



PRESS RELEASE

TECHNICOLOR AGREES TO SELL TO INTERDIGITAL ITS PATENT LICENSING BUSINESS

- **InterDigital to acquire substantially all of Technicolor's patent portfolio**
- **Transaction values the business at c. \$475 million, including an upfront payment of \$150 million**
- **Funded research cooperation agreement enabling Technicolor R&I Lab to develop collaborative research programs with InterDigital Labs**
- **Transaction allows Technicolor to fully focus on its operational businesses**

Paris (France), 1st March 2018 – [Technicolor](#) (Euronext Paris: TCH; OTCQX: TCLRY) announced today it will enter into an exclusive agreement pursuant to which **InterDigital** (NASDAQ: IDCC), a mobile technology research and development company, irrevocably commits to acquiring its Patent Licensing business.

Technicolor will maintain its Research & Innovation organization to assert its strong competitive technological differentiation for its operating businesses while engaging in funded research with InterDigital.

Strategic rationale

This transaction allows Technicolor to fully focus on its operating businesses. The Group simplifies its structure and will allocate its capital and resources to its core operating businesses (Entertainment Services and Connected Home).

Technicolor will leverage this transaction to fully adapt its financial structure to its new business model and will therefore apply the cash proceeds of the sale to deleveraging. This is critical to pursue growth opportunities resulting from the continued increase in original premium content and the development of immersive content.

InterDigital's new licensing activities in Consumer Electronics will ensure that Technicolor continues to receive the benefits of licensing opportunities and thus future cashflow streams from its continued innovation through its Research & Innovation Lab that can be carried out by a more effective and focused partner.

Sale of substantially all of Technicolor's patent portfolio and extension of InterDigital licensing activities to the Consumer Electronics Field

The agreement includes the sale of substantially all of Technicolor's patent portfolio, excluding some mobile patents, a small number of patents for nascent technologies and some patents associated with patent pools. The agreement also covers Technicolor's interest in the joint-licensing program with Sony in the fields of digital TVs and computer display monitors, as well as certain royalty-bearing contracts. A few contracts,



notably those related to patent pools such as MPEG LA and HDMI, will be retained by Technicolor. InterDigital will integrate the teams related to these activities and benefit from their unique expertise and know-how.

Technicolor will receive \$150 million upfront, whilst also receiving 42.5% of all future cash receipts from InterDigital's licensing activities in the Consumer Electronics field beyond operating expenses. Based on prudent assumptions, Technicolor has estimated these cash flows at a net present value of around \$215 million.

As part of this transaction, Technicolor and InterDigital will also enter into a perpetual grantback licensing agreement, which will give Technicolor freedom to operate its remaining businesses and benefit from existing and future patents. This agreement will provide Technicolor with the same level of patent protection as today. Technicolor's operating businesses paid around €15 million of royalties to Technicolor's Patent Licensing business in 2017, a level equivalent to that of 2016. Based on these figures, Technicolor has estimated the value of this agreement at \$108 million.

Funded research cooperation agreement

Technicolor and InterDigital will enter into a funded research cooperation agreement under which InterDigital Labs and Technicolor R&I Lab will collaborate in the development of research programs in the areas of video coding, connected home and immersive technologies. Both companies will benefit from this world-leading combined innovation effort to continue to develop cutting-edge technologies, with a view to transform this agreement into a long-term partnership.

For this research cooperation, InterDigital will pay Technicolor \$5 million annually. InterDigital will invest an additional \$5 million annually in internal R&D projects that are aligned with the priorities of the research cooperation.

Commenting on the transaction, Frederic Rose, Technicolor's CEO stated: *"This agreement will allow us to fully focus on our core operating businesses and includes a collaborative research program built up on the strength of our research and innovation teams. In InterDigital, a worldwide leader in Patent Licensing, we have found the right partner for our Patent Licensing business. Going forward, we will benefit from the demonstrated strength of InterDigital's focused, R&D-backed licensing business to collect future revenue streams. Furthermore, I'm confident that joining InterDigital is a great opportunity for our Patent Licensing employees who will be able to continue to develop their unrivalled expertise."*

William J. Merritt, President and CEO of InterDigital, added: *"Technicolor has long been a world-leading research contributor in key technology areas; there is no one like them in video technologies. For InterDigital's mobile device customers, the combination will mean greater value, and a broader range of technologies that can form the basis for partnership, collaboration, and deeper, more productive relationships. The transaction also rapidly expands our applicable markets. Among the added value will be the combined research capability of Technicolor and InterDigital, who deeply respect each other's research capabilities and anticipate strong results from the collaboration between the two companies."*

The transaction is expected to close in mid-2018 after customary closing conditions and conditions relating to consent of Technicolor's partners are fulfilled.

Impact on Technicolor financials

As mentioned in December 2017, the Patent Licensing division is now a business held for sale and therefore now reported under discontinued operations. The remaining of the Technology segment, namely R&I and Trademark Licensing activities, are now reported in the Other & Corporate segment.

Upon closing, Technicolor will record in its consolidated accounts a capital gain broadly equivalent to the transaction's value. The taxable gain will be substantially offset by Technicolor's net operating losses in France, resulting in a c. €10 million income tax.

The transaction will lead to a write-off of Thomson Licensing SAS' shares, evaluated in 2012 by an external appraiser, based on a DCF and multiple approach, impacting Technicolor statutory shareholders' equity and distribution capacity.

CEO prerecorded video

A prerecorded video with both Frederic Rose, CEO of Technicolor and Bill Meritt, CEO of InterDigital commenting on the transaction is available on Technicolor's website, <https://www.technicolor.com/investor-center/ceo-prerecorded-video>



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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. Our commitment: supporting the delivery of exciting new experiences for consumers in theaters, homes and on-the-go.

www.technicolor.com – Follow us: [@Technicolor](https://twitter.com/Technicolor) – [linkedin.com/company/technicolor](https://www.linkedin.com/company/technicolor)

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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