposed of.

Dividends and interests calculated using the effective interest rate method are presented in the statement of operations within "Other financial income (expense)", in the period in which they arise.

Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Other financial assets

Cash collateral and security deposits represent cash granted to third parties to secure credit facilities and other obligations of the Group. Some cash collaterals for U.S. entities are classified as current because of their short maturity but are renewed automatically for periods of 12 months.

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, i.e. investments that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

BORROWINGS

Borrowings are initially recognized at fair value. Borrowings are subsequently stated at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

In accordance with IFRS 13 – Fair Value measurement, 3 levels of fair value measurement have been identified for financial assets & liabilities:

- level 1: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: internal models with observable parameters including the use of recent arm's length transactions (when available), reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs;
- level 3: internal models with non-observable parameters.

Fair value measurement by accounting categories as of December 31, 2016

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

(1) Borrowings are recognized at amortized costs. The fair value of the Group debt is €1,081 million as of December 31, 2016 (€1,376 million as of December 31, 2015). This fair value is based on quoted prices in active markets for term loan debts (Level 1).

Some cash collaterals for U.S. entities are classified as current because of their short maturity but are renewed automatically for periods of 12 months.

Trade payables and receivables are financial assets according to IAS 32/39 and recognized at amortized costs.

8.2. Management of financial risks

8.2.1. Risk management objectives and policies

Technicolor faces a wide variety of financial risks including market risk (due to fluctuations in exchange rates and interest rates), liquidity risk and credit risk.

Technicolor's financial risks are managed centrally by the Group Treasury Department in France and its regional Treasury Department in Ontario (California – U.S.).

Management of financial risks by the Group treasury is done in accordance with Group policies and procedures. All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, the Investment Committee and the Audit Committee *via* various reports showing the Company's exposures to these risks with details of the transactions undertaken to reduce them. For each type of transaction, specific limits and authorizations are approved by the Investment Committee and controlled by the Group Internal Control Department.

To reduce interest rate and currency exchange rate risk, the Group enters into hedging transactions using derivative instruments. However, Technicolor's policy is not to use derivatives for any purpose other than for hedging its commercial and financial exposures.

Credit risk on trade receivables is managed by each segment based on policies that take into account the credit quality and history of customers. The Group may decide to insure or factor without recourse trade receivables in order to manage underlying credit risk.

The Group's derivative and cash transaction counterparties are limited to highly rated financial institutions. Moreover, the Group has policies limiting the maximum amount of exposure to any single counterparty.

8.2.2. Market risk management

8.2.2.1. Foreign exchange risk

Translation Risk

The Group's consolidated financial statements are presented in euro. Thus, assets, liabilities, revenues and expenses denominated in currencies other than euro must be translated into euro at the applicable exchange rate to be included in the consolidated financial statements. Increases and decreases in the value of the euro can have an impact on the value in euro of the Group's non-euro assets, liabilities, revenues and expenses, even if the value of these items has not changed in their original currency.

The Group's policy is not to hedge translation risk.

Translation risk is measured by consolidating the Group's exposures and by doing sensitivity analyses on the main exposures.

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

The main translation exposure of the Group is to the U.S. dollar due to the strong presence of the Group in the United States, but in 2016 the average rate of the USD was stable compared to 2015. The main translation impact on revenues in 2016 versus 2015 was due to the British pound (average rate versus the euro depreciated by 12% compared to 2015) and to other currency movements of several currencies.

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

Transaction Risk

Foreign currency transaction risk occurs when purchases and sales are made by Group entities in currencies other than their functional currencies.

The Group's main transaction risk is its U.S. dollar exposure versus euro. After offsetting the U.S. dollar revenues of its European activities with the U.S. dollar costs related to purchases of finished goods and components by its European affiliates, the net U.S. dollar exposure versus euros for continuing operations was net revenue of U.S.$63 million in 2016 (net revenue of U.S.$447 million in 2015). The change in 2016 versus 2015 is due to the loss of licensing revenues in U.S. dollars as well as the impact of the purchase of Cisco Connected Devices which led to larger U.S. purchases against the euro.

In order to reduce the currency exposure on commercial transactions, the Group's subsidiaries seek to denominate their costs either in the same currencies as their sales or in specific cases in currencies that they believe are not likely to increase in value compared with the currencies in which sales are made. Subsidiaries regularly report to the Group Treasury Department their projected foreign currency needs and receipts which then reduces the overall exposure by netting purchases and sales in each currency on a global basis. Exposures that remain after this process are generally hedged with banks using foreign currency forward contracts. These hedges are recorded as cash flow hedges under IFRS, as described further in note 8.5 "Derivative Financial Instruments" to these consolidated financial statements.

For products with a short business cycle, the Group's policy is to hedge on a short-term basis up to six months. For products and services which are sold on a longer-term basis, including those of the Licensing and Production Services Divisions as well as certain

exposures in the Connected Home segment, hedges may be put in place for periods greater than six months.

Transaction risk on commercial exposures is measured by consolidating the Group's exposures and doing sensitivity analyses on the main exposures.

Risk on investments in Foreign Subsidiaries

The Group's general policy is to examine and hedge on a case by case basis the currency risk on its investments in foreign subsidiaries. The variations in the euro value of investments in foreign subsidiaries are booked under "Cumulative translation adjustment" in the Group's consolidated statement of financial position. At December 31, 2016, no hedges of this type were outstanding.

Currency Swaps

In order to match the currencies that Technicolor's group Treasury Department borrows with the currencies that it lends, Technicolor may enter into currency swaps primarily (i) to convert euro borrowings into U.S. dollars and British pounds which are lent to the Group's U.S. and 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, were a charge of 1 million euro in 2016 and were a charge of 1 million euro in 2015.

Sensitivity Analysis

The Group's main exposure is the fluctuation of the U.S. dollar against the euro.

The Group believes a 10% fluctuation in the U.S. dollar versus the euro is reasonably possible in a given year and thus the tables below show the impact of a 10% increase in the U.S. dollar versus the euro on the Group's Profit from continuing operations before tax and net finance costs and on the currency translation adjustment component of equity. A 10% decrease in the U.S. dollar versus the euro would have a symmetrical impact in the opposite amount. These calculations assume no hedging is in place.

2016 *(in million euros)*	Transaction	Translation	Total
Profit from continuing operations before tax and net finance costs(1)	6	(6)	0
Equity Impact (cumulative translation adjustment)(2)			107

2015 *(in million euros)*	Transaction	Translation	Total
Profit from continuing operations before tax and net finance costs(1)	40	(16)	24
Equity Impact (cumulative translation adjustment)(2)			53

(1) Profit impact:

- *Transaction impact calculated before hedging by applying a 10% increase in the U.S. dollar/euro exchange rate to the net U.S. dollar exposure (sales minus purchases) of affiliates which have the euro as functional currency.*
- *Translation impact calculated before hedging by applying a 10% increase in the U.S. dollar/euro exchange rate to the profits of the affiliates with the U.S. dollar as functional currency.*

(2) Equity impact: calculated by applying a 10% increase in the U.S. dollar/euro exchange rate to the unhedged net investments in foreign subsidiaries that are denominated in U.S. dollar.

8.2.2.2. Interest rate risk

Technicolor is mainly exposed to interest rate risk on its deposits and indebtedness.

The Group's policy is for all subsidiaries to borrow from, and invest excess cash with, the Group Treasury Department, which in turn satisfies the net cash needs by borrowing from external sources. Subsidiaries that are unable to enter into transactions with Group treasury because of local laws or regulations borrow from or invest directly with local banks in accordance with the policies and rules established by the Treasury Department.

Interest rate risk is measured by consolidating the Group's deposit and debt positions and performing sensitivity analysis. Virtually all of the Group's non-current debt is currently at floating interest rate.

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

Interest rate operations

No interest rate hedging operations are outstanding at December 31, 2016.

Effective interest rates

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

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

The average effective interest rate in 2016 on the Group's consolidated deposits was 1.30% (3.12% in 2015). These deposits generally have a maturity of less than 1 month.

Sensitivity to interest rate movements

Interest rate movements impact the price of fixed rate financial assets and liabilities held at fair value and the interest income and expense of variable rate financial assets and liabilities. The Group has no significant fixed rate financial assets and liabilities held at fair value.

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

(in million euros)	2016	2015
Average debt	1,209	1,062
Percentage at floating rate*	99%	99%

* *At December 31, 2016 includes €576 million of floating rate debt for which the reference rate has a 1% floor.*

The Group's average deposits in 2016 amounted to €344 million, 100% at floating rate.

The Group's debt primarily consists of its Term Loan Debt in U.S. dollars and in euros the interest rate on which is based on LIBOR with a floor of 1% and EURIBOR with a floor of 1% for the Term Loan Debt issued in 2013, 2014 and 2015 (the "Old Term Loan Debt") and 0% floor for the €450 million issued in 2016 (the "New Term Loan Debt").

The Group's deposits are primarily in U.S. dollars and in euros. The Group believes a 1% fluctuation in interest rates is reasonably possible in a given year and the tables below show the maximum annual impact of such a movement.

Maximum impact over one year on the net exposure as of December 31, 2016 of a variation versus current rates*

(in million euros)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	(4)	(4)
Impact of interest rate variation of (1)%	(1)	(1)

* *At December 31, 2016, 3 month EURIBOR and 3 month LIBOR were (0.319)% and 0.998% respectively.*

Maximum impact over one year on the net exposure as of December 31, 2015 of a variation versus current rates*

(in million euros)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	(3)	(3)
Impact of interest rate variation of (1)%	(1)	(1)

* *At December 31, 2015, 3 month EURIBOR and 3 month LIBOR were (0.131)% and 0.613% respectively.*

8.2.3. Liquidity risk and management of financing and of capital structure

Liquidity risk is the risk of being unable to raise funds in the financial markets necessary to meet upcoming obligations. In order to reduce this risk, the Group pursues policies with the objectives of having continued uninterrupted access to the financial markets at reasonable conditions. These policies are developed based on regular reviews and analysis of its capital structure, including the relative proportion of debt and equity in the context of market conditions and the Group's financial projections. Among other things these reviews take into account the Group's debt maturity schedule, covenants, projected cash flows and financing needs. To implement these policies, the Group uses various long-term and committed financings which may include equity (see note 7.1), debt (see note 8.3), subordinated debt (see note 7.2.2) and committed credit lines.

The tables below show the future contractual cash flow obligations due on the Group's debt. The interest rate flows due on floating rate instruments are calculated based on the rates in effect at December 31, 2016 and December 31, 2015, respectively.

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

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

The contractual cash flow obligations of the Group due to its current debt are considered to be equal to the amounts shown in the consolidated statement of financial position.

Credit Lines

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

(in million euros)	2016	2015
Undrawn, committed lines expiring in more than one year	369	214

8.2.4. Credit and counterparty risk management

Credit risk arises from the possibility that counterparties may not be able to perform their financial obligations to Technicolor.

Credit risk on trade receivable is managed by each operational division based on policies that take into account the credit quality and history of customers. From time to time, the Group may decide to insure or factor without recourse trade receivables in order to manage underlying credit risk. The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets.

The maximum credit risk exposure on the Group's cash and cash equivalents was €371 million at December 31, 2016. The Group minimizes this risk by limiting the deposits made with any single bank and by making deposits primarily with banks that have strong credit ratings or occasionally by investing in diversified, highly liquid money market funds. As of December 31, 2016, 90% of the Group cash deposits are made with banks that have a counterparty rating of, at least A-1 according to Standard & Poor's (87% as of December 31, 2015).

The financial instruments used by the Group to manage its interest rate and currency exposure are all undertaken with counterparts having an investment grade rating. Credit risk on such transactions is minimized by the foreign exchange policy of trading short-term operations. The marked-to-market carrying values are therefore a good proxy of the maximum credit risk. Most of the foreign exchange operations are dealt with financial counterparties that have a credit rating of A-1.

8.3. Borrowings

The Group's debt consists primarily of Term Loan Debt in U.S. dollars and in euros: issued by Tech Finance & Co. S.C.A in 2013, 2014 and 2015 and maturing in 2020 (the "Old Term Loan Debt") and issued by Technicolor SA in 2016 and maturing in 2023 (the "New Term Loan Debt").

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

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

8.3.1. Analysis by nature

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

8.3.2. Summary of debt

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

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

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

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

8.3.3.1. Analysis by maturity

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

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

8.3.3.2. Interest rate characteristics

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

8.3.3.3. Analysis of borrowings by currency

(in million euros)	2016	2015
Euro	756	465
U.S. Dollar	292	826
Other currencies	2	2
DEBT UNDER IFRS	**1,050**	**1,293**

8.3.3.4. IFRS analysis of the Term Loan Debt carrying amount

Carrying amount of the Term Loan Debt

The IFRS value of the Term Loan Debt is the nominal amount of the Term Loan Debt reduced by transaction costs as adjusted by the effective interest rate (EIR) method as well as any adjustments due to debt prepayments.

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

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

(in million euros)	
IFRS discount of the Term Loan Debt as of December 31, 2015	**(77)**
Impact of 2016 prepayments of the Old Term Loan Debt	31
Transaction costs related to the New Term Loan Debt issuance in 2016	(4)
2016 EIR effect and variation due to exchange rates	17
IFRS DISCOUNT OF THE TERM LOAN DEBT AS OF DECEMBER 31, 2016	**(33)**

This IFRS discount of €33 million will be charged to interest over the remaining life of the Term Loan Debt using the effective interest rate method. The current weighted average effective interest rate of the Term Loan Debt is 5.37%.

8.3.3.5. Financial covenants and other limitations

In respect of:

- the Old Term Loan Debt Agreement entered into in 2013 as amended in 2014 and 2015;
- the New Term Loan Debt Agreement entered into in 2016;
- the RCF entered into in December 2016;
- the EIB Loan signed in December 2016 and drawn in January 2017;

together the "Debt instruments", the Group is required to meet financial covenants and is subject to several limitations described below.

Security Package

Technicolor granted security interests to secure the Debt Instruments with the pledge of the shares of the main subsidiaries of Technicolor S.A. and of certain intra-group loans and material cash pooling bank accounts.

Early repayment and mandatory prepayments

In case of default or change of control of Technicolor, creditors will have the ability to immediately demand payment of all or a portion of the outstanding amounts.

The events of default apply in whole or in part to Technicolor SA and Tech Finance (the "Debt Parties"). The events of defaults include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by the Debt Parties to meet the payment dates of the Debt Instruments or of any other financial indebtedness or to comply with material obligations related to the Debt Instruments;
- any auditor's report qualification made to the Debt Parties' ability to continue as a going concern or the accuracy of the information given.

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

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

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

Covenants

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

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

The RCF contains the same financial covenant but this covenant is only applicable if there is an outstanding drawing of more than 40% of the RCF amount on June 30 or December 31 of each financial year.

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

Leverage covenant

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

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

* EBITDA in respect of the leverage covenant definition.

Since 1.87 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 the Debt Parties to undertake various actions regarding indebtedness, investments and material changes in the general nature of the business. These restrictions are subject in each case to certain exceptions and limitations.

8.4. Net financial income (expense)

(in million euros)	2016	2015
Interest income	4	9
Interest expense	(85)	(72)
Net interest expense[(1)]	**(81)**	**(63)**
Net interest expense on defined benefit liability (note 9.2.2.1)	(9)	(8)
Foreign exchange gain/(loss)	(16)	(5)
Other[(2)]	(50)	(11)
Other financial income (expense)	**(75)**	**(24)**
NET FINANCIAL INCOME (EXPENSE)	**(156)**	**(87)**

(1) In 2016 interest expense includes €16 million (€14 million in 2015) due to the difference between the effective interest rate and the nominal rate of the debt.
(2) Includes the partial reversal of the IFRS adjustment of €(31) million triggered by the Old Term Loan Debt prepayment (see note 8.3.3.4).

8.5. Derivative financial instruments

The Group may use derivatives as hedging instruments for hedges of foreign currency risks, changes in interest rates and equity market risks. These instruments may include agreements for interest rate and currency swaps, options and forward contracts. If hedge accounting criteria are met, they are accounted for in accordance with hedge accounting.

Derivative instruments may be designated as hedging instruments in one of three types of hedging relationships:

- *Fair value hedge, corresponding to a hedge of the exposure to the change in fair value of an asset or a liability;*
- *Cash flow hedge, corresponding to a hedge of the exposure to the variability in cash flows from future assets or liabilities;*
- *Net investment hedge in foreign operations, corresponding to a hedge of the amount of the Group's interest in the net assets of these operations.*

Derivative instruments qualify for hedge accounting when at the inception of the hedge:

- *there is a formal designation and documentation of the hedging relationship;*
- *the hedge is expected to be highly effective;*
- *its effectiveness can be reliably measured and it has been highly effective throughout the financial reporting periods for which the hedge was designated.*

The effects of hedge accounting are as follows:

- *for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet at fair value. The gain or loss from remeasuring the hedged item at fair value is recognized in profit or loss and is offset by the effective portion of the loss or gain from remeasuring the hedging instrument at fair value;*
- *for cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income (OCI), because the change in the fair value of the hedged portion of the underlying item is not recognized in the balance sheet, and the ineffective portion of the gain or loss on the hedging instrument, if any, is recognized in profit or loss. Amounts recognized in OCI are subsequently recognized in profit or loss in the same period or periods during which the hedged transaction affects profit or loss. Such periods are generally less than 6 months except for the licensing activity.*

The termination of hedge accounting may occur if the underlying hedged item does not materialize or if there is a voluntary revocation of the hedging relationship at the termination or the arrival of maturity of the hedging instrument. The accounting consequences are then as follows:

- *in case of cash flow hedges, the amounts recorded in other comprehensive income are taken to profit or loss in the case of the disappearance of the hedged item;*
- *in all cases, the result on the hedging instrument is taken into profit or loss when the hedging relationship is terminated.*

Subsequent changes in value of the hedging instrument, if it remains outstanding, are recognized in profit or loss.

Derivatives not designated as hedging instruments are measured at fair value. Subsequent changes in fair value are recognized in profit or loss.

As described in note 8.2.1, the Group uses derivatives to reduce market risk. Technicolor uses principally forward foreign currency operations to hedge foreign exchange risk.

The Group's financial derivatives are governed by standard ISDA (International Swaps and Derivatives Association, Inc.), Master Agreements or similar master agreements customary in the French market.

The Group executes operations on the over the counter derivatives markets on a short-term basis.

	2016		2015	
(in million euros)	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow and fair value hedges	3	1	3	1
TOTAL	**3**	**1**	**3**	**1**

8.5.1. Cash-flow hedges

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

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

In 2016 a total of €32 million in forecasted transactions for which hedge accounting had been applied did not occur and as a result the hedges were cancelled; the total foreign exchange gain/loss on the cancellation of the hedges was nil.

8.5.2. Fair value hedges

Forward foreign currency operations hedging accounts payable and accounts receivable in foreign currencies are designated as fair value hedges. At December 31, 2016, there was a gain of €10.1 million on the hedging instruments and a loss of €10.1 million on the hedged items.

8.5.3. Ineffectiveness recognized in profit and loss

The forward points on the foreign currency hedges described above are excluded from the hedging relationship and are recognized in profit and loss. In 2016 and 2015 this impact was nil and a loss of €1.3 million, respectively, booked in "Other financial income (expense), net".

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

8.5.4. Commitments related to financial instruments

Commitments related to financial instruments held by the Group generate both future cash payments and receipts. These commitments are disclosed in the following table:

- forward exchange contracts, swaps and options: for their related cash inflow and outflow amounts;
- interest rate swaps: for the underlying nominal debt amounts.

(in million euros)	2016
Currency swaps	445
TOTAL COMMITMENTS GIVEN	**445**
Currency swaps	446
TOTAL COMMITMENTS RECEIVED	**446**

NOTE 9 EMPLOYEE BENEFIT

GRI [G4-EC1] [G4-EC3] [G4-LA2]

9.1. Information on employees

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

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

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

(in million euros)	2016	2015
Wages and salaries	878	748
Social security costs	125	92
Compensation expenses linked to share-base payments granted to Directors and employees (note 9.3.3)	8	8
Pension costs - defined benefit plans (note 9.2.2)	9	11
Termination benefits	48	11
TOTAL EMPLOYEE BENEFITS EXPENSES (EXCLUDING DEFINED CONTRIBUTION PLANS)	**1,068**	**870**
Pension costs - defined contribution plans	21	19

The termination benefits are presented in restructuring expenses within continuing operations in the consolidated statement of operations.

9.2. Post-employment & long-term benefits

POST-EMPLOYMENT OBLIGATIONS

The Group operates various post-employment schemes for some employees. Contributions paid and related to defined contribution plans, i.e. pension plans under which the Group pays fixed contributions and has no legal or constructive obligation to pay further contributions (for example if the fund does not hold sufficient assets to pay to all employees the benefits related to employee service in the current and prior periods), are recorded as expenses when employees have rendered services entitling them to the contributions.

The other pension plans are analyzed as defined benefit plans (i.e. pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation) and are recognized in the balance sheet based on an actuarial valuation of the defined benefit obligations being carried out at the end of each annual reporting period.

The method used for determining employee benefits obligations is based on the Projected Unit Credit Method. The present value of the Group benefit obligations is determined by attributing the benefits to employee services in accordance with the benefit formula of each plan. The provisions for these benefits are determined annually by independent qualified actuaries based on demographic and financial assumptions such as mortality, employee turnover, future salaries, benefit levels and discount rates.

Remeasurement, comprising actuarial gains and losses, the effect of changes in asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in OCI. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be classified in profit or loss.

Defined benefit costs are classified as follows:

- *service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) to be recognized in profit or loss;*
- *net interest expense or income, to be recognized as financial expense and financial income (note 8.4).*

Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus between the present value of the Group's defined benefit obligation and the fair value of plan asset. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.

OTHER LONG-TERM BENEFITS

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs. The obligations related to other long-term benefits (for example jubilee award) are also based on actuarial valuations. Actuarial gains or losses are recognized in the consolidated statement of operations.

The liability related to other long-term benefits are not presented within the retirement benefit obligation but within the restructuring provision or other liabilities.

ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's determination of its pension and post-retirement benefits obligations, expenses and OCI impacts for defined benefit plans is dependent on the use of certain assumptions used by actuaries in calculating such amounts, among others, the discount rate and annual rate of increase in future compensation levels. Assumptions regarding pension and post-retirement benefits obligations are based on actual historical experience and external data.

The Group is exposed to actuarial risks such as interest rate risk, investment risk, longevity risk, salary increase risk and inflation risk. The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Capital markets experience fluctuations that cause downward or upward pressure on the quoted values and higher volatility. While Technicolor's management believes the assumptions used are appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and post-retirement benefits net obligations under such plans and related future expense.

9.2.1. Summary of the provisions and plans description

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

9.2.1.1. Defined contribution plans

The pension costs of these plans correspond to the contributions paid by the Group to independently administered funds. These plans guarantee employee benefits that are directly related to contributions paid.

The total contributions paid by Technicolor amounted to €21 million in 2016 (€19 million in 2015).

9.2.1.2. Defined benefit plans

These plans mainly cover pension benefits, retirement indemnities and medical post-retirement benefits.

Pension benefits and retirements indemnities

Pension plans maintained by the Group are mainly the following:

- **in Germany**, employees are covered by several vested unfunded defined benefit and defined contribution pension plans. These plans mainly provide employees with retirement annuities and disability benefits. Employees participate in plan based on final pay and services. The pension plans are no longer available to new entrants.

  The retirement age is between 60 and 63 years old;
- **in the United States**, the employees of Technicolor are covered by a defined benefit pension plan. Technicolor mainly operates two defined benefit pension plans: a cash balance pension plan that covers substantially all non-union employees, funded through a trust fund, and an additional pension plan for executive employees, closed to new participants. Benefits are equal to a percentage of the plan Member's earnings each year plus a guaranteed rate of return on earned benefits until retirement.

  A hard freeze occurred over 2009 on U.S. pension plans. The rights as of January 1, 2010 remain vested but no additional pay-based credits are added to the cash balance account under the Plans. Interest credit, however, continue to be added to employees' account.

  The retirement age is 65 years old;
- **in the United Kingdom**, Technicolor mainly maintains a dedicated funded pension plan, which provides retirement annuity benefits. This plan is no longer available to new entrants.

  The retirement age is 65 years old;
- **in France**, the Group is legally required to pay lump sums to employees when they retire. The amounts paid are defined by the collective bargaining agreement in force and depend on years of service within the Group and employee's salary at retirement.

  The retirement age is 62 years old but the average retirement age observed is 64 years old;
- **in other countries**, Technicolor maintains non-funded pension plans in Mexico and in Japan. The benefits are mainly based on employee's pensionable salary and length of service.

Medical Post-retirement benefits

In the U.S. & in Canada, Technicolor provided to certain employees a post-retirement medical plan. The medical plan in the U.S. includes basic medical and dental benefits and has been closed to new entrants. The medical plan in Canada includes life insurance, health and dental care benefit coverage and was closed to new entrants.

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

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

In addition, the Group pays an average yearly funding contribution to the plan assets for around €9 million (see note 9.2.4).

9.2.1.3. Multi-employer plan

Since August 2009, Technicolor participates in the Motion Picture Industry multi-employer defined benefit plan in the U.S. As the information about the dividing up of plan financial position and performance between each plan Member are not available, Technicolor accounts for this plan as a defined contribution plan.

The average expense incurred each year is less than €1 million.

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

9.2.2.1. Statements of operations

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	2016	2015	2016	2015	2016	2015
Service cost:						
■ Current service cost	(3)	(3)	-	-	(3)	(3)
■ Past service cost and gain from settlements	3	-	-	-	3	-
Financial interest expense, net:						
■ Interest cost on obligation	(15)	(16)	-	-	(15)	(16)
■ Interest income on plan assets	6	8	-	-	6	8
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN PROFIT OR LOSS	**(9)**	**(11)**	**-**	**-**	**(9)**	**(11)**

9.2.2.2. Other comprehensive income

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	2016	2015	2016	2015	2016	2015
OPENING					**(146)**	**(167)**
Actuarial gains/(losses) arisen on plan assets:						
■ due to the return on plan assets	11	(8)	-	-	11	(8)
Actuarial gains/(losses) arisen on benefit obligation:						
■ due to changes in demographic assumptions	1	1	-	-	1	1
■ due to changes in financial assumptions[(1)]	(58)	12	-	-	(58)	12
■ due to experience adjustments	3	16	-	-	3	16
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN OCI	**(43)**	**21**	**-**	**-**	**(43)**	**21**
CLOSING					**(189)**	**(146)**

(1) In 2016, the decrease in discount rates (see note 9.2.5) led to actuarial losses amounting to €58 million. In 2015, the increase in discount rates resulted in actuarial gains for €12 million.

9.2.3. Analysis of the change in benefit obligation and in plan assets

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Benefit obligation at opening	**(578)**	**(601)**	**(7)**	**(7)**	**(585)**	**(608)**
Current service cost	(3)	(3)	-	-	(3)	(3)
Interest cost	(15)	(16)	-	-	(15)	(16)
Remeasurement - actuarial gains/(losses) arising from:						
▪ changes in demographic assumptions	1	1	-	-	1	1
▪ changes in financial assumptions	(58)	12	-	-	(58)	12
▪ experience adjustments	3	16	-	-	3	16
Past service cost, including gains/(losses) on curtailments	3	-	-	-	3	-
Benefits paid	39	36	-	-	39	36
Currency translation adjustments	15	(22)	-	-	15	(22)
Change in perimeter[(1)]	-	(1)	-	-	-	(1)
Benefit obligation at closing	**(593)**	**(578)**	**(7)**	**(7)**	**(600)**	**(585)**
Benefit obligation wholly or partly funded	*(262)*	*(257)*	-	-	*(262)*	*(257)*
Benefit obligation wholly unfunded	*(331)*	*(321)*	*(7)*	*(7)*	*(338)*	*(328)*
Fair value of plan assets at opening	**203**	**194**	**-**	**-**	**203**	**194**
Interest income	6	8	-	-	6	8
Remeasurement gains/(losses)	11	(8)	-	-	11	(8)
Employer contribution	8	10	-	-	8	10
Benefits paid	(19)	(17)	-	-	(19)	(17)
Currency translation adjustments	(13)	16	-	-	(13)	16
Fair value of plan assets at closing	**196**	**203**	**-**	**-**	**196**	**203**
RETIREMENT BENEFIT OBLIGATIONS	**(397)**	**(375)**	**(7)**	**(7)**	**(404)**	**(382)**

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

The Group expects the overall 2017 benefits paid to be equal to €33 million for defined benefits plans, of which €21 million directly by the Company to the employees and €12 million by the plans.

9.2.4. Plan assets

9.2.4.1. Funding policy and strategy

When defined benefit plans are funded, mainly in the U.S. and in the 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 (€3 million at 2016 average rate).

In the U.S., Technicolor's policy is to contribute on an annual basis in an amount that is at least sufficient to meet the minimum requirements of the U.S. law. The average yearly contribution is 6 million of U.S. dollars (€5 million at 2016 average rate).

Periodically an asset-liability analysis is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles.

- In the U.S., as the pension plan is frozen, the investment strategy aims to increase the funded ratio toward termination liability while simultaneously attempting to minimize the volatility of the funded ratio (currently funded ratio is above 70%). Asset mix is fully based on bonds and cash equivalents. Over the past several years, the return of the plan has on average exceeded the expected return.
- In the UK., the funded status is around 80%. Asset mix is based on 40% of insurance contracts that cover obligations with pensioners, 42% of bonds and cash equivalents, 16% of equity instruments, and 14% of properties. The annualized performance of the plan exceeds the expected return on a 3-year basis.

9.2.4.2. Disaggregation of the fair value by category

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

The fair value of the above equity and debt instruments is determined based on quoted market prices in active markets. The fair value of the plan assets did not include any Technicolor's own financial instruments or any asset used by the Group.

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

9.2.5. Assumptions used in actuarial calculation

	Pension plan benefits		Medical post-retirement benefits	
	2016	2015	2016	2015
Weighted average discount rate	2.2%	2.8%	3.3%	3.7%
Weighted average long-term rate of compensation increase	1.7%	1.6%	N/A	N/A

Discount rate methodology

The projected benefit cash flows under the U.S. schemes are discounted using a specific yield curve based on AA rated corporate bonds. The discount rates used for the Euro zone and the UK. are determined based on AA rate corporate bonds common indexes and are as follows:

(in %)	Pension plan benefits	Early retirement	Medical post-retirement benefits	Index Reference
Euro zone	1.3%	0.0%	N/A	Iboxx AA10+
UK.	2.7%	N/A	N/A	Aon Hewitt AA curve
U.S.	3.6%	N/A	3.8%	Citigroup pension discount curve

9.2.6. Risk associated to the plans & sensitivity analysis

Pension plans are mainly exposed to:

- longevity risk due to mortality assumption;
- financial risks due to discount rate and salary increase rate assumptions.

Medical plans are mainly exposed to:

- longevity risk due to mortality assumption;
- financial risks due to discount rate and medical trend rate assumptions.

The sensitivity of the actuarial valuation is described below:

- if the discount rate is 0.25% higher, the obligation would decrease by €18 million;
- if the discount rate is 0.25% lower, the obligation would increase by €20 million;
- if the healthcare costs are 1% higher, the obligation would increase by less than €1 million;
- if the healthcare costs are 1% lower, the obligation would decrease by less than €1 million;
- if the salary increase rate is 0.25% higher, the obligation would increase by €1 million;
- if the salary increase rate is 0.25% lower, the obligation would decrease by €1 million.

The sensitivity analysis presented have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

9.3. Share-based compensation plans

The Group issues equity-settled and cash-settled share-based payments to certain employees. According to IFRS 2, the advantage given to the employees regarding the grant of stock options or free shares consists of an additional compensation to these employees estimated at the grant date.

Equity-settled share-based payments are measured at fair value at the grant date. They are accounted for as an employee expense on a straight-line basis over the vesting period of the plans, based on the Group's estimate of instruments that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at the current fair value determined at each balance sheet date with any changes in fair value recognized in profit or loss for the period within "Other financial income (expense)". In addition, for plans based on non-market performance conditions, the probability of achieving the performance is assessed each year and the expense is adjusted accordingly.

The fair value of instruments, and especially of options granted, is determined based either on a binomial option pricing model or on the Black-Scholes valuation model that takes into account an annual reassessment of the expected number of exercisable options. The Monte Carlo model may also be used for taking into account some market conditions.

9.3.1. Stock-options plans granted by Technicolor

Mid-Term Management Incentive Plan (MIP-SP1)

Under the thirteen-resolution approved by the Shareholder's Meeting of May 22, 2008, the Board of Directors Meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1) granting non-market performance units made up of a combination of cash and stock options. Subject to the continuance of employment, the rights under the plan were vested on June 18, 2014 for each beneficiary in the proportion set by the Board of Directors on February 21, 2013 following the determination of the level of achievement of the non-market performance conditions on December 31, 2012. As of December 31, 2016, a total of 805,476 subscription options are still outstanding.

Management Incentive Plans (MIP)

The Shareholders' Meeting of May 23, 2013, in its fifteenth resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period, and is valid until July 23, 2016. Options granted under this authorization shall not give rights to a total number of shares greater than 26,843,507.

As of December 31, 2016, 13,162,578 subscription options are still outstanding (respectively 7,266,130 options, 4,312,654 options, 103,794 options and 1,480,000 options related to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

Free Share Plan

Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in it sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global Free Share Plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor group during the acquisition period, 125 Technicolor shares will be delivered to eligible employees at the end of the acquisition period. The plan is not subject to performance conditions.

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

2016 Long-Term Incentive Plan (LTIP)

The Shareholders' Meeting of April 29, 2016, in its twenty-eight resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 26-month period, and is valid until June 29, 2018. The shares to be issued pursuant to this authorization shall not give rights to a total of shares greater than 8,239,744.

Making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty-eight resolution, the Board of Directors approved on April 29, 2016 the implementation of a Long-Term Incentive Plan.

This three-year plan provides conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the achievement of adjusted EBITDA and Free Cash Flow targets for the three years from 2016 through 2018 and the satisfaction of a continued employment condition for the full duration of the Plan (through April 30, 2019).

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

As of December 31, 2016, the total number of outstanding stock options amounted to a maximum of 13,968,054 options and the total number of rights to receive shares amounted to 3,638,875 rights granted to employees and Directors.

The details of these options and shares are disclosed hereafter.

	Type of plan	Grant date	Number of options initially granted	Number of options outstanding(2)	Initial number of beneficiaries	Vesting date	Contractual option life	Exercise price(2)	Estimated fair values granted(2)
MIP Options*	Subscription options	June 17, 2010	1,216,700(1)	805,476	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.29	€2.22
MIP 2015 Options**	Subscription options	May 23, 2013 and June 7, 2013	16,398,000	7,094,870	94	May 2015 (50%) 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	2,527,392	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	1,370,086	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	1,480,000	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
Free Share Plan	Free shares (to be issued)	November 12, 2013	1,604,000	879,375	12,832	November 2017	-	-	€3.87
2016 LTIP***	Free shares	April 29, 2016	2,760,500	2,495,500	187	April 2019	-	-	€5.69
2016 LTIP***	Free shares	July 27, 2016	66,000	60,000	12	April 2019	-	-	€5.47
2016 LTIP***	Free shares	October 20, 2016	214,000	204,000	18	April 2019	-	-	€5.14

* *Mid-Term Incentive Plan (MIP-SP1) (see description above).*
** *Management Incentive Plans (MIP) (see description above).*
*** *Long-Term Incentive Plan (LTIP) (see description above).*
(1) *Maximum potential number.*
(2) *Exercise prices and number of options outstanding were modified following the 2015 capital increases.*

9.3.2. *Changes in outstanding options & free shares*

Movements in the number of options and free shares outstanding with their related weighted average exercise prices are as follows for 2016 and 2015:

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

* *Only related to Free Share Plan.*

Significant assumptions used

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

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

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

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

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

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

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

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

For the 2016 free shares granted as part of the 2016 LTIP, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €5.65 and a 3-years expected dividend of €0.18.

9.3.3. Compensation expenses charged to income

The compensation expenses charged to income for the services received during the period amount to €8 million for the years ended December 31, 2016 and 2015. The counterpart of this expense has been credited to equity.

9.4. Key management compensation

Directors' fees and compensation expenses (incl. Social security costs) amounted to €0.7 million and €0.5 million respectively in 2016 and 2015. The amounts due to Directors who are non-resident for French tax purposes are subject to a withholding tax. Fees due to Directors and advisors in respect to fiscal year 2016 will be paid in 2017.

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

(in million euros)	**2016(2)**	**2015(2)**
Short-term employee benefits(1)	12	13
Share-based payment	2	4
TOTAL	**14**	**17**

(1) In case of retirement the Group has an obligation almost nil as of December 31, 2015 and 2016.
(2) 12 members in 2016 and 9 members in 2015.

The Members of the Executive Committee can benefit from severance packages in case of an involuntary termination and in absence of fault, which represent a total estimated amount of €9 million.

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

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

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

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

10.2. Contingencies

GRI [G4-EN29] [G4-EN34] [G4-LA16] [G4-SO7] [G4-SO8] [G4-SO11] [G4-DMA Anti-competitive behavior]

In the ordinary course of the business, the Group is involved in various legal proceedings and is subject to tax, customs and administrative regulation. The Group's general policy is to accrue a reserve when a risk represents a contingent liability towards a third-party and when the probability of a loss is probable and it can be reasonably estimated. Significant pending legal matters include the following:

Anti-dumping duties

In a case pertaining to imports into the European Union by Technicolor subsidiaries of televisions manufactured by Technicolor in Thailand, Technicolor received reassessment notices in 2004 and 2005 relating to antidumping duties from customs authorities in the United Kingdom, Germany, France and Italy where Technicolor appealed against unfavorable decision.

Those cases are now definitively closed in France and in the United Kingdom but are still pending in Germany and Italy, where Technicolor appealed against unfavorable decisions.

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

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

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

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

Poland tax Proceedings

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

After lengthy proceedings, the Polish Tax Authorities issued provisional assessments in 2010 with respect to 2003 deductibility of research and development costs and 2004 withholding taxes resulting in additional taxes amounting to €10 million and interest amounting to €7 million. In the interim, Polish Tax Authorities had established a €17 million mortgage on Technicolor Polska's assets which prevented, as an indirect consequence, the statute of limitations from expiring. In May 2010, the Polish Tax Authorities launched another audit on the 2004 corporate income tax and 2005 withholding tax returns. In January 2011, they issued provisional assessments equivalent to the previous year assessments, *i.e.* deductibility of 2004 research and development costs and 2005 withholding taxes, amounting to €5 million in principal and €3 million in interest. In August 2011, the First Level Administrative Court of Warsaw rejected 98% of the 2010 assessments (on 2003 deductibility of research and development costs and 2004 withholding taxes) notified by the Polish Tax Authorities. In December 2011, this verdict became final as the Polish Tax Authorities did not appeal.

The Polish Tax Administration decided to review the final aspects of the proceedings and has interviewed around 20 former employees. In June 2013, the Polish Tax Administration issued new assessments for tax year 2004, alleging that the 2003 research and development expenses are non-deductible, while they took the opposite position in 2010. In November 2013, the Polish tax authorities waived the 2004 and 2005 withholding taxes reassessments, for an amount of €8.9 million. At the beginning of 2014, the Polish tax authorities waived the 2004 Current Income Tax reassessments, for an amount of €3.5 million. The Polish Tax Authorities also launched an audit for tax year 2007 and issued a preliminary assessment for approximately €0.4 million without interest and Technicolor is challenging this assessment. Currently only one mortgage for €12.6 million related to 2003 Current Income Tax remains.

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

France VAT audit

The French tax authorities audited the Company for 2009 tax year and issued at the end of 2012, a VAT assessment amounting to €5.6 million in principal and €0.8 million of interest.

Out of this principal amount, one VAT assessment amounting to €1.3 million, relates to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged. The other significant assessment involves the deduction of VAT by the Company as a mixed holding company for an amount of €3.7 million. In July 2013, the French tax authorities issued VAT assessments with respect to 2010 tax year on the same grounds as with respect to 2009, the two most significant of which being a €1.1 million assessment related to the subsidy and a €7.5 million assessment related to the deductibility of the "holding" VAT. In June 2014, a collegial tax commission decided to give up on the reassessments related to the deductibility of the "holding" VAT (*i.e.* €3.7 million for 2009 and €7.5 million for 2010).

Following receipt of the recovery notice in September 2014, the Company paid the remaining assessments (*i.e.* €1.3 million and €1.1 million for 2009 and 2010 and €0.3 million of interest). The Company therefore filed a claim before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014).

On February 2015, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore, the Company presented a claim before the administrative Tribunal of Cergy-Pontoise in April 2015. The exchange of pleadings between the parties are ongoing.

Taoyuan County 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 (€80 million at the December 31, 2016 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against Technicolor entities for approximately NTD 564 million (€17 million at the December 31, 2016 exchange rate) plus interest. The Technicolor entities and the Association have appealed the ruling.

In May 2016, the Association filed a new suit against Technicolor entities and General Electric claiming damages in the amount of NTD 7.38 billion (€218 million at the December 31, 2016 exchange rate). The Association's complaint offered no new argument or facts from the pending claims.

Technicolor considers that it is General Electric's legal and contractual obligation to indemnify it and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

Cathode Ray Tubes cases

United States

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

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

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

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

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

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

Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. Technicolor USA was dismissed from the case by the Dutch court in July 2016 on jurisdictional grounds. As appropriate and to the extent required, Technicolor SA will file responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian authorities that they were initiating an investigation of possible cartel activity within the CRT industry in Brazil.

Finally, Technicolor SA, along with other defendants, is defending on similar grounds a number of cases in Germany against German manufacturers and in the Netherlands against Brazilian manufacturers.

At this time, Technicolor is unable to assess the potential outcome from those cases and the resulting potential liability as the proceedings are at an early stage and the claims have been substantiated.

Environmental matters

Some of Technicolor's current and previously-owned manufacturing sites have a history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Soil and groundwater contamination was detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired from GE in a 1987 transaction. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. EPB and TCETVT continue to negotiate over the scope of that work. Technicolor has reached an agreement with General Electric with respect to allocation of responsibility related to the soil and groundwater remediation.

In addition to soil and groundwater contamination, the Group sells or has sold in the past products which are subject to recycling requirements and is exposed to changes in environmental legislation affecting these requirements in various jurisdictions.

The Group believes that the amounts reserved and the contractual guarantees provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be precisely adequate.

NOTE 11 SPECIFIC OPERATIONS IMPACTING THE CONSOLIDATED STATEMENT OF CASH-FLOWS

11.1. Acquisitions and disposals of subsidiaries & investments

GRI [G4-13]

The details for the acquisition of subsidiaries and investments, net of cash position of companies acquired, are as below:

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

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

(in million euros)	2016	2015
IZ ON Media LLC	-	2
SV Holdco	29	-
M-GO activity	10	-
Digital Cinema activity(1)	5	-
Gainspeed investment	6	-
Other	3	-
Disposal of investments	**53**	**2**
Less cash position of companies disposed off	(1)	-
DISPOSAL OF INVESTMENTS, NET	**52**	**2**

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

11.2. Cash impact of debt repricing and financing operations

(in million euros)	Note	2016	2015
Proceed from borrowings[2]	*(1.1)*	457	377
Reimbursement of borrowings to bank holders[4]	*(1.1)*	(775)	(62)
Cash impact of borrowings variation		**(318)**	**315**
Increase of Capital (net of fees paid)[1]		15	227
Fees paid for debt repricing[3]	*(8.4)*	(10)	(25)
TOTAL CASH IMPACT OF REFINANCING AND SHARE CAPITAL OPERATIONS		**(313)**	**517**

(1) In 2016, it includes the MIP/LTIP cash impact for €15 million.
In 2015, due to the net share capital increase on November 17, (Share capital increase of €227 million with the deduction of the fees paid after tax for €8 million), and the MIP/LTIP cash impact for €8 million.
(2) In 2016, it mainly links to the issuance of new Term Loan Debt done on December for €450 million.
In 2015, it is mainly related to the issuance of Term Loan Debt done on September and November 2015 for €374 million.
(3) The fees paid directly linked to the debt repricing have been classified into financing cash flows. In 2016, it includes €3 million for the issuance of 2016 new Term Loan Debt and €7 million for revolving credit facility fees. In 2015, it included €6 million for 2015 repricing transaction and €18 million for the issuance of Term Loan Debt.
(4) In 2016, in addition to debt contractual refunds, €701 million of 2015 Term Loan Debt were reimbursed.
In 2015, in addition to debt contractual refunds, €7 million of other debts were reimbursed.

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

		Non cash variation						
(in million euros)	December 31, 2015	Cash impact of borrowing variation	Capital leases recognition	IFRS Discount of Term Loan Debt	Currency Translation Adjust-ments	Transfer Current - Non Current	Other Movements	December 31, 2016
Non Current Borrowing	1,207	(318)	4	44	21	39	1	998
Current Borrowing	86	-	10	-	-	(39)	(5)	52
TOTAL BORROWING	**1,293**	**(318)**	**14**	**44**	**21**	**-**	**(4)**	**1,050**

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

11.3. Contractual obligations and commercial commitments

The following table provides information regarding the aggregate maturities of contractual obligations and commercial commitments as of December 31, 2016 for which the Group is either obliged or conditionally obliged to make future cash payments but cannot be recognized in the balance sheet. This table includes firm commitments that would result in unconditional or conditional future payments, but excludes all options since the latter are not considered as firm commitments or obligations. When an obligation leading to future payments can be cancelled through a penalty payment, the future payments included in the tables are those that management has determined most likely to occur.

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

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

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

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

The disclosed guarantees comprise:

- guarantees given to tax offices for €12 million related to ongoing tax litigations;
- a parental guarantee provided by Technicolor SA to secure the UK pension plan under Section 75 for €47 million;
- various operational guarantees granted to customs administrations in order to exempt from duties goods transiting through customs warehouses for re-exportation, and transit guarantees in order that taxes on goods are only paid at their final destination in the import country. The maturity of these bank guarantees match the one-month renewable term of the agreements.

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

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

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

NOTE 12 DISCONTINUED OPERATIONS AND HELD FOR SALE OPERATIONS

12.1. Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of (by sale or otherwise) or is held for sale. In accordance with IFRS 5, to be disclosed as discontinued:

- *the operation must have been stopped or be classified as "asset held for sale";*
- *the component discontinued must clearly be distinguishable operationally and for reporting purposes;*
- *it must represent a separate major line of business (or geographical area of business);*
- *it must be part of a single major plan of disposal or is a subsidiary acquired exclusively for resale.*

The profit (loss) from discontinued operations is presented as a separate line item on the face of the statement of operations with a detailed analysis provided below. The statement of operations data for all prior periods presented are reclassified to present the results of operations meeting the criteria of IFRS 5 as discontinued operations. In the statement of cash flows, the amounts related to discontinued operations are disclosed separately.

When a non-current asset or disposal group no longer meet the held for sale criteria, the asset or disposal group ceases to be classified as held for sale.

It is then measured at the lower of:

- *its carrying value before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization that would have been recognized had the asset (or disposal group) not been classified as held for sale; and*
- *its recoverable amount at the date of the subsequent decision not to sell. Recoverable value is the higher of fair value less costs to sell and value in use.*

Any adjustment to the carrying amount is included in profit and loss from continuing operations in which the assets ceased to be classified as held for sale.

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

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

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

(in million euros)	2016	2015
Profit (Loss) from discontinued operations	**(90)**	**(43)**
Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations:		
Net changes in provisions	8	3
(Profit)/Loss on asset sales	-	(2)
Other non-cash items (including tax)[(1)]	73	18
Changes in working capital and other assets and liabilities	(37)	1
NET OPERATING CASH USED IN DISCONTINUED OPERATIONS (I)	**(46)**	**(23)**
Net cash impact from sale of investments	2	-
NET INVESTING CASH USED IN DISCONTINUED OPERATIONS (II)	**2**	**-**
NET FINANCING CASH USED IN DISCONTINUED OPERATIONS (III)	**-**	**-**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**(44)**	**(23)**

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

12.2. Assets & liabilities held for sale

A non-current asset (or disposal group) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This means the asset (or disposal group) is available for immediate sale and its sale is highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of its fair value less costs to sell and its carrying amount. Any impairment loss for write-down of the asset (or disposal group) to fair value (less costs to sell) is recognized in the statement of operations.

As of December 31, 2016, there was no activity classified as held for sale.

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

NOTE 13 SUBSEQUENT EVENTS

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

NOTE 14 LIST OF MAIN CONSOLIDATED SUBSIDIARIES

GRI [G4-17]

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

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

Company - (Country)	% share held by Technicolor (% rounded to one decimal) 2016	2015
The Mill (Facility) Ltd. (UK)	100.0	100.0
Badger Bidco Limited (UK)	100.0	100.0
Technicolor USA Inc. (USA)	100.0	100.0
Technicolor Videocassette of Michigan, Inc. (USA)	100.0	100.0
Technicolor Home Entertainment Services Inc. (USA)	100.0	100.0
Technicolor Creative Services USA Inc. (USA)	100.0	100.0
Technicolor Canada Inc. (Canada)	100.0	100.0
Technicolor Home Entertainment Services de Mexico S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Mexicana, S. de R.L. de C.V. (Mexico)	100.0	100.0
Mr. X Inc. (Canada)	100.0	100.0
Technicolor Global Logistics, LLC (USA)	100.0	100.0
Technicolor Home Entertainment Services Canada ULC (Canada)	100.0	100.0
Technicolor Home Entertainment Services Southeast, LLC (USA)	100.0	100.0
Technicolor Holdings of Canada Inc. (Canada)	0.0**	100.0
Technicolor Holdings USA, Inc. (USA)	0.0**	100.0
The Mill group Inc. (USA)	100.0	100.0
Beam Tv Inc. (USA)	100.0	100.0
Badger USA, Inc. (USA)	100.0	100.0
MPC (Shanghai) Digital technology CO., Ltd (China)	89.8	89.8
Technicolor, Pty, Ltd. (Australia)	100.0	100.0
Technicolor India Privat Ltd. (India)	100.0	100.0
Technicolor Distribution Australia, Pty. Ltd. (Australia)	100.0	100.0
Trace VFX LLC (USA)	100.0	-
Others (Corporate)		
Gallo 8 SAS (France)	100.0	100.0
Sté Fr.d'Invest.et d'Arbitrage - Sofia (France)	100.0	100.0
Technicolor Treasury USA LLC (USA)	100.0	100.0
Technicolor Asia Pacific Investments Pte. Ltd. (Singapore)	0.0**	100.0
Technicolor Asia Pacific Holdings Pte. Ltd (Singapore)	100.0	100.0
Accounted for under the equity method		
SV Holdco, LLC (USA)	0.0*	17.5
TechFund Capital Europe (France)	19.8	19.8
Technicolor SFG Technology Co. Ltd (China)	49.0	49.0
HEVC Advance LLC (USA)	0.0**	20.0
Trace VFX LLC (USA)	0.0	20.0

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

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

8.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

GRI [G4-33]

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Technicolor S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors, our role is to express an opinion on these consolidated financial statements based on our audit.

1. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 formed by the entities included in the scope of consolidation as at December 31, 2016 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.

2. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- note 1.2.3 to the consolidated financial statements describes the situations where management of Technicolor S.A. has made assumptions and used estimates. This note describes that circumstances and actual results may differ from these assumptions and estimates. Amongst the significant estimates, there are goodwill, intangibles, deferred tax assets as well as provisions for risks and litigation:
  - as described in note 1.2.3, the Company performs, each financial year, impairment tests on goodwill and assets with indefinite useful lives, and also assesses whether there is any indication of impairment of long-term assets, according to the methods described in this note. We examined the methods used to test for impairment as well as cash flow projections and assumptions used and ensured that note 4 provides appropriate disclosures thereon,
  - in relation to the deferred tax assets described in note 6.2, we have assessed the adequacy of the information and assumptions used as the basis for the estimates retained, reviewed the calculations performed by the Company and ensured that note 6.2 provides appropriate disclosures thereon,
  - regarding risks and litigation, we have reviewed the procedures used by the Group to identify, evaluate and account for them. We have also ensured that the uncertainties identified while performing these procedures were adequately disclosed in note 10;
- note 2.3 "Change in scope of consolidation of 2015" to the consolidated financial statements disclose notably the takeovers in 2015 and their impact on the consolidated financial statements, mainly the restatement of the 2015 comparative information, with the understanding that the purchase price allocations in compliance with IFRS 3 revised have been completed as of December 31, 2016. Our audit included checking the proper accounting treatment of those acquisitions in accordance with the methods described in note 4 "Goodwill and other intangible assets" and that the information was appropriately disclosed in notes 2.3 and 4.1 to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Neuilly-sur-Seine, February 23, 2017
Deloitte et Associés

French original signed by
Ariane Bucaille
Partner

Courbevoie, February 23, 2017
Mazars

French original signed by
Guillaume Devaux
Partner

Jean-Luc Barlet
Partner

8.4 TECHNICOLOR SA PARENT COMPANY FINANCIAL STATEMENTS

8.4.1 STATEMENT OF OPERATIONS

(in million euros)	Note	December 31, 2016	2015
Revenues	*(2)*	77	60
Other operating revenues		3	4
Total operating income		**80**	**64**
Wages and salaries		(26)	(27)
Other operating expenses		(70)	(57)
Depreciation, amortization and provisions		(15)	(7)
LOSS FROM OPERATIONS		**(31)**	**(27)**
Interest income (expense)		6	(4)
Dividends from subsidiaries		188	622
Depreciation on financial assets		(58)	(808)
Other net financial gain/(losses)		(3)	(2)
Net financial profit (loss)	*(3)*	**133**	**(192)**
NET PROFIT (LOSS) AFTER FINANCIAL RESULT		**102**	**(219)**
Capital gain/(loss) on asset disposals		-	-
Exceptional profit (expenses)	*(4)*	(5)	(29)
Exceptional loss		**(5)**	**(29)**
Income tax	*(5)*	52	62
NET PROFIT (LOSS)		**149**	**(186)**

The accompanying notes on pages 261 to 281 are an integral part of these financial statements.

8.4.2 STATEMENT OF FINANCIAL POSITION

		December 31,	
(in million euros)	Note	2016	2015
Assets			
Intangible assets		26	514
Depreciation, amortization and provisions		(17)	(413)
Intangible assets, net value	*(6)*	**9**	**101**
Property and Equipment		15	15
Depreciation, amortization and provisions		(12)	(10)
Property and equipment, net value	*(6)*	**3**	**5**
Shares in subsidiaries, net value		3,413	2,705
Other financial assets		183	195
Financial assets, net value	*(7)*	**3,596**	**2,900**
NON-CURRENT ASSETS		**3,608**	**3,006**
Trade Receivables	*(12.1)*	62	43
Current accounts and loans with subsidiaries	*(12.1)*	893	1,708
Depreciation of current accounts and loans with subsidiaries	*(12.1)*	(60)	(166)
Other current assets	*(12.1)*	64	78
Cash and cash equivalents		107	124
CURRENT ASSETS		**1,066**	**1,787**
PREPAYMENTS, DEFERRED CHARGES AND UNREALIZED LOSSES ON FOREIGN EXCHANGE	*(12.3)*	**49**	**160**
TOTAL ASSETS		**4,723**	**4,953**
Equity & liabilities			
Common stock (413,245,967 shares, at December 31, 2016, at per value of €1.00)		413	411
Additional paid-in capital		917	1,124
Other reserves and retained earnings		100	100
Net profit/(loss) for the year		149	(186)
Total shareholders' equity	*(8.1)*	**1,579**	**1,449**
Other equity instruments	*(8.3)*	500	500
SHAREHOLDRER'S EQUITY AND EQUITY INSTRUMENTS		**2,079**	**1,949**
PROVISIONS FOR LOSSES AND CONTINGENCIES	*(11)*	**81**	**204**
Current accounts and loans with subsidiaries	*(9.1)*	1,428	1,364
Financial debts	*(9.1)*	1,062	1,363
Trade payables	*(12.1)*	9	9
Other current liabilities	*(12.1)*	61	58
Deferred income and unrealized gains on foreign exchange		3	6
LIABILITIES		**2,563**	**2,800**
TOTAL EQUITY & LIABILITIES		**4,723**	**4,953**

The accompanying notes on pages 261 to 281 are an integral part of these financial statements.

8.4.3 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, 2014	**335,907,670**	**1**	**336**	**1,161**	**-**	**100**	**(144)**	**(173)**	**1,280**
Allocation of 2014 balance	-	-	-	-	-	-	(173)	173	-
Reclassification of retained earnings in additional paid-in capital as of April 9, 2015	-	-	-	(317)	-	-	317	-	-
Dividend distribution	-	-	-	(17)	-	-	-	-	(17)
Share capital increased by issuance of new shares for LTIP purpose	738,205	1	1	(1)	-	-	-	-	-
Share capital increased by issuance of new shares for MIP purpose	5,002,790	1	5	11	-	-	-	-	16
Share capital increase with preferential subscription rights as of November 17, 2015	48,376,485	1	48	179	-	-	-	-	227
Share capital increase dedicated to Cisco Systems Inc. as of November 20, 2015	21,418,140	1	21	116	-	-	-	-	137
Fees related to capital increases	-	-	-	(8)	-	-	-	-	(8)
Net loss of the year	-	-	-	-	-	-	-	(186)	(186)
At December 31, 2015	**411,443,290**		**411**	**1,124**	**-**	**100**	**-**	**(186)**	**1,449**
Allocation of 2015 balance	-	-	-	-	-	-	(186)	186	-
Reclassification of retained earnings in additional paid-in capital as of April 29, 2016	-	-	-	(186)	-	-	186	-	-
Dividend distribution	-	-	-	(25)	-	-	-	-	(25)
Shares capital increased by issuance of new shares for MIP purpose	1,802,677	1	2	4	-	-	-	-	6
Net profit of the year	-	-	-	-	-	-	-	149	149
AT DECEMBER 31, 2016	**413,245,967**	**1**	**413**	**917**	**-**	**100**	**-**	**149**	**1,579**

See note 8.1 for detail on the changes in equity.

The accompanying notes on pages 261 to 281 are an integral part of these financial statements.

8.5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1	General Information	262
Note 2	Revenue	263
Note 3	Financial result	264
Note 4	Exceptional result	265
Note 5	Income tax	265
Note 6	Property, equipment and intangible assets	266
Note 7	Financial assets	267
Note 8	Shareholders' equity and equity instrument	269
Note 9	Borrowings & Financial instruments	271
Note 10	Employees benefits	273
Note 11	Provision & Contingencies	276
Note 12	Other information	279
Note 13	Statutory Auditors fees	281
Note 14	Subsequent events	281

NOTE 1 GENERAL INFORMATION

The Technicolor group is a leader in Media & Entertainment Services, developing and monetizing next-generation video and audio technologies. Technicolor SA is the holding company of the Group and manages the cash of the Group's subsidiaries.

These notes are an integral part of these annual financial statements. They contain additional information relating to the statements of financial position and of operations and give a true and fair view of the Company's assets, financial position and results. Information which is not mandatory is disclosed only if material.

1.1. Main events of the year

Debt refinancing

On December 6, 2016, Technicolor raised €450 million of 7-year Senior Secured Term Loans priced at 350 basis points over EURIBOR with a 0% floor. Proceeds were used to partially refinance its existing term loans due 2020, in particular the U.S. dollar portion (see note 9.2 for further details).

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

1.2. Accounting Policies

1.2.1. Basis 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 22, 2017. Pursuant to French law, the financial statements will be considered as definitive when approved by Company's shareholders at the Ordinary Shareholders' Meeting which should take place in May 2017.

The accounting policies and valuation methods used in the 2016 financial statements are consistent with those followed last year except for Goodwill. The standard ANC 2015-06 dated November 23, 2015, adopted by the decree dated December 4, 2015 and effective for annual periods beginning on or after January 1, 2016, requires goodwill to be recognized with their underlying assets. In accordance with this standard, goodwill have been reclassified together with the shares in subsidiaries.

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. Translation of foreign currency transactions

Global cash 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.

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 the rate of exchange prevailing on the balance sheet date. The differences arising on the translation compared to the historical rate are recorded as translation adjustments in the balance sheet (a provision for exchange risk is recognized when unfavorable translation differences occur on receivables or debt).

Realized gains and losses on foreign exchange transactions are booked under “Other net financial gains/(losses)”.

Corporate Treasury manages its foreign currency exposure globally and does not take foreign exchange risk on its financial debt and loans in foreign currencies. Accordingly, the Term Loan Debt in foreign currency of the holding is only used to grant loans and current accounts in the foreign currency of the foreign affiliates and finally the global exchange result is totally symmetrical and neutral in the income statement.

However, in accordance with French accounting principles, the conversion of Term Loan Debt in foreign currency generates an unrealized gain (loss) on foreign exchange in the liabilities (assets) of the balance sheet. In case of loss, a provision for risk is booked in the balance sheet (see note 12.3).

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.

NOTE 2 REVENUE

(in million euros)	2016	2015
Intra-group invoicing	70	55
Trademark royalties	3	3
Other external revenues	4	2
TOTAL REVENUES	**77**	**60**
Including revenues in France	*45*	*39*

NOTE 3 FINANCIAL RESULT

(in million euros)	2016	2015
Dividends received	188	622
Depreciation on financial investments, treasury shares, current accounts and risk provisions regarding subsidiaries, net of reversal	(58)	(775)
Goodwill depreciation	-	(33)
Net interest income/(expenses)	6	(4)
Net gain/(losses) on foreign exchange	(3)	(2)
NET FINANCIAL PROFIT (LOSS)	**133**	**(192)**
The financial result is mainly impacted by the following subsidiaries:		
■ Thomson Licensing SAS		
■ *dividends*	*169*	*593*
■ *depreciations: €497 million of depreciation on shares and €33 million of goodwill depreciation.*	-	*(530)*
■ Technicolor USA Inc.		
■ *depreciations: €(45) million of depreciation on shares, €106 million of reversal of depreciation on current account and €8 million of reversal of provision for risk on negative net result in 2016 and €(416) million of depreciation on shares and €87 million of reversal of depreciation on current account in 2015.*	*69*	*(329)*
■ Technicolor Delivery Technologies *SAS*		
■ *depreciations on shares in 2016 and 2015.*	*(91)*	*(23)*
■ Société Française d'Investissement et d'Arbitrage – Sofia SA		
■ *depreciations €(52) million of depreciation on shares in 2016 and reversal on depreciation on shares for €20 million in 2015.*	*(52)*	*20*
■ Gallo 8 SAS		
■ *depreciation on shares in 2016 and 2015.*	*13*	*38*
■ Technicolor Brasil Midia E Entretenimento Ltda		
■ *dividends received in 2016 and 2015.*	*6*	*19*

NOTE 4 EXCEPTIONAL RESULT

Exceptional items include income or charges of which the nature and amount are not recurring.

(in million euros)	2016	2015
Capital gains on disposals of intangible and financial assets[(1)]	-	1
Restructuring costs (accruals net of reversals and expenses for the year)[(2)]	(2)	(1)
Other net extraordinary profit (expenses)	(3)	(29)
TOTAL EXCEPTIONAL PROFIT (LOSS)	**(5)**	**(29)**

(1) In 2015, resulted from the sale of investments.
(2) In 2016 and in 2015, corresponds mainly to a restructuring plan on the Group support functions.

In 2016, the other net extraordinary profit/(expense) corresponds mainly to fees related to the New Term Loan Debt carried out by Technicolor for €3 million (net of deferred expenses of €1 million amortized over a period of seven years).

In 2015, the other net extraordinary profit/(expense) corresponded mainly to:

- the payment of €6 million as part of the repricing transaction of Term Loan Debt carried out by Technicolor;
- the payment of €13 million as part of a New Term Loan Debt carried out by Technicolor (net of deferred expenses of €5 million amortized over a period of five years);
- a litigation for €10 million.

NOTE 5 INCOME TAX

Under French tax law, Technicolor SA is the head company of the French tax consolidation group consisting in 15 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 €1,661 million as of December 31, 2016 due mainly to the Cathode Ray Tubes activity disposed in 2005.

5.1. Breakdown of booked income tax

(in million euros)	2016	2015
Income tax booked by French subsidiaries and passed on to Technicolor SA[(1)]	62	89
Subsidiaries' research tax credit	22	25
Provision for tax-integrated companies	(8)	(26)
Unused foreign tax credits	(3)	(1)
Other[(2)]	(21)	(25)
TOTAL INCOME TAX	**52**	**62**

(1) Under French consolidation regime, Technicolor gets a tax income from consolidated French subsidiaries, in particular towards Thomson Licensing SAS (€56 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 2016.

The provision for the income tax expense under tax consolidation for 2016 will be offset with €8 million of foreign withholding tax credits.

In the absence of tax integration, the Company would show a nil net income tax expense.

5.2. Variation of deferred or latent tax bases

Temporarily non-deductible expenses related to Technicolor SA are the following:

(in million euros)	December 31, 2015	Variation	December 31, 2016
■ To be deducted the following year			
Paid vacations	2	-	2
Restructuring cost	5	(4)	1
Provisions for risks	17	1	18
Other	3	(1)	2
■ To be deducted at a later date			
Provisions for retirement	3	1	4
Provisions for subsidiary risks	-	-	-
Depreciation on current accounts	167	(107)	60
Provisions for risks	3	(2)	1
Other	3	(1)	2

NOTE 6 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

INTANGIBLE ASSETS

Intangible assets consist mainly of capitalized IT development projects, the cost of software, trademarks and rights to use patents.

Ongoing software development projects are classified under "Intangibles in progress". Once development is achieved, the software is capitalized or delivered to the subsidiaries concerned. Software developed or used internally is amortized from the date of use. Other IT development costs are capitalized and amortized on a straight-line basis over a maximum of three years, with some exceptions. Minor IT expenses are amortized over the financial year they are put in use.

Software acquired or developed as well as licenses are amortized on a straight-line basis over the duration of their protection or over their useful life, whichever is shorter.

TANGIBLE ASSETS

Tangible assets consist mainly of furniture and expenses for setting up and remodeling the head office in Issy-les-Moulineaux. They are amortized for the most part over nine years, the lease term for the building, on a straight-line basis.

(in million euros)	Intangible assets	Tangible assets
At December 31, 2015, Net	**101**	**5**
Cost	*514*	*15*
Accumulated depreciation	*(413)*	*(10)*
Acquisitions	-	-
Depreciation and amortization	(1)	(2)
Goodwill gross reclassified in Financial assets	(488)	-
Depreciation of goodwill reclassified in Financial assets	397	-
AT DECEMBER 31, 2016, NET	**9**	**3**
Cost	*26*	*15*
Accumulated depreciation	*(17)*	*(12)*

NOTE 7 FINANCIAL ASSETS

Financial assets include shares of companies which operating businesses are complementary to those of the Group and/or companies that the Company intends to keep. They are valued at acquisition cost or for Thomson Licensing SAS at its fair market value. If that cost is higher than the value in use, a depreciation charge is recorded to reflect 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.

The value in use is equivalent to the portion of equity represented by the shares. The equity value of companies consolidated under the Technicolor group is equivalent to their consolidated shareholders' equity after potential adjustments.

For Thomson Licensing SAS a depreciation is booked if the fair value of the subsidiary at closing (future discounted cash flow increased of the cash available) is below the net book value of its shares.

7.1. Variation of financial assets

(in million euros)	Shares in subsidiaries	Other financial assets[1]	Total financial assets
At December 31, 2015, Net	**2,705**	**195**	**2,900**
Cost	*10,306*	*253*	*10,559*
Accumulated depreciation	*(7,601)*	*(58)*	*(7,659)*
Acquisitions/recapitalizations[2]	794	2	796
Goodwill gross reclassified in Financial assets	488	-	488
Depreciation of goodwill reclassified in Financial assets	(397)	-	(397)
Disposals	(1)	(14)	(15)
Depreciation[3]	(198)	-	(198)
Reversals of depreciation provisions[4]	22	-	22
AT DECEMBER 31, 2016, NET	**3,413**	**183**	**3,596**
Cost	*11,587*	*241*	*11,828*
Accumulated depreciation	*(8,174)*	*(58)*	*(8,232)*

(1) In 2016, includes, net of depreciation, €174 million of loans, €5 million of collateral and guarantees and €4 million of Technicolor treasury shares (see note 8.2).
(2) Corresponds to the recapitalization of the following subsidiaries: Technicolor USA Inc. (€773 million), Technicolor Delivery Technologies SAS (€21 million).
(3) In 2016, depreciation of shares in subsidiaries concerns mainly the subsidiaries Technicolor Delivery Technologies SAS (€91 million), Technicolor USA Inc. (€45 million) and Sofia SA (€52 million).
(4) In 2016, reversal of depreciation on financial investments concerns mainly the subsidiaries Gallo 8 SAS (€13 million) and Thomson Sales Europe SA (€4 million).

In relation with the shares in subsidiaries, depreciation on current accounts and loans to subsidiaries amounts to €60 million (see note 12.1) and reserves for risk on subsidiaries amounts to €6 million (see note 11.1).

7.2. Maturities of receivables included in other financial assets

(in million euros)	
2017	2
2018 and later	177
GROSS VALUE	**179**
Depreciation	(5)
NET VALUE	**174**

7.3. Subsidiaries and investments at December 31, 2016

(in million euros, except number of shares)	Holding percentage (%)	Holding Number of shares	Gross value	Net value	Equity after allocation of results	Revenues of the year	Net income	Gross advances, loans and current accounts
Affiliates (more than 50% holding percentage)								
Technicolor USA, Inc.(1)	100.00%	1,005	5,184	729	729	2,727	(95)	195
Thomson Licensing SAS(1)(2)	100.00%	2,800,000	2,443	1,703	1,626	319	131	-
Gallo 8 SAS(1)	100.00%	32,516,195	1,091	408	408	840	(1)	-
Technicolor Delivery Technologies SAS(1)(3)	83.19%	3,161,120	620	38	38	851	(49)	86
Sté Fr.d'Invest.et d'Arbitrage – Sofia SA(1)	100.00%	8,883,491	543	55	55	287	(20)	-
Thomson Sales Europe SA(1)	100.00%	10,890,085	468	4	4	-	9	-
Thomson Angers SAS(4)	100.00%	4,630,001	289	-	N/A	N/A	N/A	-
Technicolor Trademark Management SAS(1)	100.00%	13,616,129	214	214	280	5	1	-
Thomson Multimedia Distribution (Netherlands) BV	100.00%	500	188	6	6	24	-	-
Thomson Television España	100.00%	9,928,478	128	-	(56)	-	-	56
Technicolor Brasil Midia E Entretenimento LTDA	100.00%	34,589,668	100	92	141	89	9	-
Technicolor Entertainment Services Spain SA	100.00%	120,000	66	-	-	2	-	-
Thomson Consumer Electronics (Bermuda) Ltd	100.00%	1,000	66	31	31	-	(6)	-
Technicolor Home Entertainment Services of America SAS	100.00%	500	51	51	54	94	3	-
Technicolor Entertainment Services France SAS(1)	100.00%	2,119,623	39	16	16	54	(6)	3
Technicolor Asia Pacific Holdings Pte Ltd	100.00%	37,948,000	37	37	51	68	6	-
RCA Trademark Management SAS	100.00%	1,668,025	25	25	36	23	6	-
Technicolor Hong Kong Ltd	100.00%	1,000,000	7	-	-	-	-	-
Thomson Investment India Ltd.	51.00%	51	4	2	2	-	-	-
Technicolor Milan S.r.l.	100.00%	6,000	2	-	-	3	-	-
Technicolor China Investment (BVI) Ltd(1)	100.00%	50,000	3	-	-	-	-	-
Thomson Purchasing and Liaison Company N.V. Korea Branch	100.00%	1,000	2	-	-	-	-	-
Total affiliates	**N/A**	**N/A**	**11,570**	**3,411**	**N/A**	**N/A**	**N/A**	**340**
Investments (between 10% and 50% holding percentage)								
TechFund Capital Europe FCPR	19.80%	500	-	-	2	-	(1)	N/A
Other	N/A	N/A	17	2	N/A	N/A	N/A	N/A
Total investments	**N/A**	**N/A**	**17**	**2**	**N/A**	**N/A**	**N/A**	**N/A**
TOTAL	**N/A**	**N/A**	**11,587**	**3,413**	**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 16.81% other shares are held by Sofia SA.

(4) Thomson Angers is in the process of being liquidated.

NOTE 8 SHAREHOLDERS' EQUITY AND EQUITY INSTRUMENT

8.1. Capital and additional paid-in capital

On December 31, 2016, the capital of Technicolor SA was €413,245,967 (413,245,967 shares with a per value €1). In 2016, change in equity was as follow:

- the share capital was increased by 1,802,677 new shares as part of the Management Incentive Plan (MIP 2015 and MIP 2016) and the additional paid-in capital by €4,252,964.

On December 31, 2015, the capital of Technicolor SA was €411,443,290 (411,443,290 shares with a per value €1). In 2015, changes in equity were as follow:

- on June 2015, the share capital was increased by 738,205 new shares as part of the Long-Term Incentive Plan (LTIP) approved in 2011;
- the share capital was increased by 5,002,790 new shares as part of the Management Incentive Plan (MIP 2010 and MIP 2015) and the additional paid-in capital by €11,648,792;
- Technicolor issued 48,376,485 shares in a capital increase with preferential subscription rights at a price of €4.70 per share and representing an increase of share capital of €48,376,485 and an increase in additional paid-in capital of €178,992,994. The settlement of this capital increase was finalized on November 17, 2015;
- the acquisition of Cisco Connected Devices business was partially paid on November 20, 2015 with 21,418,140 Technicolor shares corresponding to a share capital increase of €21,418,140 and an increase in additional paid-in capital of €115,756,071 based on the statutory contribution value agreed between the parties of €137 million.

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)".

	2016	2015
Number of treasury shares at opening	401,524	644,331
Treasury shares allocated in the year as part of the stock options and free shares plans[(2)]	(250)	(250)
Net movement of the year related to the share repurchase program[(3)]	351,494	(242,557)
Number of treasury shares at closing	752,768	401,524
Net Value in euros[(1)]	3,747,279	2,795,805

(1) The gross value of treasury shares held at December 31, 2016 is €57,117,377 (€55,516,805 as of December 31, 2015), depreciated for €53,370,098 (€52,721,000 as of December 2015).
(2) Shares delivered as part of the Free Share Plan in 2015 and 2016.
(3) The Combined Shareholder's Meetings on April 9, 2015 and April 29, 2016 authorized the renewal of a share repurchase program. Accordingly, in 2016, 4,360,512 shares were repurchased for a total amount of €24,889,640 and 4,009,018 shares were sold for a total amount of €22,875,705 (in 2015, impact of the repurchase program was an increase of treasury shares by 30,205 for a net cash impact of €221,463).

Treasury shares are hold for the purpose of meeting the obligations under debt securities giving access to capital or stock-option schemes or any other form of allocation of shares to employees and Directors of the Company.

8.3. Other equity instruments

The deeply subordinated perpetual notes (*Titres Super Subordonnés* – TSS) are booked as other equity instruments. Further to the restructuring of the Company's debt in 2010, the characteristics of these perpetual notes are now as follow:

- they are not repayable other than (i) at Technicolor's sole option in specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in 2010.

8.4. Dividends and other distributions

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

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

NOTE 9 BORROWINGS & FINANCIAL INSTRUMENTS

Technicolor's debt consists primarily of Term Loan Debt in U.S. dollars and in euros: issued by Tech Finance & Co. S.C.A in 2013, 2014 and 2015 (the "Old Term Loan Debt") and issued by Technicolor SA in 2016 (the "New Term Loan Debt").

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

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

9.1. Summary of the debt

(in million euros)	**2016**	**2015**
Term Loan Debt	1,055	1,351
Current Accounts and loans with subsidiaries	1,428	1,364
Other debt to third parties	7	12
TOTAL FINANCIAL DEBT	**2,490**	**2,727**
Of which due and payable after 1 year		
Term Loan Debt	*1,022*	*1,282*
Loans with subsidiaries	*212*	*210*

9.2. Main features of Term Loan Debt

(in million euros)	**Amount in local currency**	**Currency**	**Amount[1]**	**Interest rate type**	**Final maturity**
Old term loan	305	USD	290	LIBOR[2] + 400bps	2020
Old term loan	315	EUR	315	EURIBOR[2] + 400bps	2020
New term loan	450	EUR	450	EURIBOR[3] + 350bps	2023
			1,055		

(1) Exchange rate as of December 31, 2016.
(2) LIBOR and EURIBOR are subject to a 1.00% floor.
(3) EURIBOR is subject to a 0% floor.

9.2.1. Analysis by maturity of financial debt

	2016	2015
(in million euros)	Term Loan Debt	Term Loan Debt
Within one year	33	69
1 to 2 years	33	69
2 to 3 years	33	69
3 to 4 years	506	70
4 to 5 years	-	1,074
More than 5 years	450	-
TOTAL DEBT	**1,055**	**1,351**
Of which current debt	*33*	*69*
Of which non-current debt	*1,022*	*1,282*

9.2.2. Financial covenants and other limitations

In respect of:

- the Old Term Loan Debt Agreement entered into in 2013 as amended in 2014 and 2015;
- the New Term Loan Agreement entered into December 2016;
- the revolving credit facility agreement (the "RCF") entered into December 2016; and
- the EIB Loan entered into in December 2016;

altogether, (the "Debt Instruments"), Technicolor SA is subject to various restrictions and limitations described below. The Old Term Loan Agreement, the RCF (subject to a certain level of drawings) and the EIB Loan contain a single financial covenant (consolidated leverage covenant), which requires that the total gross debt be not more than 4.00 times EBITDA on a trailing twelve month basis (ratio contractually defined which includes a certain number of adjustments) as of June 30 and December 31 of each year.

These agreements limit Technicolor SA's ability and the ability of its subsidiaries to issue or guarantee debt, to pay dividends, to reduce its share capital, to make certain payments or certain kinds of investments, to sell or to transfer assets, to merge or to complete any other transaction with its affiliates. These limitations are subject in each case to certain exceptions and thresholds.

Technicolor SA also granted security interests to secure the Debt Instruments with the pledge of the shares of the main subsidiaries of Technicolor group and of certain intra-group loans and material cash pooling bank accounts.

At December 31, 2016, Technicolor SA respected the financial covenant and all of the restrictions and limitations.

9.3. Interest rate hedging operations

No interest rate hedging operations are outstanding at December 31, 2016.

9.4. Commitments relating to financial instruments

(in million euros)	2016	2015
Currency futures (banks and subsidiaries)	2,096	2,021
TOTAL UNDERTAKINGS GIVEN	**2,096**	**2,021**
Currency futures (banks and subsidiaries)	2,085	2,017
TOTAL UNDERTAKINGS RECEIVED	**2,085**	**2,017**

NOTE 10 EMPLOYEES BENEFITS

10.1. Information on employees

	2016	2015
Engineers and managers	131	172
Employees and supervisory staff	25	39
TOTAL HEADCOUNT	**156**	**211**

10.2. Stock option plan

Mid-Term Management Incentive Plan (MIP-SP1)

Under the thirteen-resolution approved by the Shareholder's Meeting of May 22, 2008, the Board of Directors Meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1) granting non-market performance units made up of a combination of cash and stock options.

Subject to the continuance of employment, the rights under the plan were vested on June 18, 2014 for each beneficiary in the proportion set by the Board of Directors on February 21, 2013 following the determination of the level of achievement of the non-market performance conditions on December 31, 2012.

As of December 31, 2016, a total of 805,476 subscription options are still outstanding.

Management Incentive Plans (MIP)

The Shareholders' Meeting of May 23, 2013, in its fifteenth resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period, and is valid until July 23, 2016. Options granted under this authorization shall not give rights to a total number of shares greater than 26,843,507.

As of December 31, 2016, 13,162,578 subscription options are still outstanding (respectively 7,266,130 options, 4,312,654 options, 103,794 options and 1,480,000 options related to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

Free Share Plan

Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in it sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global Free Share Plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor group during the acquisition period, 125 Technicolor shares will be delivered to eligible employees at the end of the acquisition period. The plan is not subject to performance conditions.

The compensation expense related to the Free Share Plan has been estimated with a pricing model similar to the one used for the other option plans.

As of December 31, 2016, the outstanding share rights under the plan amounts to 879,375 free shares rights.

2016 Long-Term Incentive Plan (LTIP)

The Shareholders' Meeting of April 29, 2016, in its twenty-eight resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 26-month period, and is valid until June 29, 2018. The shares to be issued pursuant to this authorization shall not give rights to a total of shares greater than 8,239,744.

Making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty-eight resolution, the Board of Directors approved on April 29, 2016 the implementation of a Long-Term Incentive Plan.

This three-year plan provides conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the achievement of adjusted EBITDA and Free Cash Flow targets for the three years from 2016 through 2018 and the satisfaction of a continued employment condition for the full duration of the Plan (through April 30, 2019).

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

As of December 31, 2016, the total number of outstanding stock options amounted to a maximum of 13,968,054 options and the total number of rights to receive shares amounted to 3,638,875 rights granted to employees and Directors.

The details of these options and shares are disclosed hereafter.

	Type of plan	Grant date	Number of options initially granted	Number of options out-standing[2]	Initial number of bene-ficiaries	Vesting date	Contractual option life	Exercise price[2]	Estimated fair values granted[2]
MIP Options*	Subscription options	June 17, 2010	1,216,700[1]	805,476	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.29	€2.22
MIP 2015 Options**	Subscription options	May 23, 2013 and June 7, 2013	16,398,000	7,094,870	94	May 2015 (50%) 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	2,527,392	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	1,370,086	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	1,480,000	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
Free Share Plan	Free shares (to be issued)	November 12, 2013	1,604,000	879,375	12,832	November 2017	-	-	€3.87
2016 LTIP***	Free shares	April 29, 2016	2,760,500	2,495,500	187	April 2019	-	-	€5.69
2016 LTIP***	Free shares	July 27, 2016	66,000	60,000	12	April 2019	-	-	€5.47
2016 LTIP***	Free shares	October 20, 2016	214,000	204,000	18	April 2019	-	-	€5.14

* *Mid-Term Incentive Plan (MIP-SP1) (see description above).*
** *Management Incentive Plans (MIP) (see description above).*
*** *Long-Term Incentive Plan (LTIP) (see description above).*
(1) *Maximum potential number.*
(2) *Exercise prices and number of options outstanding were modified following the 2015 capital increases.*

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 2015, 5,002,790 options were exercised as part of the Management Incentive Plan (MIP 2010 and MIP 2015) and 738,205 options were exercised as part of a Long-Term Incentive Plan (LTIP 2011);
- in 2016, 1,802,677 options were exercised as part of the Management Incentive Plan (MIP 2015 and MIP 2016).

10.3. Key management compensation

Total compensation that will be paid in 2017 to Board Members of the Company for the 2016 financial year amounted to €757,000. The amounts due to non-resident for French tax purposes are subject to a withholding tax.

The amount of the fixed and variable compensation paid by Technicolor SA to the CEO for the fiscal year 2016 amounts to €317,819.

The exercise of the options is subject to the continuance of employment and to a performance condition tied to the consolidated Free Cash Flow.

Following the Board of Directors' review, on February 18, 2015 and on February 18, 2016, of the level of achievement of the Free Cash Flow performance condition for fiscal years 2014 and 2015, 1,393,432 options became exercisable by the CEO on May 23, 2015 and 696,716 options became exercisable on May 23, 2016.

The Board of Directors Meeting held on February 22, 2017 found that the consolidated Free Cash Flow condition for the 2016 fiscal year was satisfied and that the number of options that may be exercised by the CEO for fiscal year 2016 was 696,716 options. The options shall be exercisable from May 23, 2017, subject to the continuance of employment condition on that date.

The CEO is a beneficiary of a Long-Term Management Incentive Plan (LTIP) approved by the Board of Directors on April 29, 2016. He has been granted 270,000 performance share rights under this plan. The vesting of these performance share rights is subject to the terms and conditions laid down in the plan rules. Inter alia, they specify that the performance shares will vest on April 29, 2019 subject to a condition of presence within the Group and the achievement of two performance objectives, with respect to 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%;*
- *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, 2015	Increases	Usage during the period	Reversals and reclassifications	As of December 31, 2016
Provisions for retirement benefit and jubilee	**4**	**1**	**-**	**-**	**5**
Subsidiaries and other risks[(1)]	21	-	-	(15)	6
Restructuring measures relating to employees	5	3	(5)	(1)	2
Related to activities disposed of[(2)]	20	-	-	-	20
Other[(3)]	154	39	(1)	(144)	48
Other provisions for risks	**200**	**42**	**(6)**	**(160)**	**76**
TOTAL PROVISIONS FOR LOSSES AND CONTINGENCIES	**204**	**43**	**(6)**	**(160)**	**81**

(1) *The reversals concern mostly Comercializadora Thomson de Mexico SA de CV (€6 million) and Technicolor USA Inc. (€8 million).*
(2) *Provision relating to the disposal of businesses, especially the former Cathode Ray Tubes activity.*
(3) *Mainly concern provisions to cover unrealized foreign exchange losses (see note 12.3).*

11.2. Contingencies

France VAT audit

The French tax authorities audited the Company for 2009 tax year and issued at the end of 2012, a VAT assessment amounting to €5.6 million in principal and €0.8 million of interest.

Out of this principal amount, one VAT assessment amounting to €1.3 million, relates to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged. The other significant assessment involves the deduction of VAT by the Company as a mixed holding company for an amount of €3.7 million. In July 2013, the French tax authorities issued VAT assessments with respect to 2010 tax year on the same grounds as with respect to 2009 of €1.1 million assessment relating to the subsidy and €7.5 million assessment relating to the deductibility of the "holding" VAT. In June 2014, a collegial tax commission decided to give up on the reassessments relating to the deductibility of the "holding" VAT (*i.e.* €3.7 million for 2009 and €7.5 million for 2010).

Following receipt of the recovery notice in September 2014, the Company paid the remaining assessments (*i.e.* €1.3 million and €1.1 million for 2009 and 2010 and €0.3 million of interest). The Company therefore filed a claim before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014).

On February 2015, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore, the Company presented a claim before the administrative Tribunal of Cergy-Pontoise in April 2015. The exchange of pleadings between the parties are ongoing.

Taoyuan County 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 (€80 million at the December 31, 2016 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against Technicolor entities for approximately NTD 564 million (€17 million at the December 31, 2016 exchange rate) plus interest. The Technicolor entities and the Association have appealed the ruling.

In May 2016, the Association filed a new suit against Technicolor entities and General Electric claiming damages in the amount of NTD 7.38 billion (€218 million at the December 31, 2016 exchange rate). The Association's complaint offered no new argument or facts from the pending claims.

Technicolor considers that it is General Electric's legal and contractual obligation to indemnify it and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

Cathode Ray Tubes cases

United States

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

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

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

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

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

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

Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. Technicolor USA was dismissed from the case by the Dutch court in July 2016 on jurisdictional grounds. As appropriate and to the extent required, Technicolor SA will file responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian authorities that they were initiating an investigation of possible cartel activity within the CRT industry in Brazil.

Finally, Technicolor SA, along with other defendants, is defending on similar grounds a number of cases in Germany against German manufacturers and in the Netherlands against Brazilian manufacturers.

At this time, Technicolor is unable to assess the potential outcome from those cases and the resulting potential liability as the proceedings are at an early stage and the claims have not 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 €833 million (net of depreciation for €60 million).

Accrued income are booked in the following captions:

(in million euros)	2016	2015
Trade receivables	**62**	**43**
of which accrued income	*6*	*8*
Other current assets	**64**	**78**
of which accrued income	*32*	*27*

Accrued charges are booked in the following captions:

(in million euros)	2016	2015
Trade payables	**9**	**9**
of which accrued charges	*5*	*6*
Other current liabilities	**61**	**58**
of which tax and social accrued charges	*13*	*14*
of which other accrued charges	*13*	*19*

Trade payables split by payment terms are as follow:

As of December 31, 2016 *(in million euros)*	Not falling due	Overdue 0 to 30 days	Overdue 30 to 60 days	Overdue 60 to 90 days	Overdue above 90 days	Total
Invoices (including accruals)						
Of which French suppliers	7	-	-	-	-	7
Of which Foreign suppliers	2	-	-	-	-	2
TOTAL[(1)]	**9**	**-**	**-**	**-**	**-**	**9**

(1) *Excluding fixed assets payables.*

As of December 31, 2015 *(in million euros)*	Not falling due	Overdue 0 to 30 days	Overdue 30 to 60 days	Overdue 60 to 90 days	Overdue above 90 days	Total
Invoices (including accruals)						
Of which French suppliers	7	-	-	-	-	7
Of which Foreign suppliers	2	-	-	-	-	2
TOTAL[(1)]	**9**	**-**	**-**	**-**	**-**	**9**

(1) *Excluding fixed assets payables.*

In 2016, the average number of days for the payment of suppliers is 41 days.

12.2. Related parties

Except for the Term Loan Debt towards Tech Finance, all significant transactions with related parties are concluded with fully owned subsidiaries.

12.3. Prepayments, deferred charges and unrealized losses on foreign exchange

In accordance with French accounting principles, the current accounts with foreign affiliates are converted at December 31, 2016 closing rates.

As of December 31, 2016, due to the USD increase vs EUR this resulted in a financial result exchange gain.

Conversely and in conformity with the same French accounting principles, the Term Loan Debt in USD currency, which is funding the current accounts in USD with affiliates, was also translated at December 2016 closing rate and the corresponding unrealized exchange loss was booked to an asset account (*Écart de Conversion Actif*) for €38 million and a provision for exchange risk was recognized for the same amount.

In the statement of operations, the financial result exchange gain of €38 million matches with the provision for exchange risk.

12.4. Off balance-sheet contractual obligations and commercial commitments

(in million euros)	2016	2015
Unconditional future payments		
Operating Leases	19	28
Other unconditional future payments	-	-
TOTAL UNCONDITIONAL FUTURE PAYMENTS	**19**	**28**
Conditional future payments		
Guarantees given regarding undertakings by related entities	372	340
Other conditional future payments	-	-
TOTAL CONDITIONAL FUTURE PAYMENTS	**372**	**340**

As part of its business activities, Technicolor SA may issue performance guarantees for its subsidiaries as well as comfort letters. The main performance guarantees have been made to Warner, AstroGroup and Buena Vista Pictures Distribution.

Technicolor SA has provided a parental guarantee to secure the Section 75 pension debt of affiliates in the United Kingdom. The guarantee amounts €76 million as of December 31, 2016.

NOTE 13 STATUTORY AUDITORS FEES

(in million euros)	Deloitte		Mazars	
	2016	**2015**	**2016**	**2015**
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

On January 3, 2017, the Group borrowed €90 million at a fixed rate of 2.542% for 6 years in respect of the financing agreement signed in December 2106 with the European Investment Bank (the "EIB Loan").

8.6 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)*	**2012**	**2013**	**2014**	**2015**	**2016**
I - Financial position at year end					
a. Share capital*	335,543,841	335,709,392	335,907,670	411,443,290	413,245,967
b. Number of shares issued	335,543,841	335,709,392	335,907,670	411,443,290	413,245,967
c. Maximum number of shares to issue in the future					
Share-based payment	1,485,337	16,963,000	20,933,241	16,885,573	13,968,054
Free share	1,211,241	2,246,302	2,007,152	1,022,250	3,638,875
II - Statements of operations					
a. Revenues (excluding VAT)	82,552,216	86,121,912	65,947,358	60,366,804	77,630,479
b. Profit (Loss) before tax, amortization and provisions	2,260,395,919	(50,618,068)	177,502,850	604,666,914	58,004,385
c. Income tax profit	56,308,844	69,353,850	54,721,037	61,844,665	51,827,666
d. Profit (Loss) after tax, amortization and provisions	2,103,924,138	(69,113,120)	(173,415,412)	(186,468,424)	148,974,598
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	8.60	0.06	0.69	1.93	0.27
b. Profit (Loss) after tax, amortization and provisions	7.81	(0.21)	(0.52)	(0.54)	0.36
c. Dividend paid and distributions	-	-	0.05	0.06	0.06
IV - Employees					
a. Average number of employees	388	316	259	211	156
b. Wages and salaries	39,302,807	36,490,993	26,354,389	29,287,684	21,136,752
c. Social security costs	18,926,946	18,727,317	9,898,102	12,465,898	9,795,329
* Changes in the number of shares in capital:					
■ as of January 1, 2016	411,443,290 shares				
■ increase in capital by issuance of new shares for MIP purpose	1,802,677 shares				
■ as of December 31, 2016	413,245,967 shares				

8.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

GRI [G4-33]

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Technicolor S.A.;
- the justifications of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as at December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

We have assessed that amongst the accounts which are subject to significant estimates and likely to have a justification of our assessment there are the financial assets and the provisions for losses and contingencies:

- in relation to financial assets, for which valuation method is described in note 7 to the financial statements, we have assessed the information and assumptions used as the basis for the estimates retained to determine the value in use, reviewed the calculations performed by the Company and reviewed the procedures used by the management to approve these estimates;
- regarding provisions for losses and contingencies described in note 11 to the financial statements, we have reviewed the procedures used by the Company to identify them and assessed the assumptions retained to evaluate them. We have also ensured that the uncertainties identified while performing these procedures were adequately disclosed in note 11 to the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 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 companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

The Statutory Auditors

Neuilly-sur-Seine, February 23, 2017
Deloitte et Associés

French original signed by
Ariane Bucaille
Partner

Courbevoie, February 23, 2017
Mazars

French original signed by
Guillaume Devaux
Partner
Jean-Luc Barlet
Partner

8.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

GRI [G4-33]

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments that is issued in the French language and provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided for by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

General Meeting of shareholders held to approve the financial statements for the year ended December 31, 2016

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 agreements 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.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

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 AUTHORIZED IN PREVIOUS FISCAL YEARS

We have been informed of the following agreement, approved by the April 29, 2016 Shareholders Meeting, and on our February 25, 2016 special report on regulated agreements and commitments.

Advisory services agreement with Quatela Lynch Intellectual Property authorized by the Board of Directors on January 8, 2016

On January 8, 2016, the Board authorized the conclusion of a contract for advisory services between your Company and Quatela Lynch Intellectual Property. This agreement is on providing assistance to the CEO in conducting the transformation plan of the Patents Licensing and Trademarks & Technology Licensing businesses. This agreement has been signed at the same date and approved by the Shareholders' Meeting of April 29, 2016.

The compensation for the assignment is €867,219 paid to Quatela Lynch Intellectual Property Ltd.

This agreement has been terminated on April 27, 2016, with effect on June 30, 2016.

The Statutory Auditors

Neuilly-sur-Seine, February 23, 2017
Deloitte et Associés

French original signed by
Ariane Bucaille
Partner

Courbevoie, February 23, 2017
Mazars

French original signed by
Guillaume Devaux
Partner

Jean-Luc Barlet
Partner

9 REGISTRATION DOCUMENT CROSS REFERENCE TABLE

Cross-reference table referring to the main headings required by Annex 1 of European Commission Regulation 809/2004 288

Annual Financial Report cross-reference table 292

Cross-reference table referring to the elements of the management report 293

Cross-reference table referring to environmental, social and societal information pursuant to article L. 225-102-1 and article R. 225-105-1 of the French Commercial Code 294

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 2015 and the Statutory Auditors' reports on the consolidated financial statements are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2015 (pages 170 to 255); and
- the consolidated financial statements of the year 2014 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 2014 (pages 166 to 249); and
- the annual accounts of the Company for the year 2015 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2015 (pages 256 to 283); and
- the annual accounts of the Company for the year 2014 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2014 (pages 250 to 280).

The Registration Document of the year 2015 was filed with the *Autorité des marchés financiers* on March 24, 2016 under No. D.16-0202.

The Registration Document of the year 2014 was filed with the *Autorité des marchés financiers* on March 18, 2015 under No. D.15-0152.

To facilitate the reading of the Registration Document, the cross reference tables below refer to the main headings required by Annex 1 of European Commission Regulation 809/2004 implementing the "Prospectus" Directive as well as the elements of the management report adopted by the Board of Directors.

CROSS-REFERENCE TABLE REFERRING TO THE MAIN HEADINGS REQUIRED BY ANNEX 1 OF EUROPEAN COMMISSION REGULATION 809/2004

GRI [G4-18]

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Registration Document	Page no.
1.	**PERSON RESPONSIBLE**		
1.1	Names and positions of the persons responsible for the information	Chapter 7, section 7.9.2	175
1.2	Declaration by the persons responsible	Chapter 7, section 7.9.1	175
2.	**STATUTORY AUDITORS**		
2.1	Name and address	Chapter 7, sections 7.7.1 and 7.7.2	173; 174
2.2	Resignation or departure of Statutory Auditors	N/A	
3.	**SELECTED FINANCIAL INFORMATION**		
3.1	Historical financial information	Chapter 1, section 1.1	6
3.2	Interim financial information	N/A	
4.	**RISK FACTORS**	**Chapter 3**	**45**
5.	**INFORMATION ABOUT THE ISSUER**		
5.1	History and development of the Company		
5.1.1	Legal and business name	Chapter 1, section 1.2.1	8
5.1.2	Place of registration and registration number	Chapter 1, section 1.2.1	8
5.1.3	Incorporation date of an issuer's length of life	Chapter 1, section 1.2.1	8
5.1.4	Domicile, legal form, applicable legislation, country of incorporation, registered office's address and telephone number	Chapter 1, section 1.2.1	8
5.1.5	Main events in the development of the Company activities	Chapter 1, section 1.2.2	8
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 8, section 8.2 notes 2, 4.1, 4.2, 4.3 and 11 to the consolidated financial statements	189; 202; 203; 206; 249
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.
6.	**BUSINESS OVERVIEW**		
6.1	Principal activities		
6.1.1	Nature of transactions made by the Company and its principal activities	Chapter 1, sections 1.2.3 and 1.3	9; 13
6.1.2	New products/services launched on the market	Chapter 1, section 1.3	13
6.2	Principal markets	Chapter 1, section 1.3 and Chapter 2, section 2.2	13; 26
6.3	Exceptional events	N/A	
6.4	Dependency from certain contracts	Chapter 2, section 2.10.3, and Chapter 3, section 3.3	43; 49
6.5	Competitive position	Statements regarding competitive position (Preamble)	3
7.	**ORGANIZATIONAL STRUCTURE**		
7.1	Brief description	Chapter 7, sections 7.5.1 and 7.5.2	170; 172
7.2	List of main subsidiaries	Chapter 7, section 7.5.2 and Chapter 8, section 8.2 note 14 to the consolidated financial statements	172; 254
8.	**PROPERTY, PLANTS AND EQUIPMENT**		
8.1	Material tangible fixed assets important or planned	Chapter 7, section 7.1 and Chapter 8, section 8.2 note 4.3 to the consolidated financial statements	164; 206
8.2	Environmental issues potentially affecting the use of the tangible fixed assets	Chapter 6, section 6.2	142
9.	**OPERATING AND FINANCIAL REVIEW**		
9.1	Financial position	Chapter 2, sections 2.3, 2.9, 2.10.2 and Chapter 8	28; 32; 39; 177
9.2	Operating results		
9.2.1	Significant factors affecting the income from operations	Chapter 2, section 2.2, 2.4, 2.5 and 2.9	26; 29; 29; 32
9.2.2	Reasons for material changes in net sales or revenues	Chapter 2, section 2.9	32
9.2.3	Policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	N/A	
10.	**CASH AND CAPITAL**		
10.1	Information concerning capital resources (short and long-term)	Chapter 8, section 8.2 note 7 to the consolidated financial statements and section 8.5 note 8 to the statutory financial statements	219 ; 269
10.2	Sources, amounts and description of cash flows	Chapter 2, section 2.10 and Chapter 8, section 8.1.4	39; 182
10.3	Information on borrowing conditions and financing structure	Chapter 2, section 2.10.3 Chapter 8, section 8.2, notes 8.3 and 8.5 to the consolidated financial statements	43; 229; 232
10.4	Restrictions on use of capital resources, having materially impact on business operations	Chapter 2, section 2.10.3 Chapter 3, section 3.1	43; 46
10.5	Expected sources of financing	N/A	
11.	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES**	**Chapter 1, section 1.3, Chapter 2, section 2.9.3 and Chapter 8, section 8.2 note 3.3.1 to the consolidated financial statements**	**13; 35; 201**

	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 2, sections 2.2 and 2.11	26; 44
13.	Profit forecasts or estimates	N/A	
14.	**ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**		
14.1	Information concerning Members of the administrative and management bodies (list of mandates performed during the last five years)	Chapter 4, sections 4.1.2 and 4.1.3	62; 70
14.2	Conflicts of interest in administrative and management bodies	Chapter 4, section 4.1.3.3	77
15.	**REMUNERATION AND BENEFITS**		
15.1	Remuneration paid and benefits in kind	Chapter 4, sections 4.4 and 4.5	93; 105
15.2	Amounts of provisions booked or otherwise recognized for the payment of pensions, retirement annuities or other benefits	Chapter 4, section 4.4 and Chapter 8, section 8.2 note 9 to the consolidated financial statements	93; 234
16.	**BOARD PRACTICES**		
16.1	Expiry date of current terms of office	Chapter 4, section 4.1.2	62
16.2	Service contracts with Members of administrative bodies	Chapter 4, section 4.1.3.6	78
16.3	Information about the Audit Committee and the Remuneration Committee	Chapter 4, section 4.2.1.4	83
16.4	Declaration – Corporate governance applicable in the home country of the issuer	Chapter 4, section 4.2.1.1	79
17.	**EMPLOYEES**		
17.1	Number of employees	Chapter 6, section 6.1.1 and Chapter 8, section 8.2 note 9.1	122; 234
17.2	Profit sharing and stock options	Chapter 6, sections 6.1.3 and 6.1.4 and Chapter 8, section 8.2 note 9.3 to the consolidated financial statements	123; 123; 240
17.3	Agreements for employees' equity stake in the capital of the issuer	Chapter 6, section 6.1.2	123
18.	**MAJOR SHAREHOLDERS**		
18.1	Shareholders owning more than 5% of the share capital or voting rights	Chapter 5, section 5.1.1	110
18.2	Existence of specific voting rights	Chapter 7, section 7.2.3	167
18.3	Control of the Company	Chapter 5, section 5.1.4	114
18.4	Agreement known to the Company which could lead to a change in control if implemented	N/A	
19.	**RELATED PARTY TRANSACTIONS**	**Chapter 8, section 8.2 note 5.2 to the consolidated financial statements**	**214**
20.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**		
20.1	Historical financial information	Chapter 8, sections 8.1, 8.2, 8.4 and 8.5	178; 184; 258; 261
20.2	*Pro forma* financial information	N/A	
20.3	Financial statement	Chapter 8	177
20.4	Auditing of historical annual financial information		
20.4.1	Statement of audit of historical financial information	Chapter 7, sections 7.9 and Chapter 8, sections 8.3 and 8.7	175; 256; 283
20.4.2	Other information contained in the Registration Document and not extracted from the issuer's audited financial statement	N/A	
20.4.3	Financial data contained in the Registration Document and not extracted from the issuer's audited financial statement	N/A	
20.5	Age of latest audited financial information	Chapter 8, section 8.1	178

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Registration Document	Page no.
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	
20.6.2	Interim financial information in the event that the document was established more than nine months after the end of the last audited financial year	N/A	
20.7	Dividend distribution policy	Chapter 5, section 5.1.9	117
20.7.1	Dividend amount per share for each year of the fiscal year covered by the historical financial information	Chapter 5, section 5.1.9	117
20.8	Legal and arbitration proceedings	Chapter 3, sections 3.4 and Chapter 8, section 8.2 note 10.2 to the consolidated financial statements	56; 246
20.9	Significant change in the financial or business situation	N/A	
21.	**ADDITIONAL INFORMATION**	**Chapter 7**	**163**
21.1	Share capital		
21.1.1	Amount of issued capital	Chapter 5, section 5.1	110
21.1.2	Shares not representing capital	N/A	
21.1.3	Shares held by the issuer itself	Chapter 5, section 5.1.3 and Chapter 8, section 8.5 note 8 to the statutory financial statements	112; 222
21.1.4	Convertible securities, exchangeable securities or securities with warrants	Chapter 5, section 5.1.7	116
21.1.5	Terms of any acquisition right and/or commitment in respect of authorized but non-issued capital	N/A	
21.1.6	Information about the capital of any Group Member subject to an option or agreement providing an option	N/A	
21.1.7	History of the share capital	Chapter 5, sections 5.1.2 and 5.1.6	112; 115
21.2	Articles of incorporation and bylaws		
21.2.1	Issuer's objects and purposes	Chapter 7, section 7.2.1	167
21.2.2	Administrative, management and supervisory bodies	Chapter 4, section 4.1.1	62
21.2.3	Rights, privileges and restrictions attached to shares	Chapter 7, section 7.2.3	167
21.2.4	Actions necessary to change the rights of shareholders	Chapter 7, section 7.2.4	167
21.2.5	Calling-up of Annual General Meetings and Extraordinary General Meetings of shareholders	Chapter 7, section 7.2.5	167
21.2.6	Description of any provision that would have an effect of delaying, deferring or preventing a change in control	N/A	
21.2.7	Crossing thresholds	Chapter 7, section 7.2.6	168
21.2.8	Changes in the shares capital	N/A	
22.	**MATERIAL CONTRACTS**	**Chapter 7, section 7.3**	**169**
23.	**THIRD-PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**		
23.1	Information on any statement or report included in the document	N/A	
23.2	Information from a third party	Preamble	3
24.	**DOCUMENTS ON DISPLAY**	**Chapter 7, section 7.6**	**173**
25.	**INFORMATION ON HOLDINGS**	**N/A**	

ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

GRI [G4-18]

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 7.9.1**	**175**
MANAGEMENT REPORT		
■ Analysis of results, financial conditions, parent company and consolidated Group risks and list of authorizations to increase the share capital (Article L. 225-100 and L. 225-100-2 of the French Commercial Code)	Chapter 2, sections 2.9 and 2.10 Chapter 3 Chapter 5, section 5.1.8	32; 39; 45; 116
■ Information required by Article L. 225-100-3 of the French Commercial Code relating to factors likely to affect the outcome of a public offer	Chapter 5, section 5.1.10	118
■ Information about share buybacks (Article L. 225-211, paragraph 2, of the French Commercial Code)	Chapter 5, section 5.1.3	112
FINANCIAL STATEMENT		
■ Statutory financial statements	Chapter 8, sections 8.4 and 8.5	258; 261
■ Statutory Auditors' report on the statutory financial statements	Chapter 8, section 8.7	283
■ Consolidated financial statements	Chapter 8, sections 8.1 and 8.2	178; 184
■ Statutory Auditors' report on the consolidated financial statements	Chapter 8, section 8.3	256

CROSS-REFERENCE TABLE REFERRING TO THE ELEMENTS OF THE MANAGEMENT REPORT

GRI [G4-18]

Information in the management report	Corresponding sections and Chapters of the Registration Document	Page No.
Objective and exhaustive analysis of the business and results' trend of the Group during the fiscal year (Articles L. 225-100, L. 225-100-2 and L. 233-6 of the French Commercial Code)	Chapter 2, section 2.9	32
Report on the subsidiaries' activity and results (Article L. 233-6 al. 2 of the French Commercial Code)	Chapter 2, section 2.9	32
Objective and exhaustive analysis of the financial situation including the debt situation (Article L. 225-100 al. 3 of the French Commercial Code)	Chapter 2, sections 2.9 and 2.10	32; 39
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 1.2.4 and Chapter 2, section 2.6 Chapter 4, section 4.1.3.2	11; 31; 77
Activities in research and development (Article L. 233-26 and L. 232-1-II of the French Commercial Code)	Chapter 1, section 1.3.1 and Chapter 2, section 2.9.3	14; 35
Non financial key performance indicators (environmental information) (Articles L. 225-100, al. 3; L. 225-102-1, al. 5 and R. 225-105 of the French Commercial Code)	Chapter 6, section 6.2	142
Non financial key performance indicators (social information) (Article L. 225-100, al. 3; L. 225-102-1, al. 5 and R. 225-104 of the French Commercial Code)	Chapter 6, section 6.1	122
Chairman's report on corporate governance, internal control procedures and risk management (Article L. 225-37, al. 6 of the French Commercial Code)	Chapter 4, section 4.2	79
Main risks and uncertainties (Article L. 225-100 of the French Commercial Code) and indications concerning the use of financial instruments by the Company when it's relevant for the evaluation of its assets, its liabilities, its financial condition and its profits and losses	Chapter 3	45
Information on the risks in the event of interest rate fluctuation, exchange rate fluctuation and market price fluctuation	Chapter 3, section 3.2	48
Table of the delegations granted to the Board of Directors by the Shareholders' Meetings and the use of those delegations (Article L. 225-129-5 of the French Commercial Code)	Chapter 5, section 5.1.8	116
List of Directorships or functions performed by each Director during the last fiscal year (Article L. 225-102-1, al. 4 of the French Commercial Code)	Chapter 4, section 4.1.3.1	70
Directors' compensation and benefits in kind (Article L. 225-102-1 of the French Commercial Code)	Chapter 4, section 4.4	93
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 4.1.3.4	77
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 4.1.3.4	77
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 4.1.3.4 and 4.4 and Chapter 6, section 6.1.4	77; 93; 123
Shares held by employees (Article L. 225-102 of the French Commercial Code)	Chapter 6, section 6.1.3	123
Distribution of share capital and information on the crossing thresholds declared to the Company (Article L. 233-13 of the French Commercial Code)	Chapter 5, section 5.1.1	110
Amount of dividends and distribution for the last three fiscal years (Tax Code Article 243 *bis*)	Chapter 5, section 5.1.9	117
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 8, section 8.6 and Chapter 7, section 7.5.2	282; 172
Information on payment terms with suppliers (Article L. 441-6-1 of the French Commercial Code)	Chapter 8, section 8.5, note 12.1 to the statutory financial statements	279
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 5, section 5.1.3	112
Elements likely to have any influence in case of a public offer (Article L. 225-100-3 of the French Commercial Code)	Chapter 5, section 5.1.10	118
Information on participations acquired in the share capital of French companies (Article L. 233-6 of the French Commercial Code)	Chapter 2, sections 2.7 and 2.8	31; 31
List of main consolidated subsidiaries	Chapter 8, section 8.2, note 14 to the statutory financial statements	254

Information in the management report	Corresponding sections and Chapters of the Registration Document	Page No.
Items of calculation and results of adjustment in case of an issuance of securities giving access to capital	Chapter 5, section 5.1.7	116
Additional tax information (Article 34-9 and 223 *quater* and *quinquies* of the Tax Code)	Chapter 7, section 7.4	169

CROSS-REFERENCE TABLE REFERRING TO ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION PURSUANT TO ARTICLE L. 225-102-1 AND ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

GRI [G4-18]

	Corresponding sections and Chapters of the Registration Document	Page no.
SOCIAL INFORMATION		
■ **Employment**		
Total workforce and breakdown of employees by gender, age and geographical region	Chapter 6, section 6.1.1	122
Hirings and terminations	Chapter 6, section 6.1.1	123
Compensation and its evolution	Chapter 6, section 6.1.8	136
■ **Work organisation**		
Worktime organisation	Chapter 6, section 6.1.10	137
Absenteeism	Chapter 6, section 6.1.10	138
■ **Labor relations**		
Organisation of concertation, notably information and consultation procedures for personnel and negotiation with the latter	Chapter 6, section 6.1.9	137
Summary of collective bargaining agreements	Chapter 6, section 6.1.9	137
■ **Health and safety**		
Health and safety conditions	Chapter 6, section 6.1.12	139
Summary of collective bargaining agreements signed with trade unions or workers' representatives regarding occupational health and safety	Chapter 6, section 6.1.12	139
Work accidents (including frequency and severity rates) and occupational illnesses	Chapter 6, section 6.1.12	140
■ **Training**		
Specific employee training programs	Chapter 6, sections 6.1.6 and 6.1.7	132; 136
Total number of training hours	Chapter 6, section 6.1.7	136
■ **Equal opportunities**		
Measures regarding gender equality	Chapter 6, section 6.1.6	134
Measures regarding employment and integration of disabled people	Chapter 6, section 6.1.6	135
Combating-discrimination policy	Chapter 6, section 6.1.6	134
■ **Promotion and respect with the provisions of the ILO's fundamental conventions:**		
regarding the freedom of association and the right to collective bargaining	Chapter 6, sections 6.1.9 and 6.1.11	137; 139
regarding elimination of discrimination in respect of employment and occupation	Chapter 6, sections 6.1.6 and 6.1.11	134; 139
regarding elimination of all forms of forced or compulsory labor	Chapter 6, section 6.1.11	139
regarding effective abolition of child labor	Chapter 6, section 6.1.11	139
ENVIRONMENTAL INFORMATION		
■ **General policy regarding environmental matters**		
Organisation of the Company to take into account environmental matters, and, when appropriate, assessment and certification policies regarding environment	Chapter 6, section 6.2.1	143
Training and information for employees on environmental protection	Chapter 6, sections 6.1.12 and 6.2.2	139; 143
Means devoted to the prevention of environmental risks and pollution	Chapter 6, section 6.2.2	144
Amount of provisions and guarantees for environment-related risks, provided that this information would not be likely to cause the Company serious damage within the framework of ongoing litigation	Chapter 6, section 6.2.2	146

	Corresponding sections and Chapters of the Registration Document	Page no.
■ Pollution		
Preventive or corrective actions with regard to discharges into the atmosphere, water and soil with significant negative impact on the surrounding environment	Chapter 6, sections 6.2.2 and 6.2.3	144; 147
Consideration of noise pollution and of any other activity-specific pollution	Chapter 6, section 6.2.3	151
■ Circular economy		
Waste prevention and management		
– Measures relative to waste prevention, recycling, reuse, other forms of recovery and disposal	Chapter 6, sections 6.2.3	149
– Measures for combatting food waste	N/A – Chapter 6, section 6.2.3	151
Sustainable usage of resources		
– Water consumption and supply adapted to local constraints	Chapter 6, section 6.2.3	148
– Consumption of raw materials and measures implemented for more efficient use	Chapter 6, section 6.2.3	149
– Energy consumption and measures implemented to improve energy efficiency and the use of renewable energy	Chapter 6, sections 6.2.2 and 6.2.3	145; 148
– Land use	N/A - Chapter 6, section 6.2.3	151
■ Climate changes		
Greenhouse gas emissions	Chapter 6, section 6.2.3	150
Adaptation to consequence s of climate change	Chapter 6, section 6.2.3	151
■ Biodiversity protection		
Measures implemented to protect or develop biodiversity	N/A - Chapter 6.2.3	151
SOCIETAL COMMITMENTS REGARDING SUSTAINABLE DEVELOPMENT		
■ Territorial, economic and social impact of the Company's activity		
Regarding regional employment and development	Chapter 6, section 6.3	155
On local and neighboring communities	Chapter 6, section 6.3	155
■ Relations with stakeholders including associations for the promotion of social integration, educational institutes, environmental protection associations, consumer associations and neighboring populations		
Conditions surrounding dialogue with stakeholders	Chapter 6, section 6.3	155
Partnership or sponsorship activities	Chapter 6, sections 6.3 and 6.5	155; 158
■ Subcontracting and suppliers		
Integration of social and environmental stakes in the purchasing policy	Chapter 6, section 6.4	156
Extend of subcontracting and integration of CSR in the relationships with suppliers and subcontractors	Chapter 6, section 6.4	156
■ Fair operating practices		
Actions implemented to prevent any kind of corruption	Chapter 4, section 4.2.2.2 and Chapter 6, section 6.1.11	87; 139
Measures implemented to promote consumer health and safety	Chapter 6, section 6.2.2	145
■ Others actions implemented to promote human rights		
Others actions implemented to promote human rights	Chapter 6, section 6.1.11	139

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