

PRESS RELEASE

TECHNICOLOR: Q3 2018 TRADING COMMENTARY

Paris (France), 24 October 2018 – [Technicolor](#) (Euronext Paris: TCH; OTCQX: TCLRY) today reports its trading commentary for the third quarter of 2018.

Technicolor's third quarter results were stable despite a challenging environment, while at constant exchange rates, sales slightly increased versus the third quarter 2017.

Technicolor confirms its expectations for an Adjusted EBITDA from continuing operations broadly stable at constant exchange rates compared to 2017. This expectation is due to the positive impact of the Connected Home transformation plan, coupled with significant cost control actions across the Group offsetting additional market pressures.

Entertainment Services

For the quarter, revenues are in line with last year at current and constant exchange rates. Year to date, and at constant exchange rates, revenues are slightly below last year, with growth at Production Services not completely offsetting DVD Services revenue decline.

- **Production Services:** Mid-single digit revenue growth during the quarter:
 - Film & TV Visual Effects ("VFX"): Record quarter with exceptionally strong double-digit revenue growth year-on-year, and a robust pipeline of future projects continuing into 2019. VFX teams completed six major film/TV projects during the third quarter while continuing to work on an additional 25+ film/TV projects. Mill Film successfully opened for business in Montreal (Canada) and Adelaide (Australia); and Technicolor continued hiring additional talent, particularly in India and Canada, to expand its capacities;
 - Advertising VFX: Mid-single digit revenue growth year-on-year. Technicolor pursued hiring new talents and adapting its cost/organizational structure to match the rapidly evolving market conditions. The Advertising businesses also continued to garner numerous industry accolades for their work, including seven *Clio Awards*;
 - Postproduction: Revenues down compared to prior year;
 - Animation & Games: Lower revenues compared to prior year due to production schedule impacts. The Animation team continued work on *M6's Asterix – The Secret of the magic potion* and *Paramount's The Spongebob Movie: It's a wonderful Sponge*, in addition to seven episodic series. The Games team contributed to numerous AAA titles, include EA's *Madden NFL 19*, *NHL 19*, and *FIFA 19*, which all released in Q3.

- **DVD Services:** Overall disc replication volumes were down year-on-year in the third quarter. The negative impacts on sales of lower Standard Definition, Games and CD volumes were partially offset by increasing demand for higher Blu-ray™ and Ultra HD formats.
 - Blu-ray™ volumes up 9%;
 - Standard Definition volumes down 20% due to weaker catalog activity and changes in selected studio customers' merchandising strategies.

Connected Home

For the quarter, revenues were stable at constant exchange rates compared to last year. Year to date overall sales are below prior year, in large part due to North American video weakness.

- **North America:** revenues with North American customers were down compared to the third quarter of 2017:
 - North American cable driven down by lower video demand from Charter. This was partially offset by higher Broadband demand from Comcast and overall demand from syndicated customers, benefiting from a sole supplier role for DOCSIS 3.1 gateways;
 - Outside the cable segment, North America is also down, mainly driven by the implementation of the customer selectivity program, reducing volumes in the satellite products segment.
- **Europe, Middle-East & Africa, Asia-Pacific and Latin America:** mid-single digit revenue growth due to large orders from the 50+ customers that the Group is focusing on. While sales in Europe, Middle-East and Africa were stable versus last year, both Asia-Pacific and Latin America experienced solid growth.
- **The component environment and regulatory framework remains challenging:**
 - Although the situation with the prices for memory chips is gradually improving versus prior quarters, costs for MLCCs have continued to increase materially versus prior quarters;
 - As communicated previously, the Group is re invoicing the vast majority of identifiable cost increases to its clients;
 - Concerning the US tariffs applied to some products manufactured in China, due to our already geographically diversified production footprint we have a limited impact in 2018. For instance, the very high volume Docsis 3.1 gateway for Comcast and syndicated customers is produced in Vietnam. Additional actions have been launched to move products out of China.

The 3-Year Transformation plan is being executed as announced. The Connected Home segment is deploying new initiatives to gain competitiveness and differentiation and to improve our supply chain performance to manage the current industry constraints.

Outlook

For the rest of the year, Technicolor expects a year-on-year decline of more than 15% in the Group's North American video cable sales, continued pressure on component costs and volatility in the DVD Services market.

Having stepped up its transformation and cost adjustment actions as a result of tougher than expected H2 market conditions, Technicolor confirms it expects an Adjusted EBITDA from continuing operations broadly stable compared to 2017 at constant exchange rates. This assumes no further market deterioration.



Board's composition

The Board of directors has co-opted as a Director Maarten Wildschut, who joined the Board as an Observer in July, in replacement of Hilton Romanski. Mr. Romanski and Ms. Birgit Conix have recently resigned from their positions as Directors of the company subsequent to assuming new professional positions as respectively Partner at Siris Capital, a major private equity firm, and CFO at TUI Group, the world number one tourism business.

Financial calendar

FY 2018 Results	24 February 2019
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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 Euronext Paris exchange (TCH) and traded in the USA on the OTCQX marketplace (OTCQX: TCLRY).

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