

TRADING UPDATE ON FULL YEAR 2016 PERFORMANCE

Paris (France), 12 January 2017 – Following a meeting of its Board of Directors, [Technicolor](#) (Euronext Paris: TCH; OTCQX: TCLRY) provides an update on its full year 2016 performance. All figures and data for 2016 are estimated and unaudited.

Update on Full Year 2016 Group performance

The Group will achieve an Adjusted EBITDA of approximately €565 million in 2016 including a negative foreign exchange impact of approximately €10 million and a negative contribution from its exited activities of €5 million. The Group successfully integrated Cisco Connected Devices and The Mill in 2016 and has therefore achieved an Adjusted EBITDA growth of approximately 30% compared to 2015 on a *Pro forma*¹ basis, excluding MPEG LA contribution.

Technicolor will generate a free cash flow above €240 million in 2016, in line with its objective. This solid cash generation will be achieved notwithstanding the payment of €48 million for settlements in the Cathode-ray Tube litigation cases in the US. This performance results from the Group's continued focus on cash generation across its businesses.

At end December 2016, Technicolor had a net debt of approximately €705 million, reflecting a nominal gross debt of €1,075 million and a cash balance of approximately €370 million. The Group's year end net debt position will result in a net leverage ratio of approximately 1.2x, well below its objective of 1.4x and its net leverage ratio of 1.7x at end December 2015. Technicolor will maintain its focus on deleveraging until the Group reaches a net leverage ratio below 0.8x.

Based on its solid cash generation, the Group prepaid €150 million of additional senior debt in December 2016. Over the course of 2016, Technicolor further demonstrated the strength of its free cash flow and balance sheet, by reducing its senior debt by €295 million including €250 million of voluntary prepayments.

The Group took advantage of rating upgrades by S&P and Moody's (to BB-, stable outlook/Ba3, positive outlook respectively) to raise new debt in the second half of 2016 at a lower cost with the issuance of €450 million of new term loans (at EURIBOR + 350 bps) and the signing in January 2017 of a €90 million loan from the European Investment Bank (at a fixed rate of 2.542%). Technicolor also negotiated a new €250 million revolving credit facility to replace its prior facilities. The Group is expecting to generate close to €20 million of annual interest cost savings on a run rate following these transactions.

¹ The 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.



Focus on 2016 business lines

In 2016 the Group successfully integrated Cisco Connected Devices and is ahead of schedule in its realization of the targeted synergies. Connected Home will generate an Adjusted EBITDA of approximately €215 million, below Group expectations as a result of lower than anticipated revenues, despite a material margin improvement in the second half of 2016. This will represent approximately a 19% increase compared to 2015 on a *Pro forma* basis.

Entertainment Services benefited from a very strong second half in 2016 both in terms of revenues and profitability. It will achieve around €235 million of Adjusted EBITDA, in line with Group expectations, notwithstanding a negative forex impact of around €10 million mainly for Production Services related to the depreciation of the GBP.

The Technology segment will record an Adjusted EBITDA of around €190 million, thus almost entirely compensating the much lower than initially expected MPEG LA contribution in 2016 and the bankruptcy of one major trademark licensee in the third quarter. Patent Licensing generated revenues above €70 million in the fourth quarter through the signing of several new licensing agreements.

Corporate and Other will have a negative contribution to the adjusted EBITDA around €(75) million.

Connected Home 2016 performance

The Connected Home segment will record revenues around €2.6 billion in 2016:

- The improvement of the revenue performance in the fourth quarter will be limited compared to the third quarter of 2016 with revenues around €650 million in the fourth quarter.
- The fourth quarter revenue performance was affected by two main drivers:
 - The devaluation of the Latin American currencies versus the US dollar accelerated in November, particularly in Mexico, resulting in substantial capex reductions in the region.
 - A reduction of capex decided by two large US customers.
- The component shortages mentioned in the third quarter of 2016 were only resolved late in the fourth quarter, thus the Group did not catch up on any missed revenues.
- Overall Connected Home will record revenues for the full year of 2016 down approximately 12% compared to 2015 on a *Pro forma* basis.

Moving forward Technicolor will benefit from Connected Home's change in scale and stronger presence in North America following a record year in terms of new contract wins, particularly with US customers. While the new wins are expected to contribute to the top line late 2017/early 2018, the Group does not expect to catch up this revenue miss in 2017 because of capex restrictions announced by a large US cable customer and the absence of recovery in the Latin American markets.

In addition, the Group will be affected, as the rest of the industry, by the global pricing pressure on memory chips which started in the fourth quarter of 2016.

While this is expected to impact the profitability of the segment in 2017, the Group remains confident in Connected Home's ability to continue generating a sustained free cash flow in 2017 and further improve its Adjusted EBITDA margin in 2018.



CRT case

Technicolor successfully reached final settlement with all major plaintiffs in the Cathode-Ray Tube ("CRT") cartel case in the US. Such settlements will result in the recognition of a €45 million non-current expense in the second half of 2016. This brings the total non-current expenses related to CRT in the Profit and Loss account to €95 million for the full year 2016. These settlements will result into cash impacts of €48 million in 2016 and €82 million in 2017. The Group continues to defend a limited number of indemnification cases relating to its alleged involvement in the CRT cartel in Europe (Germany and Netherlands) and one small remaining US case which however are expected to bring no additional material exposure in 2017 and limited exposure thereafter.

Notwithstanding a lower performance than anticipated in Connected Home, the Group made significant progress in 2016, notably with the successful integration of Cisco Connected Devices and The Mill, and has now a much more balanced operating profile. Moving forward Technicolor will benefit from its greater scale and balanced portfolio of activities.

As a result of its strong free cash flow generation, Technicolor will continue its deleveraging process in 2017.

Technicolor will publish its Full Year 2016 results on February 23, 2017.



Financial calendar

FY 2016 Results	23 February 2017
Q1 2017 Trading Update	27 April 2017

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Warning: Forward Looking Statements

This press release contains certain statements that constitute "forward-looking statements", including but not limited to statements that are predictions of or indicate future events, trends, plans or objectives, based on certain assumptions or which do not directly relate to historical or current facts. Such forward-looking statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the future results expressed, forecasted or implied by such forward-looking statements. For a more complete list and description of such risks and uncertainties, refer to Technicolor's filings with the French Autorité des marchés financiers.

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About Technicolor

Technicolor, a worldwide technology leader in the media and entertainment sector, is at the forefront of digital innovation. Our world class research and innovation laboratories enable us to lead the market in delivering advanced video services to content creators and distributors. We also benefit from an extensive intellectual property portfolio focused on imaging and sound technologies. Our commitment: supporting the delivery of exciting new experiences for consumers in theaters, homes and on-the-go.

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Technicolor shares are on the NYSE Euronext Paris exchange (TCH) and traded in the USA on the OTCQX marketplace (OTCQX: TCLRY).

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