technicolor

ANNUAL REPORT **2013**

including the Annual Financial Report

Société anonyme with a share capital of €335,709,392
Registered Office: 1-5, rue Jeanne d'Arc
92130 Issy-Les-Moulineaux
Nanterre Register of Commerce and companies No. 333 773 174

ANNUAL REPORT **2013**

This Registration Document (*Document de Référence*) was filed with the Autorité des marchés financiers (AMF) on March 27, 2014 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).

FORWARD-LOOKING STATEMENTS

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

This Annual Report 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 288 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 289 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. 22537 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 73 *et seq)*.

This Annual Report 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 Annual Report 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:

- Screen Digest, FutureSource Consulting, PwC, Wilkofsky Gruen Associates, Magna Global, IDATE, IHS, Adams Media Research, IMdb, Hollywood Reporter, UBS and Display Search for overall market trends in the Media & Entertainment industry;
- Futuresource Consulting Ltd. for information on DVD replication and distribution services;
- IHS Screen Digest, Generator Research, IDC, Gartner, IDG and Informa for information on connected devices (TV, Tablets, smartphones);
- Parks Associates, IMS Research for information on set-top boxes;
- Dell'Oro Group and Infonetics Research for information on DSL and cable modems, routers & gateways.

1 PRESENTATION OF THE GROUP AND ITS ACTIVITIES

1.1 SELECTED FINANCIAL INFORMATION

The Company has derived the following selected consolidated financial data from its consolidated financial statements as of and for each of the years ended December 31, 2013, 2012 and 2011. 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 Annual Report. The basis of preparation of the consolidated financial statements and the Company's significant accounting policies are discussed in note 2 of 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 Annual Report. The changes in consolidation scope and discontinued operations are presented in notes 4 and 11, respectively, of the Company's consolidated financial statements.

(in € millions)	2013	2012	2011
Statement of Operations (selected items) [1]			
Revenues from continuing operations	3,450	3,580	3,450
Adjusted EBITDA [2]	537	512	475
Profit (loss) from continuing operations before tax and net finance income (expense)	224	264	(33)
Net finance income (expense) [3]	(288)	(197)	(187)
Income tax	(41)	(49)	(83)
Net income (loss) from continuing operations	(111)	13	(303)
Net income (loss) from discontinued operations [4]	19	(35)	(21)
Net income (loss)	(92)	(22)	(324)
Profit (loss) from discontinued operations [4]			
■ Discontinued results related to the Grass Valley and Media Networks businesses	18	2	(19)
■ Discontinued results related to the other discontinued businesses	1	(37)	(2)
Earnings per Ordinary Share			
Weighted average number of shares outstanding – (basic net of treasury stock) [5]	335,094,417	275,885,374	211,364,435
Earnings (loss) (Group share) per share from continuing operations *(in €)*			
Basic	(0.32)	0.05	(1.4)
Diluted [5]	(0.32)	0.05	(1.3)
Total earnings (loss) (Group share) per share *(in €)*			
Basic	(0.26)	(0.07)	(1.5)
Diluted [5]	(0.26)	(0.07)	(1.4)
Balance sheet (selected items)			
Total non-current assets	1,624	1,817	1,907
Total current assets (excluding cash and cash equivalents)	1,031	1,023	1,142
Cash and cash equivalents	307	397	370
TOTAL ASSETS	**2,962**	**3,237**	**3,419**
Total non-current liabilities	1,606	1,703	1,940
Total current liabilities	1,237	1,293	1,324
Shareholders' equity	119	237	151
Of which share capital	*335*	*335*	*224*
Non controlling interests	-	4	4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,962**	**3,237**	**3,419**
Dividends/distributions			
Dividends/distributions per share *(in €)*	-	-	-

(1) Results for 2013, 2012 and 2011 are presented in accordance with IFRS 5 and therefore exclude activities treated as discontinued from profit (loss) from continuing operations.
(2) Please refer to the definition In section 2.9.9: "Adjusted indicators" of Chapter 2: "Operating and Financial Review and Prospects" of this Annual Report.
(3) Comprises "Net interest expense" and "Other net financial income (expense)". Please refer to note 9 of the Group's consolidated financial statements for more information.
(4) In 2013, the scope of discontinued operations has not been modified compared to 2011 and 2012: Grass Valley and Media Network, which comprised Convergent and Screenvision. Other discontinued activities comprised: Silicon Solutions businesses, Audio-Video and Accessories businesses (AVA), Tubes and CE Partnerships.
In 2012, the loss from discontinued operations mainly corresponds to a fine from the European Union related to Thomson's former Cathode Ray Tubes (CRT) business for €38.6 million (please refer to section 2.9.7 "Profit (Loss) from discontinued operations" for more details on this topic).
(5) Average number of shares restated with a ratio of 1.022 for 2011 considering the impact of the preferential subscription right element of the share capital increase of August 14, 2012. Please refer to note 29 of the Group's consolidated financial statements for more information on the dilutive instruments affecting earnings per share on a diluted basis.

1.2 HISTORY AND STRATEGY OF THE COMPANY

1.2.1 COMPANY PROFILE

Legal and commercial name:
TECHNICOLOR

Registered office address:
1-5, rue Jeanne d'Arc
92130 Issy-les-Moulineaux, France
Tel.: +33 (0)1 41 86 50 00
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Twitter: twitter.com/TechnicolorCo

Domicile, legal form and applicable legislation: Technicolor is a French corporation *(société anonyme)*, governed by Title II of the French Commercial Code pertaining to corporations, by all laws and regulations pertaining to corporations, and its bylaws.

The Company is registered with the Register of Commerce and Companies *(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 (formerly Thomson) 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: The Group is listed on NYSE Euronext Paris exchange (Symbol: TCH). On March 21, 2011, Technicolor voluntarily delisted from the New York Stock Exchange. Thereafter, the Group's American Depositary Shares (ADSs) remained traded on the over-the-counter (OTC) Pink market until early 2014, when the Group upgraded to OTCQX International Premier, a premium listing service for OTC securities (Symbol: TCLRY).

For more information, please refer to Chapter 5: "Shareholders and Listings Information", section 5.2.1: "Market for the Company's securities" of this Annual Report.

Activity: Technicolor, a worldwide technology leader in the media and entertainment sector, is at the forefront of digital innovation. Technicolor's activities are organized into three operating segments, namely Technology, Entertainment Services, and Connected Home. 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 2013, Technicolor generated €3,450 million of consolidated revenues. As of December 31, 2013, the Group had 14,000 employees in 25 countries.

1.2.2 HISTORICAL BACKGROUND

Technicolor has been contributing to the development of video technologies and services for close to a hundred years. Technicolor now occupies leading positions worldwide in the development of technologies and in the supply of digital production, postproduction and distribution solutions and services for a variety of content creators, Pay-TV operators and network service providers.

Change in Businesses

Over the last ten years, the Company's scope of activities shifted towards the Media & Entertainment industry through a series of acquisitions and disposals.

In 2009, the Group decided to refocus on technologies, products and services related to content creation and delivery. Technicolor completed the exit of its Retail Telephony activity and entered into the disposal process of businesses outside its new strategic framework, namely its Professional Broadcast & Networks business (Grass Valley activities including broadcast equipment, head-end and transmission) and its Media Networks business.

In 2010, the Group sold a majority of its participation in Screenvision U.S. (part of Media Networks) and sold its broadcast business (part of Grass Valley).

In 2011, Technicolor completed its exit from Grass Valley, by selling the transmission business and head-end business in the first half of the year. Technicolor also continued to optimize its portfolio of assets as the Group seized an opportunity to monetize its 25.7% stake in ContentGuard, using the proceeds to reduce its debt level.

In 2012, consistent with Technicolor's strategy to channel resources to foster innovation and Intellectual Property development and take advantage of new growth businesses, while strengthening its balance sheet, Technicolor sold the Broadcast Services activity, using the proceeds to reduce debt. The Group consequently transferred its digital distribution services to Creative Services within the Entertainment Services segment to provide fully integrated digital workflow to content creators. End 2012, the Group also sold the SmartVision business (television-over-IP or IPTV) and entered into an agreement to sell the Cirpack softswitch operations (voice-over-IP or VoIP), completed in 2013. As a result, the Digital Delivery segment was renamed Connected Home consistent with the fact that it was the sole business to be continued in 2013.

2009 *Sauvegarde* Plan

On November 30, 2009, the Company filed a *Sauvegarde* Plan based on the restructuring agreement reached with its senior creditors on July 24, 2009, following the announcement on January 28 and March 9, 2009 of the breach of certain covenants contained in financial agreements under which the Company had borrowed substantially all of its outstanding senior debt, *i.e.* around €2.8 billion. The *Sauvegarde* Plan was filed after the Company failed to identify and obtain the unanimous approval of all its senior creditors on the restructuring agreement, due principally to the Credit Default Swaps ("CDS") auction process organized by the International Swaps and Derivatives Association (ISDA) at the end of October 2009 with respect to the Company's senior debt, and due to the fact that the identity of the new creditors had not been definitively established and the debt instruments continued to be sold on the market and were the subject of new CDS contracts.

In accordance with French law, the proposed *Sauvegarde* Plan was submitted to the vote of the Committees of creditors meetings on December 21 and 22, 2009. In addition, on January 27, 2010, the combined General Shareholders' Meeting approved the resolutions required to implement the *Sauvegarde* Plan, authorizing the completion of the equity issuances contemplated thereby. Finally, on February 17, 2010, the Nanterre Commercial Court approved the proposed *Sauvegarde* Plan, after ensuring that it protected the interests of all creditors and offered a "viable solution" (*une possibilité sérieuse pour l'entreprise d'être sauvegardée*).

2012 Capital Increases

In May 2012, Technicolor decided to give favorable consideration to offers from international institutions to invest and take a minority stake in the share capital of the Company, as such a transaction would strengthen the balance sheet, stabilize the shareholder base and enhance the Company's capabilities to implement its strategic roadmap. An offer was made by a U.S.-based investor, Vector Capital, submitted to and approved by the General Shareholders' Meeting on June 20, 2012.

In practical terms, a reserved capital increase was first launched, followed by a rights issue, enabling existing shareholders to participate in the operation. Both transactions enabled Technicolor to raise gross proceeds of €191,106,584.96, corresponding to the issue of 109,114,822 new shares. For more information about the transactions, please refer to Chapter 5: "Technicolor and its shareholders", section 5.1.5: "Modification in the distribution of the share capital over the past three years".

As of December 31, 2013, Vector held 20.7% of the share capital.

2013 Debt refinancing

Technicolor restructured its debt in 2010, and the resulting credit agreement term loans and private placement notes (the "Reinstated Debt"), maturing in 2016 and 2017 was refinanced in 2013 with the issuance of new term loans (the "New Debt"). This refinancing transaction was closed on July 12, 2013.

In June 2013, Tech Finance & Co. SCA ("Tech Finance"), a special purpose vehicle incorporated in Luxemburg that is consolidated by Technicolor but in which Technicolor holds no interest, launched offers to purchase any and all of the Reinstated Debt (the "Offers to Purchase"). As a result of the Offers to Purchase, Tech Finance acquired 61% of the total participations under the credit agreement loans and over 99% of the private placement notes for, respectively at nominal value, €358 million, U.S.$689 million and £14 million, adding up to €905 million at a rate of U.S.$1.30/€ and £0.85/€. The €905 million of participations and notes represent an IFRS amount of €829 million net of the IFRS adjustment of €76 million that was recognized when the Reinstated Debt was initially accounted for at its fair value in 2010. The €905 million of participations and notes are eliminated in the consolidation process of Technicolor. As part of this refinancing, Technicolor also used its cash to reimburse €67 million of its senior debt.

The July 2013 transaction enabled the Company to borrow new funds at a lower interest rate, effectively extend its debt maturity profile to 2020, and benefit from significantly greater covenant flexibility.

In February 2014, Technicolor announced that it had seized an opportunity to refinance an additional €181 million (U.S.$75 million and €126 million) of its Reinstated Debt through a cashless exchange into New Debt issued by Tech Finance on terms identical to those of the New Debt issued in July 2013. Additionally, Technicolor announced it expected to fully reimburse the remainder of its Reinstated Debt maturing 2016 and 2017 (€85 million) out of its cash, by the end of April 2014.

For more information about the refinancing, please refer to Chapter 8: "Financial Statements", section 8.2: "Main events of the year".

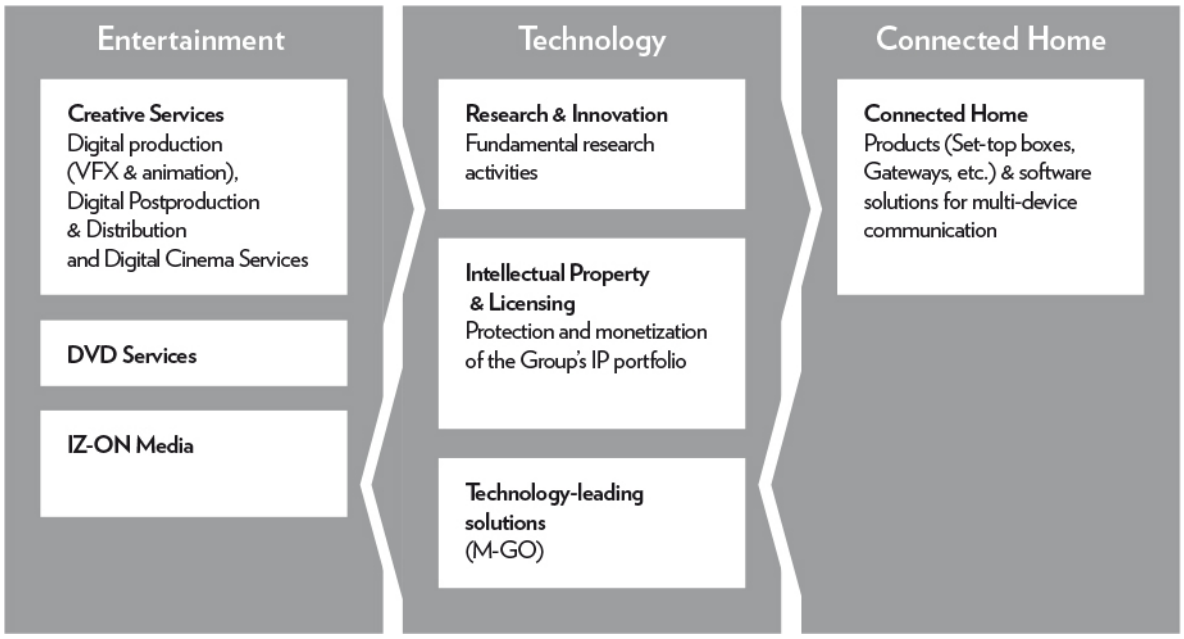
1.2.3 ORGANIZATION

Technicolor is a technology leader operating in Media & Entertainment and Consumer Services. The Group develops technologies that make the centerpiece of the solutions and services offered today to its business clients (content creators and distributors, Network Service Providers and Pay-TV operators) and that will be embedded in mass-market services, devices and platforms, making its innovation have a broader reach than solely its product categories. Technicolor's innovation and Intellectual Property (IP) portfolio is especially rich in video, audio, communication/interoperability, content distribution and local network technologies that are developed through its fundamental research activities and constantly enriched by interactions with its two BtoB operating businesses, namely Entertainment Services and Connected Home. Through a disciplined incubation program, the Group ensures it is also working on additional disruptive technologies and business models. By solving real problems and addressing industry challenges in its operating businesses, the Group makes sure to build relevant innovation.

Through its Technology business, the Group operates its fundamental research activities ("Research & Innovation" or "R&I"), an incubation program and a world-class Intellectual Property and Licensing business, with unique expertise to patent its innovation and monetize its IP portfolio, which includes all of patents, software, hardware, content or trademark that underpins a technology, product and service. The Group licenses its Intellectual Property to almost 80% of Consumer Electronics manufacturers worldwide.

In Entertainment Services, the Group is the leading provider of services to content creators and in Connected Home, the Group is a leading provider of products and services to Pay-TV operators and Network Service Providers.

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



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

Technology (14% of 2013 Consolated revenues)

The Technology segment, which generated consolidated revenues of €485 million in 2013 (14% of the Group's consolidated revenues) is responsible for driving technology to commercialization in a selected number of domains, especially in video, audio, interoperability, local networks and machine learning/digital personalization.

Technicolor generates revenues by licensing portfolios of its Intellectual Property that address the highly scalable elements of the market ecosystem such as consumer electronic devices and media related services.

Technology is organized around the following divisions:

- Research & Innovation, which includes the Group's fundamental research activities and aims at pursuing the development of next generation video and audio technologies while supporting the development of innovative solutions to strengthen existing offer and address new digital markets;
- Intellectual Property and Licensing, which generates revenues by licensing the Group's Intellectual Property;
- Specific Technology-leading solutions, such as M-GO, which is a new proprietary platform aiming at making digital entertainment easier to find and watch, and which is based on Technicolor's Intellectual Property around service platforms.

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

Entertainment Services (47% of 2013 Consolidated Revenues)

The Entertainment Services segment, which generated consolidated revenues of €1,618 million in 2013 (47% of the Group's consolidated revenues) mainly supports content creators from creation to postproduction (Creative Services), while offering global distribution solutions, from digital to physical, including the replication and distribution of Blu-ray™ and DVD discs. Additionally the Group offers digital place-based media services to retailers through its IZ-ON Media division.

Entertainment Services is organized around the following divisions:

- Creative Services: full set of leading services such as Digital Production (Visual Effects and Animation) and Digital Postproduction & Distribution Services, including video and sound postproduction, versioning and localization services, content distribution as well as media asset management to a variety of content creators and Digital Cinema, which offers a suite of services including localization, content mastering and distribution;
- DVD Services: replication and distribution of Blu-ray™ and DVD discs;
- IZ-ON Media: digital place-based media services.

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

Connected Home (39% of 2013 Consolidated Revenues)

Connected Home generated consolidated revenues of €1,346 million in 2013.

Connected Home 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 set top boxes, gateways, managed wireless tablets, and other connected devices. Connected Home also offers software solutions for multi-device communication such as Qeo, a brand software application that allows interoperability and communication between electronic devices, and applications for the smart home (*e.g.* home automation, home surveillance, energy management...), as well as related professional services. Connected Home shipped a total of 32.5 million products in 2013 (2012: 30.1 million units), a new all-time record.

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

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

A dual business model

Technicolor is a Technology/Intellectual Property centric company, which operates in a selected number of markets within Media and Entertainment and beyond in Consumer Electronics and Consumer Services.

The Group innovates and develops technologies that make the centerpiece of solutions and services offered today to its business clients (content creators and distributors, network service providers, Pay-TV operators) and that will be embedded in mass-market services, devices and platforms, through licensing to Consumer Electronics manufacturers and Digital Platforms.

Technicolor takes advantage of a dual business model:

- ***developing and licensing technologies:*** innovation is pivotal in the Group's strategy to differentiate its operating businesses and capture early Intellectual Property positions. Technicolor is able to influence the ecosystems in which it participates, get its technologies adopted and derive licensing profit from its recognized expertise in selected domains (video, audio, interoperability, machine learning, sensors). The Group benefits from expansive licensing reach, as Consumer Electronics and Digital Platforms tend to integrate more and more converging features and functions, like video. Technicolor may benefit from back-end profit in case it decides to stop or exit any operating business;
- **operating businesses**: operational profits are driven by the Group's market positions and innovation. Technicolor gets Innovation relevance by confronting its teams to concrete market pain points. Technicolor is able to trigger market adoption by continuously incubating new businesses and by partnering with leaders in the Group's ecosystems. As a practicing entity, which operates actual businesses, Technicolor gets legitimacy among its peers to disseminate and monetize innovations.

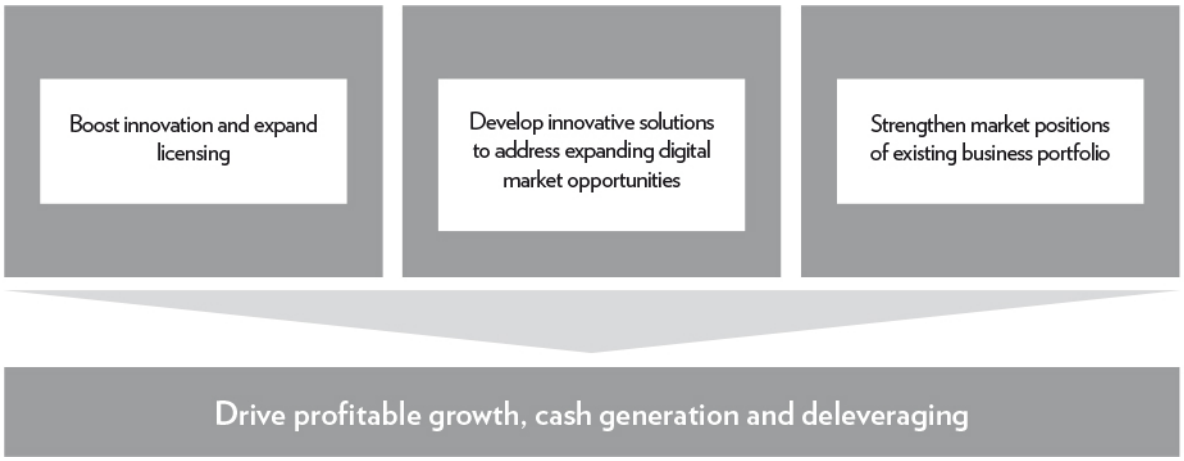
Amplify 2015: 3 pillars and a set of financial objectives

The Amplify 2015 plan, launched early in 2012, is Technicolor's new growth plan designed to achieve its strategic ambition: lead innovation and develop new monetization models in digital content/data solutions, technologies and services.

The vision is derived from Technicolor's assessment of key trends in the Media & Entertainment industry and beyond in Consumer services which provide material opportunities for growth. It is also based on the Company's assets and identity, in particular:

- world-class innovation, technologies and Intellectual Property in a selected of technological areas, especially to video, color, audio, communication/Interoperability, local networks and machine learning;
- artistic talents and high added-value services for content creators and content owners, which sustain leading market positions in visual effects, animation, digital postproduction and content distribution, as well as enhance Technicolor's legitimacy in introducing new technologies for content production and distribution;
- leadership in content delivery solutions for Pay-TV operators and network service providers, home networking solutions, digital distribution and expertise in related software and services; with Technicolor benefiting from an expertise both in managed networks and Over the Top services;
- trusted relationships with leading content creators (film studios, broadcasters and advertisers), Pay-TV providers, network service providers and consumer electronics manufacturers.

The Amplify 2015 plan is built on 3 pillars, with the objective to deliver profitable growth, cash generation and deleveraging.



Boost innovation and expand licensing

Technicolor is an innovation-driven company and as such will continue to dedicate a significant portion of its efforts to develop and bring to the market innovations that will benefit its customers. The Group actively files patent applications leading to approximately 2,000 patent grants per year. In 2013, circa. 2,150 patents were granted. The Group's quality Intellectual Property portfolio is oriented towards promising technology areas, which will enable the Group to continue developing new patent licensing programs. Technicolor will expand its licensing activities by:

- leveraging the growing range of connected devices, such as connected TVs, smartphones, tablets and media platforms which use the Group's technologies, to maintain and develop the Group's Patent Licensing activity;
- actively participating in standardization bodies to promote the adoption of the Group's innovative technologies, particularly in audio and video compression, consumer electronics and device connectivity at home and in mobility;
- developing new licensing models such as Technology Licensing to promote innovative technologies in product enhancements, particularly for consumer electronics manufacturers and digital platform providers.

The Group focuses its research and innovations on the following domains: video, audio, color science, devices and applications interoperability, local networking, data fusion, machine learning and sensors.

As an example of Technicolor's involvement in licensing activities, in 2013, the Group was actively involved in over 10 standardization bodies, including MPEG and ATSC. Incorporating the Group's technology in key industry standards helps promote the use of its patents in new products and services, which in turn helps generate Licensing revenues. In 2013, Technicolor also accelerated its Technology Licensing initiative in color fidelity and image enhancement by launching its Color Certification Program, which leverages the Group's reputation and experience in the field of color quality content. Technicolor is partnering with Portrait Displays, a visual enhancement software provider, to offer a Color Certification Program to manufacturers of personal computers ("PC"), laptop and tablet displays, as potential licensees of this technology. The Group has also developed an image certification program, which certifies 4K image quality on any device.

Develop innovative solutions to address expanding digital market opportunities

Over the past decade, Technicolor has successfully managed to accompany the media and entertainment industry in its transition from analog to digital media – an evolution that has facilitated the distribution of media across geographies and consumption platforms or *via* new technologies at a faster rate. In working with its major clients and industry partners, Technicolor is developing new services and digital platforms for the creation and consumption of entertainment content.

For example, in collaboration with Warner Bros. and Technicolor's other major studio customers, the Group announced in 2012 the launch of a multi-year project to develop an end-to-end digital studio platform. The objective of this digital platform is to connect individual studio operations and third-party service providers through a single integrated platform to digitize and automate the workflow. This will allow all stages of the digital content creation process, from VFX to post-production, to be completed seamlessly, thereby facilitating communication and increasing the efficient creation of Intellectual Property. The platform will facilitate increased productivity, optimal utilization of equipment and resources so as to decrease related costs, and a reduced time to market for movies and TV series which provides flexibility with respect to media release windows.

Technicolor also launched M-GO, a platform aiming at making digital entertainment easier to find, watch, and enjoy. M-GO is the result of intensive R&D, market testing and investment over the past years, and has allowed Technicolor to generate Intellectual Property around entertainment service platform. By doing so and through partnerships with leading ecosystem players, the Group aims at boosting the adoption of corresponding technologies by consumers. As of the end of the year, Technicolor holds more than 140 patents and patent applications around this platform.

The M-GO service is delivered to consumers in the form of a free application, and enables consumers to rent or purchase home entertainment titles on their day of release as well as back catalog film & TV shows from a library of more than 16,000 titles available as of the end of 2013.
Content licensing agreements have been entered into with leading studios, content creators and distributors and M-GO is now pre-installed on an estimated 40 million Smart TVs and Blu-ray™ players and is the default movie and TV service on the popular Roku streaming box. M-GO recently launched its next generation software platform for connected devices and the web and announced at CES a partnership with Samsung for streaming Ultra HD content to their Ultra HD TVs.

Beyond Media & Entertainment, Technicolor has engaged in emerging high-growth markets with not yet established environments, where it can capture early Intellectual Property position. Leveraging its recent innovations and strong positions in Consumer Electronics and Connected Home, Technicolor has decided to further innovate and possibly grow new operating businesses in Digital Life services (home automation, surveillance, energy management or young and elderly persons assistance). Its development has already led to market launch of two solutions: Virdata, an ultra-scalable solution for managing, monitoring and analyzing connected devices and applications or Qeo, a platform to make local devices and applications communicate and be interoperable, independent from brands or operating systems.

Strengthen market positions of existing business portfolio

Technicolor has taken a number of steps to optimize its cost structure, including leveraging its operational excellence program (real estate, IT, supply chain and quality) and enhancing its ability to take real time cost adjustment measures when necessary to respond to rapidly evolving markets. In its Digital Creative Services business, the Group has increased the operations of its production facility in Bangalore (India). In the DVD Services business, approximately 65% of costs are now variable and the Group has decreased its cost base by locating facilities in low-cost countries. In legacy activities, Technicolor has entered into subcontracting agreements with Deluxe for Photochemical film activities and Sony DADC for Compression & Authoring activities. In the Connected Home segment, the Group has decreased its costs relating to purchasing and sourcing of materials, improved operational efficiency in its manufacturing facility in Brazil and implemented a regional reorganization to create greater efficiencies and cost savings. Technicolor has also strongly focused on containing capital expenditures in established businesses, while focusing its research efforts on areas where it has strong differentiation in order to be well positioned to benefit from future refresh cycles.

The Group's leadership position as well as promising industry trends have allowed Technicolor to leverage its existing asset portfolio. In Digital Creative Services, the Group hired award-winning talents with strong expertise in digital sound & color grading, increased its capacity and re-allocated its resources to VFX and now offers new added-value services for content creators and distributors. In DVD Services, the Group's strategy is to maintain its position with major studios and further expand its customer base while using its expanded Blu-ray™ production capacities to address expected Blu-ray™ market growth. Technicolor will also continue to implement innovative supply chain solutions to further capture margin opportunities. The Group will build upon the successful turnaround of its Connected Home business, by continuing to invests in Digital Life services projects, such as Virdata or Qeo.

Drive profitable growth, cash generation and deleveraging

The Group's multi-year operational program is aimed at accelerating revenue growth, expanding gross margins and operating margins and increasing cash flow generation.

- to increase its revenues, Technicolor will continue to focus on expanding market segments such as Blu-ray™ discs, Digital Services and new licensing programs, increase market shares in Connected Home, develop businesses such as M-GO and focus on research initiatives such as video compression, rendering and adaptation, user interface, content metadata exploitation, home/local networks and personalized services/interactions with the end-user;
- to expand its gross margins and operating margins, the Group is focused on improved operational performance across its business divisions, including an increased utilization rate in Entertainment Services, greater efficiency in real estate use, IT and supply chain management and cost structure relating to general corporate expenses;
- to increase the Group's Free Cash Flow (calculated as adjusted EBITDA less restructuring expenses, net capital expenditures, financial, tax and other non-current expenditures, cash from discontinued operations, and changes in working capital and other assets and liabilities), Technicolor will continue to closely manage capital expenditures and R&D expenses.

Technicolor expects these strategic initiatives to provide substantial revenue and profit growth in the upcoming years, proving that it has gone back to a sustainable growth path.

Amplify 2015 Goals [1] (at constant scope of activities and constant rate) [2] are:

- profit growth: Adjusted EBITDA above €600 million in 2015 (vs. €452 million in 2011,€498 million in 2012 and €537 million in 2013);
- Free Cash Flow generation: over €500 million generated over 2012-2015 (already €259 million generated in 2012-2013), which will be mostly used to repay debt;
- significant deleveraging: Technicolor's Nominal Net debt/Adjusted EBITDA ratio to fall below 0.9x at end December 2015.

(1) This information does not constitute a forecast from which the likely level of net results can be computed
(1) At constant scope: excluding Broadcast Services and IPTV sold in 2012, and VoIP sold in January 2013

1.3 BUSINESS OVERVIEW

The table below sets forth the contribution to the Group's consolidated revenues of its segments for 2012 and 2013. In accordance with IFRS, revenues from continuing operations exclude the contribution of discontinued operations.

(in million euros, except percentages)	2013	% of total	2012	% of total
Revenues from continuing operations				
Technology	485	14%	515	15%
Entertainment Services	1,618	47%	1,730	48%
Connected Home	1,346	39%	1,244	35%
Other	1	-	1	-
TOTAL	**3,450**	**100%**	**3,490**	**98%**
Sold Businesses [1]	-		90	2%

(1) Sold businesses include the Broadcast Services and the SmartVision (television-over-IP) businesses, sold in 2012, and the Cirpack softswitch operations (voice-over-IP), sold in early 2013.

Please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.5: "Geographic breakdown of revenues and effect of exchange rate fluctuation" of this Annual Report, 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 Annual Report, for a description of seasonal trends in the Group's business.

1.3.1 TECHNOLOGY

Technicolor is making its research real by driving technology to commercialization in a selected number of domains, especially video, audio, interoperability, local networks and machine learning/digital personalization.

The Group generates its revenues by licensing portfolios of its Intellectual Property that address the highly scalable elements of the market ecosystem such as consumer electronic devices and media related services.

The Group's market reach continues to expand as its technologies are ported over more and more devices and platforms, especially mobile devices. Technicolor's relevance to these devices continues to increase as they are in dire need of enhanced video compression technologies, given they often operate with limited bandwidth. The Group continues to drive adoption by incorporating its research into industry standards, such as AVC, HEVC, ATSC and DVB to be able to work collaboratively with other industry players to enhance the value of these portfolios.

Technology comprises three divisions, Research and Innovation (R&I), Intellectual Property & Licensing, and specific Technology-leading solutions and services such as M-GO, UltraVisual... R&I is accounted for as a cost center within Technology.

The Technology segment generated consolidated revenues of €485 million in 2013 (14% of the Group's consolidated revenues). According to internal estimates, more than 80% of consumer electronics manufacturers integrate the Group's Intellectual Property.

Research & Innovation

Fundamental Research activities

R&I research vision puts the end-user at the center of the digital content ecosystem with a focus on next generation audio and video technologies but also on content distribution and local network technologies, and supports the development of innovative solutions to strengthen existing offer and address new digital markets.

Key technology areas include Imaging Science (acquisition and modelling, color fidelity and High Dynamic Range Display and Algorithms, encoding and compression...), Media Computing, Content platforms, Content Processing, User Data, Personalization, all creating sustainable commercialization opportunities for the Group. In addition to these targeted areas, Technicolor works on various exploratory projects that serve its business interests such as relating emotional feedback (*via* bio-sensors) to video interest level of films and commercials.

R&I employs more than 300 world-class researchers, of which more than 100 PhDs at December 31, 2013 based in four research centers: Rennes (France), Hanover (Germany), Palo Alto (United States) and Paris (France). R&I has a proven scientific excellence and collaborates with the best academic research institutions worldwide. R&I published in 2013 around 140 articles, a third of them being published in top tier scientific events and journals. Collaborations have been established with the world's top universities: University of California, Berkeley, Stanford, MIT, Cambridge and Oxford. In France, the IP agreement with INRIA, a public research institute, has been renewed.

The proven capacity for invention of R&I results in the generation of patents that sustain a continuous flow of licensing revenues. R&I works closely with other divisions, assisting them in developing breakthrough technologies, and helping other operating teams in deploying new innovation in services and solutions. This collaboration results in both applying cutting edge techniques in building movies, TV shows and video games as well as digital set top boxes and home networking.

Industry Standards

R&I is a very active participant in standardization bodies to promote the adoption of the Group's innovative technologies, particularly in audio and video compression, ATSC 3.0, consumer electronics and home connectivity. 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 contribution to developing industry standards is derived from the Group's belief that promoting the adoption of its technologies in several key industry standards will support their introduction to the market place and become widely used.

Accordingly, in 2013, R&I significantly increased its contribution to standards, representing Technicolor in more than 10 standardization bodies, including MPEG, ATSC, DVB, SMPTE, DVB & VQEG. As an illustration of the relevance of Technicolor's research and of the Group's involvement in industry standards, the Company also indicates that, in 2013, it contributed 326 patents to the various pools of which it is a member.

Over the past few years R&I has also been actively promoting the use of the Group's technology in High Efficiency Video Coding ("HEVC") and MPEG/ITU, in coding sound and image. HEVC is the next generation video compression standard jointly developed between MPEG and ITU-T VCEG. Technicolor has participated from the outset, chairing or co-chairing core experiments during development of the standard and contributing innovative technologies. Technicolor was instrumental in the creation of the Main10 profile for improved video quality, likely to play a key role in Ultra-High Definition (UHD). A further extension of the standard, Scalable HEVC (SHVC) is at the center of new activity in R&I, underlining the commitment of Technicolor to the evolution of industry standards. In 2013, Technicolor pressed its implication in the HEVC standard with various contributions, and proposed to improve the standard with support for more colors and bit depth for higher image quality and fidelity. Technicolor was the first company to declare specific patents/patent applications to ITU-T for the HEVC standard, with 287 patents and patent applications. As a key enabler for 4K and UHDTV and its capacity to double compression efficiency versus other standards such as MPEG 4, the sustained and significant involvement of Technicolor in this standard is also a key asset both for Entertainment Services and Connected Home segments.

Similarly, R&I has been developing ground-breaking technology in digital audio, with the objective to usher in an unprecedented impact on consumer experience. Technicolor has led this field from the outset introducing revolutionary technology and was recently selected to provide the reference model, together with Fraunhofer-Gesellschaft, for the MPEG-H 3D audio standard. This standard is envisaged to deliver a highly immersive audio experience to home theaters and personal devices, bringing incomparable quality to the combined home and Consumer Electronic markets.

Technicolor also significantly increased its investment in ATSC 3.0 (Advanced Television Systems Committee). This project capitalizes on Technicolor's existing and developing technologies, in which Technicolor is one of the historical participants. Specifically, Technicolor's interests are focused on the physical, transport and application layer, including audio/video coding.

Intellectual Property & Licensing

Technicolor's Licensing business generated consolidated revenues of €482 million in 2013 (approximately 14% of the Group's consolidated revenues). As of December 31, 2013, this business employed approximately 200 people based in 13 locations, principally in France, the United States, Germany, Switzerland, Japan, South Korea and China. Technicolor's strong worldwide patent portfolio of 39,800 in technologies, combined with its licensing expertise, constitute significant competitive advantages.

Technicolor generates revenues by licensing its Intellectual Property. Licensing revenues are comprised of fixed license fees (payable in one or more installments) and ongoing royalties on products sold by licensees that incorporate the Group's patented technologies. A significant portion of Technicolor's revenues are derived by the MPEG 2 patent pool administrated by MPEG LA. In addition, the Group has numerous patent licensing programs that culminate in bilateral license agreements with balancing payments to Technicolor.

Recently, the Group has adopted a new strategy that is focused on building new sustainable licensing revenues. To that end, Technicolor has launched a number of new programs including a new licensing program for Smartphones and tablets, since an unparalleled amount of Video is now consumed on this new category of devices.

In addition, Technicolor is reinforcing key technology licensing programs that utilize the Group's core competencies in video encoding and compression. To date Technicolor has announced a specific program for rendering 4K TV content with several consumer electronics companies.

Patent Licensing

As of December 31, 2013, the Technicolor patent portfolio comprised around 39,800 patents and patent applications worldwide, generating licensing income predominantly in the field of digital technologies, derived from approximately 5,800 inventions in the fields of compression, video processing, networking, communication, interactivity, user interfaces, security, displays, storage and optical technologies. At the end of 2013, around 61% of Technicolor's patent portfolio had a remaining lifetime greater than 10 years. In 2013, Technicolor filed 507 priority applications in respect of new inventions. Technicolor was also granted close to 2,150 patents in 2013 compared to 2,300 granted patents in 2012.

Over the past few years, Technicolor has been intensifying its Patent Portfolio Management Policy to increase the technology relevance and the quality of its large portfolio while maintaining cost control. A group of prominent technical experts contributed to the selection of inventions and to the reviews of the patent portfolio through worldwide committees. Specific reviews of identified technology areas were also conducted to eliminate patents of lower licensing value in terms of monetization before their expiration date.

The Licensing team works closely with Technicolor's Research & Innovation group and the development centers within businesses, identifying inventions that might be translated into patents. Leveraging these inventions, the Licensing team is responsible for the creation and the management of the patent portfolio. It also detects uses of the Group's patents by third parties products.

The Licensing team detects uses of the Group's patents in third parties' products through reverse engineering. Once detected, the Licensing team is also responsible for negotiating and granting to third parties the right to use Technicolor's patents for manufacturing their products (within licensing programs; digital television, for example). Rather than licensing individual patents, the Technicolor licensing policy consists of granting the right to use the whole patent portfolio as applicable to the licensed product, including patents which may be filed during the term of the license agreement. This allows the Group, where necessary and on a case-by-case basis, to provide customers with patents relevant to the customer's product, updating a customer's patent portfolio in case a new patent becomes available or an old patent expires. The Licensing team manages around 1,100 licensing agreements across 15 licensing programs. The licensing agreements are typically renewable and have an average duration of five years; royalties are primarily based on sales volumes.

In 2013, the program generating the most revenues was MPEG 2, which is licensed through the MPEG LA pool of which Technicolor is an important member. This program contributed to 53% of Licensing revenues in 2013. The Group expects this program to remain a significant contributor to its Licensing revenues until mid-2016, when Technicolor gets the last proceeds from the patent pool, after it dissolves end 2015.

Technicolor also generates significant revenues through its participation to Premier BD pool and bilateral Licensing programs like Digital TV, Digital STB, OMSD, and Licensing teams are permanently working on renewals and new signings.

In addition to licensing patents generated by in-house research, Technicolor is also leveraging its expertise through licensing services to third-party patent holders. The Licensing organization has offered its expertise and know-how to other patent holders (such as Fraunhofer for mp3 Xerox-PARC for optical devices with laser diodes), and it has all of the necessary assets to develop this model, beyond the traditional legacy programs, whether patent or brand-related.

In parallel with its current patent programs, Technicolor is launching new patent licensing initiatives that are expected to drive future revenues. Technicolor signed in 2013 its first Smartphone licensing agreement with Sony, covering all of Technicolor's patents for smartphones. This agreement has been established as an Intellectual Property collaboration agreement, which strengthens Technicolor's patent licensing initiative in the field of smartphones. Under this agreement, the Group is the exclusive licensor of the combined portfolio spanning a broad array of technologies such as LTE, WCDMA, UMTS, WiFi, haptics, video compression, software, user interface, LCD and AMOLED. The Group signed a second Smartphone licensing agreement with LG in February 2014 for the use of Technicolor patents and technologies across LG's mobile devices.

Technicolor's work around advanced standards, such as HEVC and DVB, which will be implemented in future products, and the Group's efforts to improve the standard through major technology contributions is part of the Group's strategy to generate new revenue streams for the Patent Licensing activity.

Technology Licensing

In addition to its Patent Licensing activities, the Group is developing new Technology Licensing initiatives as an additional revenue stream. Technicolor's patent licensing approach mainly consists in granting licenses for a given application after-market adoption of the corresponding family of products and services. The technology licensing approach differs from the former as it is an initiative to bring to the market innovations in an implementable form, beyond patents, to enhance and optimize their solutions, open new markets and pave the way for new businesses for the licensees who adopt them. Seeding technology early in the market will develop potential opportunities in the future for patent licensing of products and services embedding these technologies.

New Technology Licensing initiatives went live in 2013 in the field of Image Fidelity and Enhancement such as the Color Certification Program and the Image Certification program. The 4K image certification program gained traction in the marketplace, with the launch of 4K certified video processors, the adoption by TCL of 4K image certified port for its future 4K TV products, as well as the launch of 4K certified Blu-ray™ players by Toshiba. Regarding the Image certification program, Technicolor has teamed up with Portrait Displays to create a Color Certification process that guarantees the color quality on any computer or mobile device display.

Trademark Licensing

The Licensing organization manages not only patents, but all of the Group's Intellectual Property assets and has developed a business of trademark licensing, monetizing valuable brands (such as RCATM and Thomson™) which were operated when the Group was active in the retail business. These brands have a strong historical heritage and foothold in their respective zones, which allow continuation of the recurrent revenue models beyond their traditional relevance and which has secured the further development of the Trademark Licensing business in the transition into the digital world.

In 2013, Technicolor continued the extension of its Trademark program on new territories and in particular China, Brazil and India.

Early 2014, Technicolor signed a Trademark licensing agreement with Big Ben Interactive, covering the Audio-Video range (portable radios, home cinema, DVD players...) of the Thomson™ brand.

M-GO

M-GO is a platform aiming at making digital entertainment easier to find, watch, and enjoy. The development of M-GO has allowed Technicolor to generate Intellectual Property around entertainment service platform. As of the end of the year, Technicolor holds more than 140 patents and patent applications around this platform.

M-GO was developed as a joint venture ("MediaNaviCo") with Dreamworks for the research, development, and the licensing of content, software and services in connection with the platform. Technicolor has an 85.6% interest in MediaNaviCo. Technicolor fully consolidates the results of operations of the joint venture within its financial statements and recognizes a non-controlling interest in respect of Dreamworks' 14.4% stake. The joint venture agreement gives Dreamworks and Technicolor the right (but not the obligation) to purchase the other's entire stake in M-GO at fair market value upon certain bankruptcy or certain default events. The agreement also includes certain transfer restrictions, rights of first offer, rights of first refusal, tag-along and drag-along rights.

The M-GO service is delivered to consumers in the form of a free application, and enables consumers to rent or purchase home entertainment titles on their day of release as well as back catalog film & TV shows from a library of more than 16,000 titles available as of the end of 2013.

Content licensing agreements have been entered into with leading Studios, content creators and distributors including DreamWorks Animation, NBC Universal, Paramount Pictures, Sony Pictures Home Entertainment, Twentieth Century Fox, Relativity Media, Warner Bros.

Digital Distribution, Lionsgate and Disney. M-GO also has a licensing agreement with Starz Digital. These agreements provide that each time a consumer purchases or rents entertainment content accessed through M-GO, the Group pays the content owner a specified percentage of the revenues collected and retains the remainder. M-GO will offer consumers the ability to purchase UltraViolet enabled movies, giving them the ability to watch their purchased movies across multiple devices.

M-GO is pre-installed on an estimated 40 million Smart TVs and Blu-ray™ players from a variety of partners such as Samsung, VIZIO, LG Electronics, RCA, and on Intel® Ultrabook™ devices. In September 2013, M-GO announced a partnership with Roku, by which the M-GO service was made the default movie and TV service on the popular streaming box. In addition, M-GO functions on a full spectrum of operating systems, ranging from Android to iOS to Windows, and is already available as a free download from the Google Play app store. In early 2014, M-GO has announced it will pioneer the distribution of 4K/Ultra High Definition content. By doing so and in partnerships with leading eco-system players such as Samsung, the Group aims at boosting the adoption of corresponding technologies by consumers.

M-GO's closest competitors are content applications such as Apple's iTunes, Amazon and Vudu which allow consumers to purchase or rent digital entertainment content.

1.3.2 ENTERTAINMENT SERVICES

Entertainment Services, which generated consolidated revenues of €1,618 million in 2013 (47% of the Group's consolidated revenues) mainly supports content creators from creation to postproduction (Creative Services), while offering global distribution solutions, from digital to physical (including replication and distribution of Blu-ray™ and DVD discs). Additionally the Group offers digital place-based media services to retailers through its IZ-ON Media division.

The customer base for this sector is made of a variety of actors from the M&E industry and with a wide geographic coverage. Technicolor has strong intimacy with a number of key studio clients based on the West Coast of the United States, resulting in a significant geographic concentration for the segment. Over the past years, Technicolor has strategically increased its exposure to non-studio customers, while expanding its activities in selected locations.

In **Creative Services**, the Group operates a network of facilities covering all major markets for the *Media & Entertainment* industry and pursues a strategy aimed at optimizing both its range of products and services and its geographical presence while developing new solutions designed to support its customers in the digital transition. The Group has a selective approach towards the location of its businesses, and actively manages its portfolio of assets to better address industry demand and ensure optimal talent and facility utilization.

As an illustration, the Group strengthened its position in Montreal in 2013 with the opening of a new VFX studio and the renewal of its post-production services with the consolidation of the existing installations to a single site equipped with the very latest technology. By doing so, the Group is building up its presence in Canada and reinforcing its proximity to its customers, in particular those based in North America. The Group also opened a new facility in Mexico, offering Visual Effects and postproduction activities to serve the local market. In Europe, Technicolor opened a boutique facility in Amsterdam providing high end VFX, motion graphics and color grading for the Dutch advertising market and implemented further cost optimization across its Creative Services activities, including the closure of its Italian facility that has been announced in December.

In **DVD Services**, the Group offers a full range of services to the Media & Entertainment industry around the replication and distribution of Blu-ray™ and DVD discs. Although Technicolor expects DVD Services, which represented approximately two thirds of the Entertainment Services segment's consolidated revenues in 2013, to remain a significant contributor to Entertainment Services revenues and cash generation, driven in part by expected ongoing Blu-ray™ volume growth, it continues to support and actively guide clients through the Media & Entertainment industry wide transition to digital formats and services.

Generally speaking, based on its current and targeted client base, the Group believes the transition to digital offers opportunities. The Group can leverage on its unique complementary portfolio of activities and its capacity to generate innovative problem solving solutions to deliver superior services to its customers, while generating major efficiency improvement.

Creative Services

Through its Creative Services business, Technicolor offers a full set of leading services such as Digital Production (VFX and Animation) and Digital Postproduction & Distribution Services, including video and sound postproduction, versioning and localization services, content distribution as well as media asset management. Its clients are major and independent film studios, but also non-studio customers such as broadcasters, advertisers, game publishers, VOD and OTT players, content production and video game companies. Over the past few years Technicolor has been strategically strengthening its market position with leading Studios and increasing its exposure to non-Studio customers.

Technicolor is extending the range and depth of its product and service offerings, and developing new innovative solutions to support the transition of its customers to digital, while working on efficiency improvements through workflow digitization and automation. In the meantime, Technicolor has implemented exit strategies for its fast declining legacy activities (Film Services). The Group is managing its Digital Creative Services business to capture growth opportunities and position itself among the top leaders of the market in each business category.

Digital Production (VFX and Animation)

Digital Production consolidates Technicolor's content creation activities related to visual effects (VFX) and animation for major film Studios, games studios, advertising agencies, and commercial production companies.

In VFX, Technicolor operates, under the MPC brand, a global network of seven Studios in locations around the world: London, Santa Monica, New York, Vancouver, Montreal, Amsterdam, Mexico and Bangalore. Its main asset is a team of talented visual effect artists and supervisors working with state-of-the-art technology and creative tools. Its facilities offer pre-visualization, asset building, texturing, animation, rigging, rotoscoping, lighting, match move and compositing.

Historically, Technicolor's key customers on the motion picture side of the business include all major Hollywood Studios. For the advertising business, key clients include global advertising networks such as Publicis, WPP, BBDO/Omnicom, and smaller agencies. Client agreements are typically project-specific. Technicolor's main competitors in this area are ILM, Sony Imageworks, Weta, Framestore, Double Negative and The Mill.

In 2013, the team completed work on projects such as 300: *Rise of an Empire* (Warner), *Percy Jackson: Sea of Monsters* (Fox), *World War Z* (Paramount), *The Lone Ranger* (Disney) and started to work on several new projects such as *Guardians of the Galaxy* (Marvel/Disney), *Godzilla* (Warner), *X men: Days of Future Past* (Fox), *Cinderella* (Disney).

Technicolor's excellence in servicing its customers and the Entertainment industry in general has been demonstrated with several awards and nominations. In early 2013, VFX teams won the Oscar and BAFTA awards for *Life of Pi* (Fox). Early 2014, VFX teams were nominated for Academy Award for their work on *The Lone ranger* (Disney), while Postproduction teams did final grading on four of the five nominated films in the prestigious Achievement in Cinematography category for the Oscars: *Gravity* (Warner), *Inside Llewyn Davis* (CBS), *The Grandmaster and Nebraska* (Paramount).

VFX teams for commercials received additional honors for their 2013 work, including several awards at the British Arrows Craft and the award for best VFX studio in the U.S. and Europe at Ciclope International Craft Awards. Technicolor's technological edge, in particular its color expertise, has also been recognized with the receipt of a technical achievement award by the Academy of Motion Picture Arts.

On the Animation side, Technicolor helps customers turn their ideas into reality thanks to the talents of its experienced teams in Hollywood (California) and Bangalore (India). Technicolor provides a unique solution for the creation of high-quality CGI (computer-generated imagery) animation. Major customers include DreamWorks Animation, Nickelodeon, Mattel, Electronic Arts, Square-Enix, Activision and Rockstar Games. Main competitors include Reel FX, Prana Studios, DQ Entertainment and CGCG. Customer agreements are typically project-specific, with longer-term contracts where possible.

In 2013, Technicolor's Animation teams notably worked on popular video games such as *GTA V* and *Call of Duty®: Ghosts*.

Postproduction, Distribution and Digital Cinema Services

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, sound services and versioning, as well as digital distribution services. The demand for Postproduction & Digital Distribution Services is principally driven by new theatrical and television productions, commercials, as well as the exploitation of a content owner's catalog in new territories or *via* new technologies/different delivery formats (*i.e.* electronic sell-through, VOD, IPTV, mobile, 3D, Blu-ray™ etc.).

Technicolor's key customers in this activity include major studios, networks, broadcasters and independent producers, for scripted television series and commercials. Technicolor has also expanded its addressable market by supporting major VOD and OTT (over-the-top) players, with innovative solution such as an automated workflow solution enabling content owners to manage access and monetize their content library, as well as to preserve and digitize deteriorating physical assets. Customer agreements are typically project-specific, with longer-term contracts where possible. Technicolor's main competitors are Deluxe, numerous boutique vendors, as well as the in-house facilities of certain major Studios, depending on market segment and geography.

Technicolor believes that it is among the top 2 worldwide vendors in postproduction *(source: Technicolor estimates)*, with operations mostly in North America and Europe. To maintain its market share and keep growing, Technicolor's strong footprint in North America and London, is supportive to its strategy to increase its market share with tentpole movies in Theatrical, and reinforce its leading position on premium Broadcast TV series.

In 2013, Digital Post Production teams worked on feature films such as *World War Z* (Paramount), *Thor: The Dark World* (Marvel/Disney), *Gravity* (Warner), *Delivery Man* (Dreamworks SKG), *Iron Man 3* (Marvel), *Nebraska* (Paramount), *Need for Speed* (DreamWorks), *Draft Day* (Lionsgate), *The Smurfs 2* (Sony), *GI Joe: Retaliation* (Paramount), *Oblivion* (Universal) in Theatrical. The teams also worked on successful TV series such as *Mad Men Season 5* (AMC), *True Blood Season 6* (HBO), *Dexter Season 8* (Showtime), *Scandal Season 2* (ABC), *The Following Season 1* (Fox) in Broadcast.

In digital cinema, Technicolor offers a suite of services including localization, content mastering and distribution, all supported by 24/24 hours and 7/7 days customer service. The Company is able to leverage a hybrid distribution platform comprised of leading physical and electronic distribution mediums, including key management, to ensure the security and reliable delivery of content to cinemas. Technicolor delivers its customers' content to digital screens worldwide and continues to seek opportunities to grow its digital cinema distribution footprint organically, as well as through partnerships with leading distribution providers in various markets. Technicolor offers digital cinema services from facilities in the following markets: U.S., Canada, Mexico, France, UK, Italy, Poland, Thailand, Hong Kong, Japan and Australia.

In 2013, the Group pursued its worldwide strategy of increasing its local market presence in key territories, by entering a strategic alliance with EFS Media Group, to provide drive replication and managed freight services in Germany and German-speaking territories.

Technicolor's key customers in this activity include both major and independent studios including The Walt Disney Company, Relativity Media, Paramount, Sony Pictures Entertainment, Warner Brothers and The Weinstein Company. Technicolor's main global competitor in this activity is Deluxe.

Technicolor internal estimates now put digital screen penetration at approximately 82% worldwide and 93% in North America by the end of 2013. At this level of penetration, the strong growth in revenues primarily generated over the past seven years by the rapid conversion from analog screens to digital screens is expected to slow down.

Legacy activities

As expected, Technicolor is facing a rapid pace of decline in its legacy activities (Film Services). In the full year 2013, revenues generated by legacy activities more than halved year-on-year and represented around 2.5% of Group revenues compared to 5.2% in full year 2012. The Group has implemented exit strategies for these activities, through a set of partnerships which allow the Company to exit progressively, with no material impact on the Group's profitability.

DVD Services

Technicolor is a worldwide leader in the replication and distribution of video and game DVD and Blu-ray™ discs for global content producers. The Group provides turnkey integrated supply-chain solutions that encompass mastering, replication, packaging, direct-to-retail distribution of new release and catalog products, returns handling and freight management, as well as procurement and retail inventory management services. Deeply integrated customer relationships and a highly scalable and optimized low cost operational platform are strong assets to the Group.

In 2013, Technicolor sold 1.475 billion DVD and Blu-ray™ discs, representing the second best year ever for Technicolor in terms of volumes, compared with 1.454 billion discs in 2012. The Group had annual capacity to produce approximately 2.2 billion DVD and Blu-ray™ discs, allowing the flexibility to respond to the seasonal demand for packaged media. Operations are supported by approximately 8 million square feet of dedicated replication and distribution space, with unique capability for the timely delivery of discs to more than 40,000 locations.

While, at industry level, shipments of standard DVD discs have declined in recent years and are expected to continue to decline, the Group expects the high levels of growth in shipments of Blu-ray™ discs in recent years to continue, and believes it could outperform the market of overall DVD Services with market share gains, driven by increased penetration of existing customers, as well as the addition of new customers.

Technicolor runs strategically positioned 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 United States, the Group operates primarily from its Memphis (Tennessee) and Livonia (Michigan) facilities, while continuing to expand its existing low-cost packaging and distribution platform in Mexicali (Mexico-located on the U.S. border).

With replication facilities located in low cost countries, a flexible workforce, all combined with a highly variablized cost structure (particularly in raw materials and freight costs), Technicolor believes it has one of the most efficient cost bases in the industry. In 2013, the Group pursued a selective investment policy making additional investments in Blu-ray™ capacity in line with market growth as well as productivity investments to improve the output and efficiency of existing replication and distribution equipment and processes.

Technicolor's customers include major film Studios (*e.g.* Warner Brothers, The Walt Disney Company, Paramount and Universal Studios), as well as independent studios and software and games publishers. 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 particular geographical areas.

Technicolor's largest competitors are Sony DADC, Cinram and Arvato, as well as independent local replicators.

IZ-ON Media

IZ-ON Media provides digital place-based media services at more than 12,000 unique locations through the United States. Reaching over 260 million consumers each month on 100,000 strategically placed screens, IZ-ON Media works with the nation's top retailers, advertisers, content partners and technology companies to engage, inform and influence consumers along their path to purchase right up to the point of sale. IZ-ON Media's customers include leading advertisers and retail brands such as 7-Eleven, Costco, Kroger, Target, Walmart and Wendy's. IZ-ON Media's competitors include Captivate Network, CBS Outdoor and RMG Networks.

1.3.3 CONNECTED HOME

Connected Home 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 set top boxes, gateways, managed wireless tablets, and other connected devices. Connected Home also offers software solutions for multi-device communication, including Qeo, a brand agnostic software application that allows communication between electronic devices, as well as applications for the smart home (*e.g.* home automation), and related professional services. Connected Home shipped a total of 32.5 million products in 2013 (30.1 million units in 2012), a new all-time record.

In 2013, the Connected Home segment generated consolidated revenues of €1,346 million (39% of the Group's reported consolidated revenues).

Connected Home

Solutions

The Connected Home business offers 3 sets of solutions:

- gateways, which are access devices deployed by telecom and cable operators to deliver multiple-play services (video, voice, data, and mobility) to their subscribers. The product range includes high-end triple-play gateways capable of running rich applications, business gateways for the small and mid-size enterprise market, integrated access devices, double-play gateways with VoIP and data, and WiFi gateways;
- set top boxes which are designed for satellite, cable and telecom operators to enable the delivery of services and video entertainment over broadcast, broadband, or hybrid broadcast/broadband networks. The product range includes set top boxes in standard and high-definition, which may include hard-drive recording capability, as well as media servers, which are able to stream content to multiple devices in the home, and media gateways, which merge the functionalities of a gateway and a media server. Products rely on modular and flexible system architecture to cover a variety of network access (cable, terrestrial, satellite, IP) and content media formats (SD, HD, MPEG 2, H264, HEVC etc.);
- other connected devices and solutions, which are mostly developed around new services for the Smart Home, such as Qeo, and include high quality video distribution over WiFi, portable video communication solutions, security, monitoring and automation control screens.

Innovation

As the connected home industry evolves towards more powerful, more open, more technological devices, the Group leverages its involvement in key technology areas to bring innovative solutions to the market and offer differentiated products and services to its customers.

Technicolor believes that trends such as the development of OTT in the Pay-TV space, the advent of Ultra HD, the development of the Internet of Things along with WiFi becoming ubiquitous are challenges to be addressed by the industry in the next five years. To prepare for these changes, the Connected Home segment has been investing in innovation and introducing next generation products and solutions.

Regarding OTT, the Connected Home segment is a leader in bringing technologies from the mobile world into the Pay-TV universe, with the development of an Android-based set top-box by leveraging its experience gained on tablets and early OTT trials. The Connected Home segment has also introduced a LTE set top box, bringing TV Everywhere services on mobile devices over 4G/LTE networks.

In Ultra HD, the Group unveiled the first Media Server to support HEVC 4K/Ultra HD Video during the 2013 IBC trade show, proving how it can capitalize on its sustained and significant involvement in the HEVC Standard.

The Connected Home segment has developed, with Qeo, a technology enabling a truly unified Internet of Things, as the solution enables interoperability between heterogeneous ecosystems.

In WiFi, the Group has confirmed its expertise by developing solutions offering superior performances, which strengthen its leadership in this field. Technicolor was the first company to reach a threshold of 50 million WiFi gateways shipped to network service providers.

Regional Segmentation

Americas

In 2013, consolidated revenues in the Americas totaled €888 million, representing 66% of Connected Home revenues. Of this amount, consolidated revenues in North America totaled €353 million, representing 26% of Connected Home revenues and consolidated revenues in Latin America totaled €535 million, representing 40% of Connected Home revenues. Technicolor shipped 20.4 million products in the region.

NORTH AMERICA

The North American market is the most advanced market worldwide, and a frontrunner for set top box servers/IP client architecture in the home, as well as VDSL bonding. Cable set top boxes represent an estimated 50% of the market in value.

Technicolor is a well-established player in North America with its solutions for satellite operators, and is accelerating the development with cable operators. The Group has been gaining market share in the region in 2013. In 2013, Technicolor's shipments in this region were dominated by gateways, which represented 52% of total shipments. Set top boxes represented 43% of total shipments in 2013, while other products accounted for 4% of shipments.

In set top boxes, Technicolor provides solutions ranging from lower-end Digital-to-Analog adaptors (DTAs) to higher-end High-Definition (HD) set top boxes with Personal Video Recorder (PVR). Introducing new advanced products is key to Technicolor's strategy, since it enables the Group to improve the product mix. The Group has a proven technology leadership for high-end gateways and this translates in high volume shipments in the region. Technicolor is also gaining traction on other solutions such as Home Security Tablets, thus expanding its addressable market for high-end products. In 2013 HD products represented 16% of set top boxes shipments in this region.

Key customers in this market include DirecTV, Comcast, Time Warner cable, Verizon, CenturyLink, Gentek. On July 1, 2013, Technicolor delivered its 100th million set top boxes to DirecTV.

LATIN AMERICA

Latin America is a growing market, as a growing middle class in the region is fuelling demand for broadband and Pay-TV services. While satellite set top boxes are representing more than 45% of the market in value, broadband gateways for telecom and cable operators are also very dynamic segments of the market as broadband Internet access is spreading across Latin America. A move up market is now an established trend within this region, as shown by the massive shift to WiFi, started mid-2011 and continuing throughout 2012 and 2013, and a more gradual shift to Ultra broadband, in particular with DOCSIS 3.0 in cable. Although standard definition products remain massive in volumes, HD products are gaining increasing attention and market share.

Technicolor is well established in the region, with a very high market share both in value and volume. In 2013, Technicolor's shipments in this region were dominated by set top boxes, which represent 66% of total shipments. Gateways represented 34% of total volumes in 2013.

The Group is an important player in the market for satellite set top boxes, with High Definition (HD) products representing 38% of the Group's set top boxes shipments in Latin America. This proportion is low compared to more mature markets, showing room for improvement in terms of product mix in the years to come. Technicolor is also a leader in the Latin American broadband market and has built over the years very strong relationships with major local players.

The region is host to big satellite and broadband network operators, and key customers include DIRECTVLA, SkyBrazil, Telmex, NET-Servicios, Embratel, Oi, and a number of America Movil affiliates.

Europe, Middle-East, Africa

In 2013, consolidated revenues in Europe, Middle-East, Africa (EMEA) totaled €260 million, representing 19% of Connected Home revenues. Technicolor shipped 6.3 million products in the region.

The European market is well balanced among all product categories, with cable set top boxes representing around 30% of the market. This market has been and remains challenging, with service providers cautious on capital expenditures.

In 2013, Technicolor's shipments in this region were dominated by broadband gateways to telecom and cable operators, with 92% of total shipments. Set top boxes represented 8% of total volumes. Although the sales of set top boxes remain quite low in volume, the proportion of HD products in total set top boxes shipments remains very high at 92%.

Technicolor is gaining ground in the region, and has announced new deals with major telecom operators in 2013, such as Liberty Global and Belgacom for ultra-broadband gateways, and Telefonica and Altice Group for satellite and cable set top boxes.

Key customers in this region include Telecom Italia, Telefonica, Belgacom, Telia, Telekom Austria, UPC (Liberty Global), HOT, Fastweb and Maroc Telecom.

Asia-Pacific

In 2013, consolidated revenues in the Asia-Pacific region (APAC) totaled €198 million, representing 15% of Connected Home revenues. Technicolor shipped 5.9 million products in the region.

The Asia-Pacific (APAC) market is large, with booming growth across the region. The largest segments of this market are cable set top boxes and telecom gateways. The transition to digital is an important growth driver in the APAC region, with some large markets such as India still at an early stage of this trend.

In 2013, Technicolor's shipments in this region were dominated by set top boxes, which represented 76% of total shipments. Broadband gateways represented 22% of total volumes in 2013, while tablets represented the remaining 2%.

The marked volume increase for Technicolor in 2013 was largely attributable to the strong demand for set top boxes across the region, especially in India. The proportion of HD product was 49% of set top boxes shipments.

Key customers in this region include Astro, Telstra, Tata Sky, Bharti, Austar (now part of Foxtel). In 2013 Technicolor was awarded a contract for gateways and set-top boxes by Hathway, India's leading cable broadband service provider.

Competitive Environment

Technicolor's market position differs depending on market segments and geography. However, Technicolor ranks number one worldwide for the supply of broadband gateways, with recognized leadership in DOCSIS 3.0 gateways and a market share of 30% *(source: Infonetics)*. Key competitors in gateways include Pace, Arris (including the Motorola Home business), Huawei, ZTE ZyXEL, Cisco, Netgear, Sagemcom, Samsung.

For digital set top boxes, Technicolor was the world's second largest supplier in 2012, based on volume (source: Screendigest). Key competitors in set top boxes include Pace, Arris (including the Motorola Home business), Cisco. The market remains fragmented, with most top players having less than 10% market share worldwide.

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;
- new, advanced businesses in the Group's incubation program launched within the Amplify 2015 framework.

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. In 2013, the main impact of discontinued operations on the Group's results came from the early payment by Francisco Partners of a promissory note to Technicolor, related to the sale of Grass Valley Broadcast business in 2010. The main impact of discontinued operations on the Group's cash flow came from the cash payment of a fine from the European Union, related to a business sold by Technicolor in 2005 and which has already been accounted for in the Group's results in 2012.

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

Technicolor is a technology leader operating in Media & Entertainment and Consumer Services. The Group develops technologies that make the centerpiece of the solutions and services offered today to its business clients (content creators and distributors, Network Service Providers and Pay-TV operators) and that will be embedded in mass-market services, devices and platforms, making its innovation have a broader reach than solely its product categories. Technicolor's innovation and Intellectual Property (IP) portfolio is especially rich in video, audio, communication/interoperability, content distribution and local network technologies that are developed through its fundamental research activities and constantly enriched by interactions with its two BtoB operating businesses, namely Entertainment Services and Connected Home. Through a disciplined incubation program, the Group ensures it is also working on additional disruptive technologies and business models. By solving real problems and addressing industry challenges in its operating businesses, the Group makes sure to build relevant innovation.

Through its Technology business, the Group operates its fundamental research activities ("Research & Innovation" or "R&I"), its incubation program and its world-class IP and Licensing business, with unique expertise to patent its innovation and monetize its IP portfolio, which includes all of patents, software, hardware, content or trademark that underpins a technology, product and service. The Group licenses its IP to almost 80% of Consumer Electronics manufacturers worldwide.

In Entertainment Services, the Group is the leading provider of services to content creators and in Connected Home, the Group is a leading provider of products and services to Pay-TV operators and Network Service Providers.

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

2.2 TRENDS IN TECHNICOLOR ECO-SYSTEMS

The Group's performance and strategy are highly influenced by the way Media & Entertainment and Consumer Electronics are evolving, being the way contents are created, distributed or sold, as well as the way end-users leverage digital devices and applications, which tend to be more and more connected and interoperable. The industry's accelerated pace for innovation creates demand for underlying technologies and Intellectual Property in video, audio, color science, interoperability, local networking or machine learning.

The Group considers five trends to be crucial in the evolution of the Media & Entertainment and Consumer Services eco-systems:

- unprecedented speed of innovations in video-enabled and connected devices, software, applications and service platforms stimulating digital, on-demand and multi-screen media consumption, as well as the emergence of a new generation of Consumer Services (*e.g.* home automation, surveillance, energy management, young or elderly persons assistance...);
- innovative distribution channels and business models providing new market access, monetization opportunities and value for content owners and content distributors;
- rapid commoditization of devices and platforms requiring a continuous flow of technologies and Intellectual Property to sustain market demand and offer differentiation;
- increasing digitization of content creation and distribution, such as computer generated imagery, digital post-production, collaborative platforms, digital content preparation and content delivery workflows, transforming in depth content creation, production and distribution processes, reducing time to market and increasing creativity and productivity;
- pervasive computational power, digital sensors, data storage and broadband networks enabling end-users to be always connected, benefit from digital applications anywhere, anytime, create and exploit multiple data to enrich their personal, social and professional lives.

As a result of these trends, the Media & Entertainment industry experienced sustained growth from 2008 to 2013, including a 3.6% increase in worldwide box office sales in 2013 compared to 2012 *(source: Screen Digest)*. Based on internal estimates this trend is expected to continue in the next few years, driven by demand in emerging countries such as China, Russia, India and Brazil. Over the past few years, viewing time for free and Pay-TV increased, sales of Blu-ray™ discs, digital video and digital advertising experienced double digit growth, and the decrease in sales of standard DVDs was not as severe as the 19% decrease the Media & Entertainment industry had expected in early 2013 *(source: FutureSource Consulting, 2013)*.

Shipments of connected video-enabled devices, such as tablets, smartphones, connected TVs, personal computers, Blu-ray™ players, game consoles, and OTT boxes are all expected to increase in the high single-digit range by 2016 *(source: Idate, IHS Screen Digest, Infonetics & Dell'oro, IDC, Generator research, IDG, Informa)*, bringing the total installed base of connected devices (including laptops and PCs) from 2.5 billion in 2009 to 30 billion in 2020 *(source: Gartner)*. In the meantime, the variety of connected devices will also increase a great deal, as new categories such as wearable devices gain traction.

Due to increased TV watching time and on-demand and mobile solutions, operators in the free and Pay-TV industry have grown primarily by increasing average revenue per user (ARPU) in North America and by attracting new customers in other regions, especially in Latin America and the Asia-Pacific region. The Pay-TV industry, including OTT services delivered through Internet service providers, has also tried to increase and/or diversify its revenue streams by providing more value-added services in the home, including multi-room and multi-screen viewing options extended wireless coverage, customized user interfaces, TV guides and content recommendations.

Global fixed and mobile broadband penetration increased due to higher bandwidth availability, which enabled an increasing number of people to consume bandwidth-intensive content such as videos, whether at home or on mobile devices. The proliferation of new digital platforms and consumer electronics devices capable of delivering high quality video has contributed to this trend. Following the success of game consoles, personal computers and smartphones, video devices such as connected TVs and tablets are rapidly becoming mainstream devices.

Innovation in content creation and distribution continues to affect digital processes and platforms, improving efficiency and allowing to develop new monetization models. Content creators are increasingly relying on visual effects, animation and digital post-production to implement their creative visions and improve productivity.

2013 has seen the first market announcement and adoption of new wearable devices and sensors (smart watches, smart glasses or wellness sensors). This emerging trend should rapidly lead to high volumes of new type of devices, available data and consumer applications in the next 5 years, supporting a market that could reach $6 billion by 2016 *(source: IMS Research)*. Together with the development of cloud-based services, 4G broadband networks and Big Data capabilities, these trends should lead to new opportunities for technology innovations and new solutions in B2B2C models.

These trends have had and will have a positive impact on the demand for the Group's digital technologies, products and services, resulting in growth in Technicolor's Licensing division due to the incorporation of the Group's technologies in an increasing number of consumer electronics devices, growth in Digital Creative and Distribution Services divisions due to the Group's long-term relations with global content creators, and growth in the Connected Home segment due to increasing demand for higher-end products, both in developed and developing countries.

2.3 SUMMARY OF RESULTS

Technicolor's revenues from continuing operations amounted to €3,450 million in 2013, down 3.6% at current currency compared with 2012, and down 0.2% at constant currency. At constant scope, Technicolor's revenues from continuing operations totaled €3,449 million in 2013, down 1.1% at current currency and up 2.4% at constant currency, driven by a sustained performance across its businesses. Connected Home and Digital Creative Services were the main growth drivers, while DVD Services demonstrated its resiliency. In the Technology segment, revenues decreased compared to an all-time high in 2012, and the Group continued to renew contracts and sign new multi-year license contracts at a sustained pace.

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

Adjusted EBITDA from continuing operations reached €537 million including a negative forex impact of €13 million. Margin reached 15.6%, up 1.3 points compared with last year driven by significant margin improvement in Connected Home and Entertainment Services and lower corporate costs. Operating expenses related to new initiatives continued to grow, resulting in the margin decrease recorded in the Technology segment.

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 €224 million in 2013, compared with €264 million in 2012. 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".

Net financial result was an expense of €288 million in 2013, compared with an expense of €197 million in 2012. For more information, please refer to section 2.9.4: "Net finance costs".

The Group's total income tax charge was €41 million in 2013, compared with €49 million in 2012. For more information, please refer to section 2.9.5: "Income tax".

Profit from continuing operations was a loss of €111 million in 2013, compared with a profit of €13 million in 2012. For more information, please refer to section 2.9.6: "Profit (loss) from continuing operations".

In 2013, the total profit (loss) from discontinued operations was a profit of €19 million, compared with a loss of €35 million in 2012. For more information, please refer to section 2.9.7: "Profit (loss) from discontinued operations".

The Group's consolidated net loss totaled €92 million in 2013, compared with a loss of €22 million in 2012. For more information, please refer to section 2.9.8: "Net income (loss) of the Group".

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. This trend has however seemed less marked in the past few years, reflecting an increase in the Group's non-studio clients in this segment. In the second half of 2013, revenues from continuing operations totaled €1,861 million, or 54% of the Group's annual revenues, compared with €1,933 million or 54% of annual revenues in the second half of 2012.

2.5 GEOGRAPHIC BREAKDOWN OF REVENUES AND EFFECT OF EXCHANGE RATE FLUCTUATIONS

The table below shows revenues from continuing operations for the Group in 2012 and 2013 by destination, that is to say depending on the location of customers. As shown below, the Group's most important market in 2013 was the United States, accounting for 46.6% of revenues. For 2013, the drop in Technicolor revenues made with European customers can be explained by several factors, including the fact that Technicolor sold its Broadcast Services, which had high exposure to Europe, but also that markets in Rest of Americas and Asia-Pacific grew faster on average than other more mature markets, especially in the Connected Home segment.

Revenues of continuing operations by destination

(in percentage)	2013	2012
United States	46.6%	45.4%
Rest of Americas	19.4%	17.7%
Europe	19.5%	22.7%
Asia-Pacific	13.7%	12.4%
Other	0.8%	1.8%

The table below shows revenues from continuing operations for the Group in 2012 and 2013 by origin, depending on the location of Technicolor's invoicing entity. As shown below, the Group's largest markets in 2013 were the United States and Europe, accounting for 40.0% and 38.7%, of revenues respectively.

Revenues of continuing operations by origin

	2013	2012
United States	40.0%	40.1%
Rest of Americas	15.3%	13.2%
Europe	38.7%	40.3%
Asia-Pacific	6.0%	6.4%

Revenues of continuing operations and effect of exchange rate fluctuations

(in million euros unless otherwise stated)	2012 revenues at 2012 exchange rates	2013 revenues at 2012 exchange rates	Exchange rate impact	2013 revenues at 2013 exchange rates	% change at constant exchange rates	% change at current exchange rates
Continuing operations	**3,580**	**3,572**	**(122)**	**3,450**	**(0.2)%**	**(3.6)%**
Of which:						
Technology	515	487	(2)	485	(5.5)%	(5.9)%
Entertainment Services	1,730	1,669	(52)	1,618	(3.5)%	(6.5)%
Connected Home [1]	1,244	1,414	(68)	1,346	13.7%	8.3%
Other	1	1	0	1	0.5%	0.3%

(1) Excluding the Broadcast Services and the SmartVision (television-over-IP) businesses, sold in 2012, and the Cirpack softswitch operations (voice-over-IP), sold in 2013. Those activities contributed €91 million of revenues in 2012.

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 dollar against the euro has a positive effect on Group revenues, while a decrease of the dollar against the euro has the opposite impact. In 2013, compared with 2012, exchange rate fluctuations had an overall negative impact of €122 million on consolidated revenues, due to the depreciation of virtually all currencies versus the euro in 2013, including a 3% depreciation in the average rate of the U.S. dollar against the euro in 2013, compared to the average rate in 2012.

The table below shows Group 2013 revenues from continuing operations by currency. As shown below, the Group's most important currency exposure is the USD, accounting for 56% of revenues in 2013.

	2013
USD	56%
EUR	22%
Other	22%

For more information about average exchange rates, please refer to note 2.13 "Translation of foreign currency transactions" 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 revenues and result from continuing operations before taxes and net finance costs, please refer to note 23.1 (f) to the Group's consolidated financial statements.

2.6 EVENTS SUBSEQUENT TO DECEMBER 31, 2013

On February 5, 2014, the Group announced that it had refinanced part of its remaining senior secured debt maturing in 2016 and 2017 (€181 million) and that it would subsequently reimburse the rest of this debt (€85 million). As detailed in note 22 to the consolidated accounts, in July 2013 Technicolor had refinanced around €905 million of this senior secured debt by issuing new debt (term loans) in an amount of €838 million maturing in 2020 and €67 million of cash. The incremental term loans were subscribed on February 5, 2014 by certain lenders under the senior secured debt, on terms identical to the new debt issued in July 2013, in consideration for the assignment of their participations under the senior secured debt *via* a cashless exchange.

The February 5, 2014 refinancing transaction generates small interest savings and more importantly, it further improves the maturity profile of Technicolor's debt. In addition to this exchange, Technicolor expects to fully reimburse the remainder of its senior secured debt (€85 million) out of its cash by the end of April 2014, thus reducing its gross debt and lowering its interest costs, further simplifying its debt structure and increasing its financial flexibility.

On March 11, 2014 Vector Capital sold 26 million Technicolor shares. It remains the main shareholder of the Company, holding 12.95% of share capital and voting rights of the Company.

As a follow up to the motions to dismiss filed by Technicolor SA and Technicolor USA, Inc. in Cathode Ray Tubes ("CRT") antitrust litigation pending in the United States detailed in note 33 to the consolidated financial statments, on March 13, 2014, the Court determined that, for purposes of assessing the motions to dismiss, the plaintiffs that had filed lawsuits in 2013 had pleaded viable federal antitrust claims against Technicolor SA and Technicolor USA, Inc. regarding their alleged participation in an alleged conspiracy among CRT manufacturers to fix the price of CRTs (Technicolor SA and Technicolor USA, Inc.'s motion to strike Tech Data's complaint is still pending). The Court also ruled that a majority of the related state law claims are barred by the relevant statutes of limitation. Technicolor SA and Technicolor USA, Inc. intend to vigorously defend themselves against the remaining claims.

2.7 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2013

In compliance with Article L. 233-6 of the French Commercial Code, Technicolor notes that the Group did not acquire an interest in any French company in 2013.

2.8 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2012

In compliance with Article L. 233-6 of the French Commercial Code, Technicolor notes that the Group did not acquire an interest in any French company in 2012.

2.9 RESULTS OF OPERATIONS FOR 2012 AND 2013

The Group's revenues, adjusted EBITDA, operating expenses and profit (loss) from continuing operations before tax and net finance costs for the years 2012 and 2013 are presented below for each of the Group's operating segments – Technology, Entertainment Services, Connected Home – 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".

2.9.1 ANALYSIS OF REVENUES

Technicolor's revenues from continuing operations amounted to €3,450 million in 2013, down 3.6% at current currency compared with 2012, and down 0.2% at constant currency. At constant scope, that is to say excluding the Broadcast Services and the SmartVision (television-over-IP) businesses, sold in 2012, and the Cirpack softswitch operations (voice-over-IP), sold in 2013, Technicolor's revenues from continuing operations totaled €3,449 million in 2013, down 1.1% at current currency and up 2.4% at constant currency, driven by a sustained performance across its businesses. Connected Home and Digital Creative Services were the main growth drivers, while DVD Services demonstrated its resiliency. In the Technology segment, revenues decreased compared to an all-time high in 2012, and the Group continued to renew contracts and sign new multi-year license contracts at a sustained pace.

Technology

Consolidated revenues for Technology amounted to €485 million in 2013, down 5.9% at current currency and 5.5% at constant currency, compared to an all-time high of €515 million in 2012. This performance reflected broadly stable Licensing revenues from direct programs and a single digit decrease of MPEG LA revenues, which represented 53% of overall Licensing revenues, down from 54% in the full year of 2012.

Consolidated revenues for Licensing amounted to €482 million in 2013, compared with €512 million in 2012, down 5.9% at current currency and 5.5% at constant currency. Technicolor recorded a good performance in contract renewals over the course of the year, notably for its Digital TV Program. The Group also made significant progress in its smartphone program during the year with the signing of an IP collaboration agreement with Sony in July and the signing of a multi-year licensing agreement with LG in February 2014 for the use of Technicolor's patents and technologies across LG's mobile devices worldwide.

Licensing revenues include estimates from license agreements. For the year ended December 31, 2013, and measured as a percentage of total Licensing revenues, actual revenues exceeded estimated revenues by 1.3%, compared with 2.7% for the year ended December 31, 2012, at the issuance date of the Registration Document.

The two other divisions in the Technology segment, namely Research and Innovation (R&I) and Technology Leading Solutions (M-GO) had no significant impact on the revenues of the segment.

Entertainment Services

Consolidated revenues for Entertainment Services amounted to €1,618 million in 2013, compared with €1,730 million in 2012, down 6.5% at current currency and 3.5% at constant currency. Excluding Legacy activities (Film Services), revenues declined by 1.2% at current currency, but grew by 2.0% at constant currency, reflecting sustained growth in Digital Creative Services and a good performance in DVD Services.

Creative Services revenues were up year-on-year, driven by double-digit growth in Visual Effects ("VFX") and a good level of activity in Digital Postproduction.

VFX reported strong growth, reflecting a high level of activity for both feature films and commercials across all facilities. This activity recorded a strong recovery in the course of the year, following a first quarter still affected by the delay of two major projects. VFX for commercials continued to perform strongly, in particular in the U.S.

Video and Sound digital postproduction activities benefited from a strong activity level in Theatrical, notably in the U.S.. European activities also recorded a good performance in Theatrical, working on several major projects in the UK and further increasing the workload in France. Overall Technicolor has been gaining market share in Theatrical postproduction, while holding on to its leading market position in Broadcast throughout the year.

As expected, Legacy activities (Film Services) recorded another 50% of decline, and represented around 2.5% of Group revenues compared to 5.2% in full year 2012.

DVD Services revenues increased slightly, driven by combined volume growth of almost 1.5%, reflecting the ongoing resiliency of Standard Definition DVD (down only 4% year-on-year), and continued strong Blu-ray™ volume growth of almost 40%. Combined volumes reached 1.475 billion units, the best second year ever for Technicolor, driven by the overall strength of studio customers' release slates (Technicolor customers were the 3 top grossing studios in the U.S. box office in 2013), ongoing Blu-ray™ volume growth across both existing studio customers and gaming clients in support of the new Xbox One console, selected share gains across the existing customer base, and ongoing use of multi-disc DVD/Blu-ray™ "combo-pack" configurations.

DVD/Blu-ray™ volumes

(in million units)		FY 2013	FY 2012	Change
TOTAL COMBINED VOLUMES		**1,475.1**	**1,454.0**	**+1.5%**
By Format	SD-DVD	1,221.9	1,272.2	(4.0)%
	Blu-ray™	253.2	181.8	+39.3%
By Segment	Studio/Video	1,349.0	1,341.5	+0.6%
	Games	94.7	87.5	+8.2%
	Software & Kiosk	31.4	25.0	+25.6%

Connected Home

Consolidated revenues for Connected Home amounted to €1,346 million in 2013, compared with €1,244 million in 2012 (excluding the Broadcast Services, the SmartVision businesses and VoIP), up 8.3% at current currency and 13.7% at constant currency. As planned, Technicolor recorded revenue growth across all geographies in the period, driven by strong product shipments of more than 32 million units (+8%), a new all-time record, and continued product mix improvement, driven particularly by new, higher-end product deployments in the second half of the year at some U.S. and Latin American customers.

In North America, Connected Home revenues increased in the high single digits in 2013 compared with 2012, driven by a sharply improved product mix and a gradual increase in shipments throughout the year. Overall product mix improved significantly, reflecting sustained demand for new, higher-end devices in Cable, particularly broadband gateways, partly offset by lower shipments of High Definition PVRs in Satellite compared to last year. Volume growth was particularly strong in the second half, benefiting from the ramp-up of products introduced at the end of 2012 and new product launches during the second half of 2013.

In Latin America, Connected Home revenues expanded in the double digits in 2013 compared with 2012, as a significant improvement in product mix associated with the introduction of new HD products more than offset volume weakness in the second part of the year, related to stricter inventory management at certain large customers across the region in connection with softer macro conditions.

In Europe, Middle East and Africa, Connected Home revenues rose high single digits in 2013 compared with 2012, reflecting the volume recovery in the second semester. Volume growth reflected in particular the strong demand for Cable Modems & Routers, due to a customer deployment, which more than offset the relative softness in other categories. Product mix was lower compared to last year due notably to a less favorable customer mix in satellite.

In Asia-Pacific, Connected Home revenues grew high single digits in 2013 compared with 2012, driven principally by increased deliveries of set-top boxes in India, partly offset by a lower overall mix.

Connected Home Product Volumes

(in million units)		FY 2013	FY 2012	Change
TOTAL CONNECTED HOME PRODUCT VOLUMES*		**32.5**	**30.1**	**+8.2%**
o/w	North America	6.5	6.8	(4.4)%
	Latin America	13.9	13.7	+1.4%
	Europe, Middle-East and Africa	6.3	5.4	+17.4%
	Asia-Pacific	5.9	4.2	+38.2%

* *Including tablets and other connected devices.*

Other

Revenues presented in the "Other" segment comprised corporate & other revenues for €1 million in 2013, compared to €1 million in 2012, mainly related to services charged to third parties.

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".

Adjusted EBITDA from continuing operations reached €537 million in 2013, a €25 million increase compared with the level of adjusted EBITDA in 2012. Adjusted EBITDA margin reached 15.6% in 2013, up 1.3 points compared with 2012, driven by significant margin improvement in Connected Home and Entertainment Services and lower corporate costs. Operating expenses related to new initiatives continued to grow resulting into the margin decrease recorded in the Technology segment.

Technology

Adjusted EBITDA for Technology was €355 million or 73.2% of revenues in 2013, compared with €400 million or 77.8% of revenues in 2012.

Adjusted EBITDA margin for the Technology segment decreased by 4.6 points compared to 2012, reflecting lower Licensing contribution and an increase in operating expenses related to Technology-leading solutions, such as M-GO.

Entertainment Services

Adjusted EBITDA for Entertainment Services was €230 million in 2013 or 14.2% of revenues, compared with €199 million in 2012 or 11.5% of revenues.

This sharp increase in profitability reflected improved operating performance in Digital Creative Services and DVD Services:

- Digital Creative Services adjusted EBITDA increased due to a higher level of activity in 2013 compared with 2012, combined with cost and operating efficiency initiatives, such as the focus on the most profitable businesses and geographies in postproduction and the optimization of the utilization of the Indian facility in VFX to offset ramp-up costs related to new capacities and increase overall competitiveness;
- DVD Services adjusted EBITDA margin benefited from the total disc volume growth, product mix improvement from increased Blu-ray™ volumes, and the impact of ongoing cost savings initiatives and efficiency improvement programs; all of which helped offset ongoing market pricing pressure.

Connected Home

For the full year 2013, Connected Home adjusted EBITDA was €41 million, up €40 million compared to 2012 (excluding the Broadcast Services, the SmartVision businesses and VoIP).

Adjusted EBITDA margin for the Connected Home segment increased by 2.9 points compared with 2012, driven by sustained top-line growth, a further improved gross margin, which stood at 13.6% in the period, up by 1.2 points year-on-year. This performance reflected the continued focus on profitable growth.

Other

Adjusted EBITDA for "Other" was a charge of €89 million in 2013, compared with a charge of €101 million in 2012.

This decrease reflected cost savings realized on a number of transversal functions, and in particular corporate costs, which decreased materially in 2013 compared to 2012, driven by a better allocation of costs to businesses, savings on compensation and benefits as well as lower outsourcing costs. The cost reductions more than offset new costs associated to new businesses within the Group's incubation program.

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 €2,627 million in 2013, or 76.2% of revenues, compared with €2,758 million in 2012 (after reclassification of €8 million of expenses to costs of sales as in 2013) or 77.0% of revenues at constant scope.

Cost of sales in absolute terms were €131 million lower in 2013 compared with 2012, reflecting an improved cost base for the Entertainment Services segment, and a contained increase in the cost of sales for the Connected Home segment, despite record shipments.

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 business of the Entertainment Services segment), labor costs in the Group's manufacturing operations (mainly in the Entertainment Services segment), as well as costs related to real estate and fixed assets depreciation (mainly for the Entertainment Services segment).

Gross margin from continuing operations for the Group totaled €823 million in 2013, broadly stable compared with 2012. Gross margin reached 23.8% of consolidated revenues in 2013, compared with 23.0% of revenues in 2012. By segment, gross margin was driven by following factors:

- in the Technology segment, gross margin amounted to €435 million, or 89.7% of revenues in 2013, compared with €469 million in 2012, or 91.1% of revenues, driven by the slight decline in Licensing revenues;
- in the Entertainment Services segment, gross margin totaled €206 million, or 12.7% of revenues in 2013, compared with €171 million in 2012, or 9.9% of revenues, reflecting the improved product mix in DVD Services, stemming from increased Blu-ray™ volume and the higher level of activity in Digital Creative Services, combined with the overall focus on the most profitable businesses and geographies in postproduction;
- in the Connected Home business, gross margin reached €183 million, or 13.6% of revenues in 2013, compared with €154 million in 2012, or 12.4% of revenues, driven by higher volume and continued product mix improvement.

Selling and Administrative Expenses

The Group remained focused on cost optimization in 2013 and gained in efficiency across its businesses, and at corporate level.

Selling and marketing expenses amounted to €113 million in 2013 or 3.3% of revenues compared with 3.1% of revenues in 2012. In absolute terms, selling and marketing expenses remained broadly flat despite incremental expenses related to the commercial roll-out of several new initiatives including M-GO, Technology licensing initiatives...

General and administrative expenses amounted to €228 million in 2013, or 6.6% of revenues, compared with €277 million in 2012, or 7.7% of revenues, reflecting cost reduction measures adopted across all businesses and at corporate level.

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

Net Research and Development Expenses

Net Research and Development (R&D) expenses amounted to €143 million in 2013, or 4.1% of revenues (compared with €132 million in 2012, or 3.7% of revenues). Of the total R&D spending in 2013, close to 29% was spent in Technology, which includes the Research & Innovation business, and the remainder was mostly attributed to development costs and the amortization of research and development intangible assets in the Connected Home segment.

For more information, please refer to note 7 of the Group's consolidated financial statements.

Restructuring Costs

In 2013, 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 €68 million in 2013 or 2.0% of revenues, up from €29 million in 2012 (0.8% of revenues). This €39 million increase mainly result from additional cost savings measures launched at the end of 2013, including headcount reduction at the headquarters level.

Net Impairment Losses on Non-Current Operating Assets

In 2013, Technicolor recorded a net impairment charge of €31 million, compared with €10 million in 2012, including a goodwill impairment of €15 million mainly due to lower prospects in the digital place-based media space, affecting the IZ-ON Media division within the Entertainment Services segment, as well as net asset write-offs (excluding goodwill) amounting to €16 million.

For more information, please refer to notes 8, 12 and 13 of the Group's consolidated financial statements.

Other Income (Expense)

Other income (expense) amounted to an expense of €16 million in 2013, compared with an income of €2 million in 2012. This mainly reflects a loss of €8 million in the context of the liquidation of Creative Services activities in Italy.

For further information, please refer to note 6 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 €224 million in 2013 or 6.5% of revenues compared with €264 million or 7.4% of revenues in 2012.

By segment, the profit from continuing operations before tax and net finance costs was €341 million for Technology in 2013 (compared with €403 million in 2012). For Entertainment Services, the profit from continuing operations before tax and net finance costs doubled at €24 million in 2013, from €12 million in 2012. For Connected Home, the loss from continuing operations before tax and net finance costs narrowed to €13 million in 2013, from a loss of €56 million in 2012. For "Other", the loss from continuing operations before tax and net finance costs was €126 million in 2013 (compared with a loss of €96 million in 2012).

2.9.4 NET FINANCE COSTS

The net financial result was an expense of €288 million in 2013, compared with an expense of €197 million in 2012, reflecting mainly incremental costs related to the refinancing transaction.

Net interest expense

The net interest expense for continuing operations amounted to €112 million in 2013, compared with €145 million in 2012. This significant decline reflected lower borrowing costs stemming from the refinancing transaction and the significant gross debt reduction, including the voluntary debt prepayment for €67 million implemented in the refinancing context.

For further information, please refer to note 9 of the Group's consolidated financial statements. The interest expense has been computed using the effective interest rate on the Reinstated Debt.

Other financial income (expense)

Other financial expense for continuing operations totaled €176 million in 2013, compared with €52 million in 2012. In 2013, this amount included €161 million of costs related to the refinancing of July 2013. Transaction costs, including tender premium and other fees on the new debt, amounted to €81 million, while the purchase of part of the senior secured debt maturing in 2016 and 2017 resulted into an IFRS gain reversal recognized as a non-cash expense for €76 million.

2.9.5 INCOME TAX

In 2013, the Group total income tax expense on continuing operations, including both current and deferred taxes, amounted to €41 million compared to an expense of €49 million in 2012.

The current income tax charge was notably the result of current taxes due in France, Mexico, Brazil, the UK, Poland 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 the Group's licensing activities and the local tax "CVAE".

In 2013, as a consequence of all the new rules, and taking into account updated forecasts within the French tax group and consumption of the year, French deferred tax assets remained stable compared to the deferred tax assets recognized as at previous year-end. The remaining deferred tax assets at closing date correspond to a usage by 2027, which represents the estimated predictable taxable income period of the Licensing activity based on future and existing licensing programs.

For more information, please refer to note 10 of the Group's consolidated financial statements.

2.9.6 PROFIT (LOSS) FROM CONTINUING OPERATIONS

Profit from continuing operations was a loss of €111 million in 2013, compared with a profit of €13 million in 2012, reflecting mainly the cost of the refinancing transaction.

2.9.7 PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

In 2013, Technicolor recorded a €19 million profit from discontinued operations (compared with a loss of €35 million in 2012), reflecting the early payment of a promissory note by Francisco Partners, related to the sale of the Grass Valley Broadcast business in 2010.

In 2012, the loss from discontinued operations was mainly driven by the €38.6 million fine from the European Union related to Thomson's former Cathode Ray Tubes (CRT) business, a business discontinued by the Group in 2005.

2.9.8 NET INCOME (LOSS) OF THE GROUP

Technicolor consolidated net loss was €92 million in 2013 (compared with a loss of €22 million in 2012). The net loss attributable to non controlling interests in 2013 is €5 million in 2013 (compared to a loss of €2 million in 2012). Accordingly, the net loss attributable to shareholders of Technicolor SA totaled €87 million (compared with a loss of €20 million in 2012). Stripping out the cost of the refinancing, net profit of the Group reached €69 million.

Net loss per non-diluted share was €0.26 in 2013, compared with a net loss per non-diluted share of €0.07 in 2012.

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 exclude 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 compares to the definition as per Technicolor's credit agreements and is used in calculating applicable financial covenants.

These adjustments for 2012 and 2013 are directly identifiable in the Group's consolidated financial statements, with the exception of the heading "Depreciation and Amortization" (D&A).

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 €115 million for the year 2013, 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 €37 million for the year 2012.

Reconciliation of adjusted indicators

(in million euros unless otherwise stated)	2013	2012	Change
Profit (Loss) from continuing operations before tax and net finance costs/EBIT (a)	**224**	**264**	**(40)**
Total adjustments on EBIT (b)	**(115)**	**(37)**	**(78)**
Restructuring costs, net	(68)	(29)	(39)
Net impairment losses on non-current operating assets	(31)	(10)	(21)
Other income/(expense)	(16)	2	(18)
Adjusted EBIT from continuing operations (a)-(b)	**338**	**301**	**+38**
As a % of revenues	*9.8%*	*8.4%*	*+1.4 pt*
Depreciation and amortization (D&A) [1]	199	211	(13)
Adjusted EBITDA from continuing operations	**537**	**512**	**+25**
As a % of revenues	*15.6%*	*14.3%*	*+1.3 pt*
Adjusted EBITDA of discontinued activities	1	-	-
Adjusted EBITDA used for covenants	**538**	**512**	**+26**

(1) Including impact of provisions for risks, litigation and warranties.

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

(in million euros unless otherwise indicated)	2013	2012	Change
Profit (Loss) from continuing operations before tax and net finance costs	**224**	**264**	**(40)**
As a % of revenues	*6.5%*	*7.4%*	*(0.9) pts*
of which:			
Technology	342	403	(61)
As a % of revenues	*70.5%*	*78.3%*	*(7.8) pts*
Entertainment Services	24	12	(12)
As a % of revenues	1.5%	0.7%	+0.8 pts
Connected Home	(13)	(56)	+43
As a % of revenues	*(1.0)%*	*(4.5)%*	*+3.5 pts*
Adjusted EBIT from continuing operations	**338**	**301**	**+38**
As a % of revenues	*9.8%*	*8.4%*	*+1.3 pts*
of which:			
Technology	346	400	(55)
As a % of revenues	*71.3%*	*77.8%*	*(6.5) pts*
Entertainment Services	89	26	+63
As a % of revenues	*5.5%*	*1.5%*	*+4.0 pts*
Connected Home	(2)	(34)	+32
As a % of revenues	*(0.1)%*	*(2.7)%*	*+2.6 pts*
Adjusted EBITDA from continuing operations	**537**	**512**	**+25**
As a % of revenues	*15.6%*	*14.3%*	*+1.3 pts*
of which:			
Technology	355	400	(46)
As a % of revenues	*73.2%*	*77.8%*	*(4.6) pts*
Entertainment Services	230	199	+31
As a % of revenues	*14.2%*	*11.5%*	*+2.7 pts*
Connected Home	41	1	+40
As a % of revenues	*3.0%*	*0.1%*	*+2.9 pts*

2.10 LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with Chapter 3: "Risk Factors", section 3.2: "Market Risk" of this Annual Report and notes 20, 22 and 23 to the consolidated financial statements.

2.10.1 OVERVIEW

2.10.1.1 Principal cash requirements

The principal 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 Annual Report;
- *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:* no dividends were paid in 2013 for 2012 and no dividend is planned in 2014 for 2013. The Group's debt financing documentation imposes restrictions on the Group's ability to pay dividends. For more information, please refer to section 2.10.3: "Financial Resources".

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 €307 million at December 31, 2013. In addition to the cash and cash equivalents, €40 million in cash collateral and security deposits was outstanding at December 31, 2013 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 section 2.10.3: "Financial Resources";
- *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:* the Group has three secured credit lines for a total amount of €241 million. Two of the credit lines for an amount of €141 million are secured by trade receivables and the availability of these lines varies depending on the amount of receivables.

The Board of Directors considered the Group's cash flow projections, which support the operating performance, with the sensitivities highlighted in note 13 of the consolidated financial statements and believes that the Group can meet its expected cash requirements, address potential financial consequences of ongoing litigation until at least December 31, 2014.

2.10.2 CASH FLOWS

(in million euros)	2013	2012
Cash and cash equivalents at January 1	**397**	**370**
Net operating cash generated from continuing activities	306	259
Net operating cash used in discontinued operations	(39)	(6)
Net cash from operating activities (I)	**267**	**253**
Net investing cash used in continuing activities	(111)	(137)
Net investing cash used in discontinued operations	27	(5)
Net cash used in investing activities (II)	**(84)**	**(142)**
Net financing cash used in continuing activities	(248)	(73)
Net financing cash used in discontinued operations	-	-
Net cash used in financing activities (III)	**(248)**	**(73)**
Net increase (decrease) in cash and cash equivalents (I+II+III)	**(65)**	**38**
Exchange gains (losses) on cash and cash equivalents	(25)	(11)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**307**	**397**

Net cash generated from operating activities

Net cash generated from operating activities was €267 million in 2013, compared with €253 million in 2012.

Continuing operations

In 2013, net income from continuing operations deteriorated significantly compared to 2012 reaching a net loss of €111 million, compared to a net gain of €13 million in 2012. Net operating cash generated from continuing operations improved however to €306 million in 2013, compared with €259 million generated in continuing operations in 2012.

The variations between 2012 and 2013 are analyzed in the table below:

(in million euros)	2013	2012	Variation	Comments on variations
Profit (Loss) from continuing operations	**(111)**	**13**	**(124)**	**Mainly due to costs related to the Group's refinancing in July 2013**
Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations				
Non-cash depreciation, amortization and impairment of assets	231	235	(4)	
Profit from continuing operations prior to depreciation, amortization and impairment of assets	**120**	**248**	**(128)**	
Cash payments of the period related to provisions	(89)	(102)	+13	Mainly pension and restructuring payments in 2012 and 2013.
Non-cash P&L impact of the period of provisions	107	27	+80	Higher restructuring accruals in 2013 for €42 million and lower pension reserve variation mainly due to pension curtailment gain in 2012 for €45 million.
Other various adjustments	301	248	+53	Various adjustments including net interest expense, changes in working capital and other non-cash items. In 2013 includes the transfer in financial activities of the debt refinancing fees for €81 million.
Cash generated from continuing operations	**439**	**421**	**+18**	
Net interest paid and received	(80)	(113)	+33	
Income tax paid	(53)	(49)	(4)	
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES	**306**	**259**	**+47**	

Discontinued operations

Net operating cash used in discontinued operations was €39 million in 2013, compared with €6 million in 2012.

Net cash used in investing activities

Net cash used in investing activities was €84 million in 2013, compared with €142 million in 2012.

Continuing operations

Net investing cash used in continuing activities was €111 million in 2013, compared with €137 million in 2012, and included:

- net capital expenditures amounted to €114 million in 2013, compared with €147 million in 2012, due to cash expended relating to tangible and intangible capital expenditures of €115 million in 2013 (compared with €149 million in 2012), net of cash received from tangible and intangible asset disposals of €1 million in 2013 (compared with €2 million in 2012). In 2013, gross capital expenditure was €12 million in the Technology segment, which included the development of the projects and initiatives, €64 million in the Entertainment Services segment reflecting the Group's investments in Digital Creative Services production facilities and DVD Services replication facilities and €38 million in the Connected Home segment mainly due to capitalized R&D projects;

- cash outflow for the acquisition of equity holdings in subsidiaries (net of cash acquired), amounting to €8 million in 2013, compared with €10 million in 2012. In 2013, it corresponded mainly to the acquisition of Village Roadshow and Indoor Direct interests. In 2012, it corresponded mainly to the acquisition of assets from Quinta and Indoor Direct interest;
- proceeds received from sales of equity holdings, amounted to €6 million in 2013, compared with €17 million in 2012 (net of the cash of companies disposed of). In 2013, it corresponded to the net sale proceeds of the investment in Novaled and in 2012 to the disposal of Broadcast Services;
- net variation of cash collateral and security deposits (to secure the Group's obligations) generated a net cash inflow of €5 million in 2013 (compared with a net cash inflow of €4 million in 2012).

Discontinued Operations

Net investing cash in discontinued operations was a cash inflow of €27 million in 2013, compared with €5 million of cash used in 2012, related mainly to the proceeds received from Francisco Partner following an agreement in 2013 on a Promissory Note issued when the Grass Valley Broadcast business was sold to Francisco Partners in 2010.

Net cash used in financing activities

Net cash used in financing activities amounted to €248 million in 2013, compared with €73 million used in 2012.

Continuing operations

Net financing cash used in continuing activities was €248 million in 2013, compared with €73 million used in 2012.

The net cash used in 2013 was primarily to repay borrowings for a net amount of €122 million consisting of (i) debt repayments of €965 million, primarily €57 million of normal scheduled debt repayments, €67 million of prepayments and €838 million which was refinanced and (ii) proceeds from the issuance of new debt in the amount of €843 million.

In addition to the net repayments of borrowings for €122 million, net financing cash included costs related to the refinancing transaction of €131 million.

Discontinued operations

No financing cash was used by discontinued operations in 2013 and 2012.

2.10.3 FINANCIAL RESOURCES

Gross financial debt totaled €1,022 million (IFRS value) at the end of 2013, compared with €1,115 million at the end of 2012. At December 31, 2013, financial debt consisted primarily of €239 million of term loans issued in May 2010 as part of the Group's debt restructuring and €750 million of term loans issued in the refinancing of July 2013. At December 31, 2012, financial debt consisted primarily of €435 million of notes and €659 million of term loans, both issued in May 2010. Financial debt due within one year amounted to €86 million at the end of 2013, compared with €96 million at the end of 2012.

The private placements and the borrowings restructured in 2010 in accordance with the *Sauvegarde* Plan were largely refinanced in July 2013, with the impact of reducing the total amount of debt, reducing the average interest rate and extending the maturity.

At December 31, 2013 the Group had €307 million of cash and deposits, compared with €397 million at December 31, 2012.

For more detailed information on the restructuring and the Group's debt, please refer to note 22 to the Group's consolidated financial statements.

The table below summarizes Technicolor's net financial debt at December 31, 2013.

	Type of interest rate	Amount at December 31, 2013 *(in million euros)*	First maturity [1]	Existence of hedges
Term Loans (Non-amortizing tranche)	Floating	184	2017	Yes
Term Loans (Amortizing tranche)	Floating	805	2014	Yes
Other non-current debt	Various	10	2015	No
Other current debt	Various	23	2013	No
TOTAL DEBT		**1,022**		
Available cash and deposits	Floating	307	0 to 1 month	No
Committed credit facilities [2]	Floating	241		
TOTAL LIQUIDITY		**548**		

(1) Please refer to note 22.3 for a maturity schedule of the Group's debt.
(2) Availability varies depending on the amount of receivables (please refer to note 22.3 (f)).

Sauvegarde Plan

On January 28 and March 9, 2009, the Company announced that when the 2008 audited consolidated financial statements would become available, it would be in breach of certain covenants contained in financial agreements under which the Company had borrowed substantially all of its outstanding senior debt, *i.e.* approximately €2.8 billion (the senior debt).

The Group then entered into discussions to restructure its senior debt. On November 30, 2009, the Company requested that the Commercial Court of Nanterre open a *Sauvegarde* proceeding. On February 17, 2010, the Commercial Court of Nanterre approved the *Sauvegarde* Plan. The principal characteristics of the debt restructuring under the *Sauvegarde* Plan were as follows:

- a conversion of up to an aggregate principal amount of €1,289 million (on the basis of the exchange rate set out in the *Sauvegarde* Plan, *i.e.* U.S.$1.30/€1.00 and €1.1/£1.00) of the senior debt into securities by way of:
  - a share capital increase in cash through the issuance of new shares, while maintaining the preferential subscription rights *(droits préférentiels de souscription)* of shareholders (subject to rules relating to public offerings that restrict participation by investors in certain countries including the United States) in up to a maximum amount of approximately €348 million (including share premium);
  - the issuance of Notes Redeemable in Shares of the Company (the NRS), reserved for the senior creditors, for an aggregate principal amount of up to €641 million, with the Company's existing shareholders having the opportunity to purchase such NRS up to an amount of approximately €75 million pursuant to warrants to purchase NRS (subject to rules relating to public offerings that restrict participation by investors in certain countries including the United States);
  - the issuance of notes redeemable in cash or shares of the Company (Disposal Proceeds Notes, or the DPN), linked to the disposal proceeds of certain non-core assets of the Company, reserved to the senior creditors up to an aggregate principal amount of €300 million, which was reduced by €48 million of disposal proceeds received before the closing of the restructuring.
- the execution of a new term loan facility and the issuance of new notes which would allow the repayment of up to an aggregate principal amount of €1,550 million of senior debt (on the basis of the exchange rate set out in the *Sauvegarde* Plan, *i.e.* U.S.$1.30/€1.00 and €1.1/£1.00).

The principal characteristics of the new shares, the NRS, the DPN and the Reinstated Debt (as defined below) implemented in accordance with the *Sauvegarde* Plan are described below under "Description of indebtedness" and "New Shares, NRS and DPN", as well as in notes 22.2 and 22.3 to the Group's consolidated financial statements.

July 2013 Refinancing

Technicolor's Reinstated Debt was refinanced in 2013 with the issuance of new term loans that closed on July 11, 2013. In the framework of this refinancing Tech Finance & Co. SCA, a special purpose vehicle incorporated in Luxemburg that is consolidated by Technicolor ("Tech Finance") but in which Technicolor holds no interest, launched offers to purchase the Reinstated Debt (the "Offers to Purchase"). As a result of the Offers to Purchase, Tech Finance acquired 61% of the total participations under the credit agreement loans and over 99% of the private placement notes for, respectively at nominal value, €358 million, $689 million and £14 million (€905 million at a rate of U.S.$1.30/€1.00 and £0.85/€1.00). The €905 million of participations and notes represent an IFRS amount of €829 million net of the IFRS adjustment of €76 million that was recognized when the Reinstated Debt was initially accounted for at its fair value in 2010. The €905 million of participations and notes are eliminated in the consolidation process of Technicolor.

Pursuant to the July 2013 refinancing, Tech Finance entered into a new term loan facility and borrowed $830 million and €200 million at nominal value (the "New Debt" amounting to €838 million at a rate of $1.30/€1.00). The Reinstated Debt not tendered in the Offers to Purchase, amounted to €192 million and $116 million at nominal value (approximately €282 million at a rate of $1.30/€1.00).

In February 2014, Technicolor refinanced €181 million ($75 million and €126 million) of its Reinstated Debt maturing in 2016 and 2017 through a cashless exchange into the New Debt maturing in 2020 on terms identical to those of the New Debt issued in July 2013. In addition, Technicolor announced that it expects to fully reimburse the remainder of its Reinstated Debt (€85 million) out of cash by the end of April 2014.

In addition, Technicolor put in place a new €100 million revolving credit facility (the "RCF") at the level of its 100% owned subsidiary Thomson Licensing, which matures in 2018.

Description of indebtedness

The following contains an overview of the terms of the Group's New Debt, Reinstated Debt and RCF.

Overview

In the framework of the July 2013 refinancing, Technicolor raised New Debt in the amount of €838 million and amended the terms and conditions of the Reinstated Debt (consisting of the Credit Agreement and the Note Purchase Agreement). In particular all of the restrictions and other limitations of the Reinstated Debt were aligned on those of the New Debt described below. The financial covenants of the Reinstated Debt were eliminated. The financial terms of the New Debt and the remaining Reinstated Debt can be found in note 22 to the Group's consolidated financial statements.

Security Package

The security package of the Reinstated Debt was not amended in the 2013 refinancing. A security package consisting of share pledges, pledges of certain receivables under material customer contracts, pledges of material intra-group loans and pledges of material cash-pooling accounts secures the borrower's and each guarantor's obligations under the Credit Agreement and Note Purchase Agreement. Tech Finance, as a holder of the Reinstated Debt benefits from this security package on behalf of the creditors of the New Debt.

The New Debt and the RCF benefit from a security package (the "new security package") consisting of share pledges and pledges of certain intra-group loans and bank accounts. Upon the final repayment of the Reinstated Debt, the new security package will be modified and extended to include additional share pledges, pledges of material cash-pooling accounts as well as pledges on additional intra-group loans.

Mandatory Prepayments under the Reinstated Debt

The mandatory prepayment conditions of the Reinstated Debt were not amended in the 2013 refinancing. The Company is required to prepay the outstanding Reinstated Debt 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 Reinstated Debt, on the understanding that this undertaking does not apply to the disposal of certain assets, the proceeds of which will be used during the year to finance capital expenditures;
- *equity issuances:* at least 80% of the net proceeds received in respect of any new equity issuances will be applied to repay the outstanding Reinstated Debt;
- *excess cashflow:* means 80% of:
  - the Group's cashflow which comprises (i) the aggregate of net cash from operating and investing activities, plus (ii) the aggregate of cash paid for acquisitions and marketable securities, interest paid, and loans granted to third parties, less (iii) the aggregate of cash proceeds from sales of marketable securities, net disposal proceeds, net insurance proceeds, interest received, loans reimbursed by third parties and net income of subsidiaries or joint ventures which cannot distribute such income to the Company due to legal or contractual prohibitions,
  - less total funding costs, which comprise the aggregate of interest paid during the year plus all scheduled repayments of debt (including the Reinstated Debt) and all voluntary or mandatory prepayments of the Reinstated Debt during the year.

The Company's excess cashflow (which is defined above) will be applied to prepay the Reinstated Debt;

- *change of control:* upon the occurrence of a change of control in the Company, all advances under the Credit Agreement and the outstanding principal amount of the Notes, together with any other outstanding amounts under the Reinstated Debt, will become immediately due and payable; and
- *other:* net proceeds in respect of any payment or claim under any insurance policy or issuance of subordinated debt in connection with any refinancing, shall in each case be applied to the repayment of the Reinstated Debt.

Mandatory Prepayments under the New Debt

The Company is required to prepay the outstanding New Debt in certain circumstances, including the following:

- *asset dispositions:* 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 New Debt unless the proceeds are reinvested in assets useful for its business within 365 days.
- *excess cashflow:* means:
  - the Group's cashflow which comprises the aggregate of net cash from operating and investing activities, minus (i) committed amounts under binding contracts to be paid for investments or capital expenditures in the next twelve months, plus (ii) the amount deducted from cashflow in (i) for the previous year, less (iii) cash proceeds from sales of marketable securities, plus (iv) cash payments for purchases of marketable securities, minus (v) net proceeds from asset dispositions and from casualty events required to prepay the New Debt, minus (vi) interest received, plus (vii) interest paid, plus (viii) loans granted to/minus loans reimbursed by third parties and minus (ix) any profit in cash flow in a subsidiary or joint venture which cannot be distributed,

- less total funding costs, which comprise the aggregate of interest paid during the year plus all scheduled repayments of debt (including the Reinstated Debt and New Debt) and all voluntary or mandatory prepayments of the Reinstated Debt and New Debt during the year,

In respect of 2013 and subsequent financial years, a percentage of the Company's excess cashflow (which is defined above) will be applied to prepay the New Debt. The applicable percentage depends on the leverage ratio of the Group:

Leverage Ratio	%
> 1.50	75%
= or < 1.50	50%
= or < 0.75	25%;

- *change of control*: upon the occurrence of a change of control in the Company (see "Change of Control Provisions" above), all term loans under the New Debt will become immediately due and payable; and
- *other*: net proceeds in respect of any payment related to a Casualty Event, shall in each case be applied to the repayment of the New Debt subject to certain minimum thresholds.

Voluntary Prepayments

Under the terms of the Reinstated Debt, the Company is, at its election, able to prepay all or part of its advances under the Credit Agreement and any principal amount of the Notes, including any make whole payment, under the Note Purchase Agreement.

Under the terms of the New Debt, the Company is at its election able to prepay all or part of its outstanding term loans provided however that all voluntary prepayments on or prior to the first anniversary of the closing will be accompanied by a fee equal to 2% of the amount of such prepayment and during the period after the first anniversary until the date that is 24 months after the closing, will be accompanied by a fee equal to 1% of such prepayment.

Summary of repayments

The table below summarizes the payments as described above on the Reinstated Debt and New Debt by type of payment:

(in million euros)	2013	2012
Start of period (cumulative)	**326**	**81**
Normal scheduled principal repayments	57	58
Payments following 2011 excess cashflow	-	25
Mandatory prepayments from disposals	-	17
Mandatory prepayments from capital increases	-	145
Voluntary prepayments in the framework of the refinancing of the Reinstated Debt	67	-
End of period (cumulative)	**450**	**326**

Covenants

The New Debt contains a single affirmative financial covenant which requires that the total gross debt be no more than 3.50 times EBITDA on a trailing twelve month basis ("new leverage covenant") on June 30 and December 31 of each financial year.

The RCF contains a single affirmative financial covenant that requires that total net debt be not more than 2.25 times EBITDA on a trailing twelve month basis ("RCF leverage covenant"). This covenant is only applicable if there is a drawing under the RCF on June 30 or December 31 of each financial year.

The total gross and net debt of these two covenants are calculated on the basis of the entire Group perimeter.

For the purposes of the covenants, EBITDA means the IFRS amounts for the entire Group of "Consolidated profit before tax and net finance costs" before "Other income (expense)" and excluding the impact (to the extent otherwise included in consolidated profit) of:

- depreciation, amortization and impairment of assets;
- transaction costs (related to the refinancing);
- restructuring costs;
- fair value adjustments;
- changes in provisions;
- any gain or loss against book value arising on the disposal (not made in the ordinary course of trading) or revaluation of any asset; and
- extraordinary and exceptional items.

New leverage covenant

Total gross debt of the Group at December 31, 2013 must be no more than 3.50 times the EBITDA of the Group for the twelve months ending December 31, 2013. For the calculation of the gross debt, the nominal debt of the Group is used and the debt in foreign currencies is valued at the closing exchange rate at December 31, 2013. At December 31, 2013, the calculation of these financial covenants was as follows:

- Gross Debt €1,091 million
- EBITDA €538 million
- ratio Gross Debt/EBITDA 2.03:1.00

Since 2.03 is less than the maximum allowed level of 3.50, the Group meets this financial covenant.

RCF leverage covenant

Since the Group had no drawings outstanding under the RCF at December 31, 2013 this covenant does not apply.

Other Restrictions of New Debt and Reinstated Debt

In addition to certain information provision covenants, the agreements governing the New Debt and the Reinstated Debt include certain negative covenants that restrict the ability of the Company and certain of its subsidiaries to undertake various actions. These negative covenants restrict the ability of the Company and certain of its subsidiaries, subject in each case to certain exceptions and limitations, to (among other things):

- create or grant security interests that secure financial indebtedness or other obligations of the Group on any of its present or future assets;
- incur additional financial indebtedness:
  - in excess of €50 million for capital leases,
  - in excess of the greater €250 million or 50% of EBITDA for credit facility debt,
  - for subsidiaries other than Thomson Licensing SAS, in excess of €50 million (excluding credit facilities and capital leases),
  - for Technicolor SA if the ratio of EBITDA to fixed charges is above a certain ratio,
  - for Thomson Licensing SAS: no additional indebtedness allowed except for drawings on the RCF, excluding certain permitted financial indebtedness including, among others, the refinancing of the Reinstated Debt;
- enter into interest rate or currency hedging agreements other than for non-speculative purposes;
- enter into material transactions or arrangements with affiliates for an amount in excess of €20 million unless on an arms-length basis and if greater than €40 million approved by the Board of Directors;
- make restricted payments, if certain ratios are not met, in a cumulative amount over the life of the New Debt greater than €125 million, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- make investments in joint ventures not controlled by the Group except to the extent the Group's consolidated leverage ratio is under a threshold which rises over time and subject to a cumulative €100 million basket over the life of the New Debt and with certain carve-outs;
- amalgamate, merge or consolidate with or into any other person except if this other person is controlled by the Group;

The investments made by the Group (see note 31 (b) for further information) in 2013 were in full compliance with the restrictions described above.

Other Restrictions of the RCF

In addition to certain information provision covenants, the agreement governing the RCF includes certain negative covenants that restrict the ability of Thomson Licensing SAS and Technicolor SA to undertake various actions. These negative covenants restrict their ability, subject in each case to certain exceptions and limitations (among other things):

- to substantially change the general nature of the business of Thomson Licensing SAS or of the Technicolor Group taken as whole;
- for Thomson Licensing SAS to make distributions.

Change of control provisions

Under the terms of the documentation of the Reinstated Debt, the New Debt and the RCF, the outstanding principal amounts under these instruments will become immediately due and payable upon an occurrence of a change of control in the Company.

Intercreditor Agreement

To establish the relative rights of certain of their creditors under the Reinstated Debt, the Company and the guarantors entered into an Intercreditor Agreement with the lenders under the Credit Agreement, the holders of the Notes, each holder of the DPN, certain intra-group lenders, certain intra-group debtors and a security trustee (the Intercreditor Agreement). Likewise to establish the relative rights of certain of their creditors under the New Debt and the RCF, the Debt Parties, the agents representing the lenders under the New Debt and RCF agreements and the collateral agent also entered into an intercreditor agreement (the "New Intercreditor Agreement").

Events of Default

The Reinstated Debt, New Debt and the RCF also contain certain events of default, the occurrence of which provides creditors with the ability to immediately demand payment of all or a portion of the outstanding amounts. These events of default apply in whole or in part to Technicolor SA, Thomson Licensing SAS, Technicolor International SAS and Tech Finance as parties to one or more of the Reinstated Debt, the RCF, the New Debt and related intragroup borrowings and lendings.

Collectively these Technicolor entities and Tech Finance are referred to as the "Debt Parties".

The events of default pursuant to these debt instruments include, among other things, and subject to certain exceptions and grace periods:

- non-payment of any amount due under the debt instruments or any permitted hedging agreements;
- failure by the Debt Parties or any of the guarantors to comply with its material obligations and undertakings, including the financial covenants, of the debt instrument(s) to which it is party;
- certain events of insolvency;
- any auditor's report qualification made to the Debt Party's ability to continue as a going concern or the accuracy of the information given;
- failure by any Debt Party or any guarantor to comply with the material obligations under the intercreditor agreements of the Reinstated Debt and of the New Debt;
- non-payment of any financial indebtedness of any Group Member in excess of €25 million;
- default under any other financial indebtedness of any Group Member in excess of €25 million that gives the relevant creditor or creditors the right to accelerate the date for payment of such indebtedness;
- creditors' proceedings for any assets in excess of €25 million that are not discharged within 60 days;
- any security enforcement of Debt Parties or certain other material subsidiaries or group of subsidiaries in excess of €25 million that is not set aside within a maximum of 60 days;
- change of control; and
- any event which has a material adverse effect on Technicolor or the guarantors taken as a whole under the Reinstated Debt documentation or on Technicolor or Thomson Licensing under the RCF.

Committed Credit Facilities

As permitted under the Reinstated Debt and New Debt agreements, the Company entered into two committed receivables facilities pursuant to which it can borrow up to €141 million and a new €100 million revolving credit facility. For more information about these credit facilities, please refer to note 22.3 (f) to the consolidated financial statements.

New shares, NRS, DPN

New shares

On May 26, 2010, the Company proceeded with a capital increase with shareholders' preferential subscription rights, in an amount (including the share premium) of €348 million through the issuance of 526,608,781 new shares at a subscription price of €0.66 per share, corresponding to an issue premium of €0.56 per share. On July 15, 2010 the Company effected a 10 for 1 reverse share split and thus the number of these new shares was reduced by a factor of 10 to 52,660,878.

The subscription for the new shares was reserved in priority to the Company's existing shareholders and to third parties having purchased preferential subscription rights in the market from the company's existing shareholders. The new shares could be subscribed on a *pro-rata* and over-subscription basis *(à titre irréductible et à titre réductible)* on the basis of two new shares for one existing share held in the Company. €203 million of the €348 million capital increase was subscribed by shareholders on exercise of their preferential subscription rights.

All of the new shares which were not subscribed by the Company's existing shareholders or third parties having purchased preferential subscription rights on the market were subscribed by the Senior Creditors in accordance with a subscription agreement as stipulated in the *Sauvegarde* Plan, *pro-rata* to the amount of their debt claims against the Company.

The subscription price of the New Shares was paid by the senior creditors by way of set-off against their due and payable debt claims against the Company.

NRS

On May 26, 2010, the Company issued NRS for an amount of €638 million, entitling their holders to receive approximately 97 million shares of the Company taking into account the 10 for 1 reverse share split that occurred on July 15, 2010.

The NRS were redeemed in ordinary shares of the Company on December 31, 2010 (NRS I), December 31, 2011 (NRS II and NRS IIC and remaining portion of NRS I subject to a deferral request) and December 31, 2012 (remaining portions of NRS II and IIC subject to a deferral request), in accordance with the timetable and terms communicated at issuance.

For more information about the NRS, please refer to note 19.1 to the consolidated financial statements.

DPN

On May 26, 2010, the Company issued DPN redeemable in cash or shares of the Company on December 31, 2010 for a net amount of €261 million (€309 million, converted at the May 26, 2010 exchange rate, net of the €48 million of existing disposal proceeds).

On December 31, 2010, the DPN (including interest) were fully redeemed through a cash payment of €52 million (including the proceeds from the disposal of Screenvision U.S.) and through the issuance of 50 million new shares.

Deeply subordinated perpetual notes

The Group's financial debt of €1,022 million (IFRS value) as of December 31, 2013, excludes the 5.75% (5.85% yield to first call date) €500 million deeply subordinated perpetual notes ("TSS") issued in September 2005. Because of their perpetual and subordinated nature and the optional nature of the coupon, these notes are recorded in shareholders' equity under IFRS for the net value received of €492 million (representing the issue price minus the offering discount and fees).

The notes are perpetual and have no stated maturity date; they may, however, be redeemed at the Company option under certain conditions, in particular (i) on or after September 25, 2015, (ii) at any time in the event of a change of control of Technicolor or (iii) as a result of certain tax reasons. These notes provide that if there is a change of control and as a result, the rating for the Company's senior unsecured obligations is downgraded by one full notch by either Moody's Investors Services Inc. (Moody's), or Standard and Poor's (S&P) such that the reduction results in a rating below Baa3 by Moody's or BBB- by S&P, Technicolor may redeem the notes without penalties.

Pursuant to the terms of the *Sauvegarde* Plan, Technicolor paid €25 million to the holders of the deeply subordinated perpetual notes in definitive redemption of their interest claims under the notes.

On February 17, 2010 the Nanterre Commercial Court approved the proposed *Sauvegarde* Plan after ensuring it protected the interests of all creditors and offered a "viable solution" for the continuation of the Group. The Court judgment was appealed before the Versailles Court of Appeal on February, 23, 2010 by a number of the holders of the Company's TSS. The Versailles Court of Appeal, on November 18, 2010, and the French Supreme Court *(Cour de cassation)*, on February 21, 2012, dismissed the claims of the TSS holders and confirmed the validity of Technicolor's *Sauvegarde* Plan. For more information about the TSS instruments, please refer to note 19.3 of the Group's 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 €356 million at December 31, 2013 compared with €388 million at December 31, 2012. For more information on the Group's reserves for post-employment benefits, please refer to note 25 of the Group's consolidated financial statements.

Liquidity risk

For more information about the Group's liquidity risk, please refer to note 23.3 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 B rating with stable outlook to Technicolor, Thomson Licensing SAS and the debt issued by Tech Finance & Co. SCA (the New Debt) and a CCC+ rating with stable outlook to the term loans issued in 2010 by Technicolor SA (the Reinstated Debt).

Moody's attributes a B3 rating with stable outlook to Technicolor and to the debt issued by Tech Finance & Co. SCA (the New Debt).

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

2.11 PRIORITIES AND OBJECTIVES FOR 2014

- Adjusted EBITDA between €550 million and €575 million;
- Group Free Cash Flow between €180 million and €200 million, notwithstanding higher cash restructuring charges compared with 2013;
- Positive net income;
- Net debt to Adjusted EBITDA ratio below 1.2x at end December 2014.

3 RISK FACTORS

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 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 Annual Report) and notes 3.1, 3.3, 12, 13, 16, 22, 23, 24, 25, 26 and 33 to the consolidated financial statements.

3.1 RISK RELATED TO THE FINANCIAL STRUCTURE

RISKS RELATED TO INDEBTEDNESS

Risks related to indebtedness principally result from:

- the substantial level of indebtedness of the Group;
- the financial covenant set out in the New Debt as defined below;
- the operational covenants set out in the debt documentation; and
- certain mandatory prepayment provisions of the New Debt agreement, which require the Group to use a large portion of any excess cash flow to prepay outstanding New 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 the New Debt, the RCF and the Committed Receivables Facilities (as defined below).

The Group has a substantial amount of debt and significant debt servicing obligations. In the framework of the July 2013 refinancing, Technicolor raised new debt consisting of term loans in the amount of €838 million (the "**New Debt**") and amended the terms and conditions of the reinstated debt consisting of private placement notes and loans under a credit agreement and a note purchase agreement entered into on May 26, 2010 (the "**Reinstated Debt**"), and put in place a new €100 million revolving credit facility (the "**RCF**") at the level of its 100% owned subsidiary Thomson Licensing.

At December 31, 2013, the Group had €1,091 million of total nominal debt consisting primarily of Reinstated Debt and of New Debt (corresponding to €1,022 million of balance sheet debt, taking into account the fair value adjustment under IFRS and on the basis of the exchange rates as of December 31, 2013).

The Group has two committed receivables facilities (the "**Committed Receivables Facilities**") under which it may borrow up to €195 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 Annual Report and note 22.3 (f) to the consolidated financial statements.

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

- requires the Group to dedicate a large portion of any excess cash flow towards repayment of outstanding New Debt, thereby reducing the availability of cash flow to fund working capital requirements (please refer to the risk factor below entitled "The terms of the New Debt require the Group to use a large portion of any excess cash flow and the proceeds of certain transactions to repay outstanding New Debt."). The amount of the New Debt as well as the new covenant provisions have been determined on the basis of their compatibility with the operating and financial performance prospects of the Group in June 2013;
- increases the Group's vulnerability to adverse general economic conditions and industry developments;
- may limit the Group's flexibility in planning for, or reacting to, changes in the business and the industries in which the Group operates;
- limits 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 severely limit the Group's ability to grow its business.

The New Debt and the RCF contain covenants that require the Group to meet certain financial tests and impose limitations and restrictions on its ability to operate its business:

The terms of the New Debt and RCF significantly increased the Group's strategic flexibility compared to those of the Reinstated Debt; for further details on the covenants see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" of this Annual Report and note 22.3 (g) to the consolidated financial statements.

- *Leverage covenant:* The New Debt contains a single affirmative financial covenant which requires that the total gross debt be not more than 3.50 times EBITDA on a trailing twelve month basis on June 30 and December 31 of each financial year;
- *RCF covenant:* The RCF contains a single affirmative financial covenant that requires that total net debt be not more than 2.25 times EBITDA on a trailing twelve month basis. This covenant is only applicable if there is a drawing under the RCF on June 30 or December 31 of each financial year.

For further information on the terms of these covenants, see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" of this Annual Report. A large number of factors, many of which are outside the control of the Company (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 terms of the New Debt, RCF and of the Committed Receivables Facilities include 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 a certain cumulative amount over the life of the New Debt, 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 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 over the life of the New Debt 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 New Debt and the RCF which, absent a waiver from the senior creditors, would provide the senior creditors with the right to declare the New Debt and the RCF advances that are outstanding at the time of any default (plus accrued interest, fees and other amounts due hereunder) immediately due and payable.

A breach of the obligations under the Committed Receivables Facilities 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 New Debt and the RCF 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 New Debt, the RCF and/or the Committed Receivables Facilities if they were to become payable following the occurrence of an event of default hereunder.

The terms of the New Debt require the Group to use a large portion of any excess cash flow and the proceeds of certain transactions to repay outstanding New Debt.

Under the mandatory prepayment terms of the New Debt documentation, which were not amended in the refinancing, the Group is required to apply funds towards the repayment of outstanding New Debt 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 New Debt unless the proceeds are reinvested in assets useful for its business within 365 days;

- *excess cash flow:* in respect of 2013 and subsequent financial years, a percentage of the Company's excess cash flow will be applied to prepay the New Debt. The applicable percentage depends on the leverage ratio of the Group, and ranges from 25% to 75%. Excess cash flow is defined for purposes of the New Debt 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 New Debt during the year);
- *change of control:* 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"), all term loans under the New Debt will become immediately due and payable; and
- *other:* net proceeds in respect of any payment related to a casualty event (giving rise to insurance reimbursements or condemnation awards) shall in each case be applied to the repayment of the New Debt subject to certain minimum thresholds.

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

3.2.1 RISK OF INTEREST RATE FLUCTUATIONS

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

Technicolor 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 23.2 to the consolidated financial statements of this Annual Report 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 2013, 46.6% 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 2013, the U.S. dollar depreciation compared to the euro was limited and exchange rate fluctuations of all currencies had a negative impact of €4 million on the Group's profit/(loss) from continuing operations before tax and net finance costs, mainly due to a depreciation of the Brazilian real compared to the euro. 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 appreciates 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 have 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 production 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 23.1 to the consolidated financial statements.

3.2.3 RISKS RELATED TO LIQUIDITY

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

Technicolor's access to financial markets was significantly impacted by the deterioration of its financial situation in 2008-2009 and the *Sauvegarde* proceeding but the debt restructuring in 2010, the capital increases in 2012 and the improvement in its financial results have allowed the Group to improve its access to the financial markets and refinance its debt in 2013. Moreover the Group has been able to extend its committed receivables-back credit facilities to 2016 and put in place a new committed facility maturing in 2018. Nevertheless, should the Group's financial situation deteriorate, access to the financial markets could again be limited. See note 23.3 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", notes 20, 22 and 23 to the consolidated financial statements of the Group, 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. For the fair value of interest rate caps, the marked-to-market value determined by independent financial institutions is used. 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 long-term portion of the Reinstated 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, 2013, see note 21.2 to the consolidated financial statements. See also note 23.6 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 notes 22 and 23 to the consolidated financial statements.

3.3 RISKS RELATED TO THE BUSINESS

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 and 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 and 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 example, the DVD Services businesses within the Entertainment Services Segment depend on relationships with a number of major motion picture Studios, with which the Group generally negotiates multi-year contracts. The top five Studio or game producer customers accounted for approximately 65% of the revenues of the Entertainment Services segment and 30% of the Group's consolidated revenues in 2013. A large proportion of the revenues of the Connected Home segment is generated from long-term contracts with various network operators. The top five customers in the Connected Home segment accounted for approximately 63% of the segment's revenues in 2013 and approximately 24% of the Group's consolidated revenues in 2013. Overall the Group's 10 largest customers accounted for 61% of the Group's consolidated revenues in 2013. 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.

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 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 has implemented 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 Annual Report). 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 and Entertainment industry is characterized by rapid change and technological evolution. The markets for the Group's technologies, products and services are defined 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 speed of development of Blu-ray™ technology in the DVD Services business as compared with standard DVD technology, the increasing prevalence of digital media in cinema and in the production and postproduction of entertainment content, including, among others, animation, visual and audio effects and color enhancement, and the development of on-demand and multiscreen media consumption. These trends will determine 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. Since the future growth of the Group's business will in part depend upon the growth of, and the Group's successful participation in, new and existing markets for the Group's technologies, products and services, such as digital content creation, digital entertainment consumption or consumer life services, if the Group's products, services and technologies do not adequately meet the demands of consumers and of the Group's customers, there may be no or limited market acceptance of the products, services and technologies the Group offers.

The Group's expectations regarding industry developments will also affect the way in which the Group adapts its business, investment policy and cost structure particularly given that certain of our business lines are expected to experience declining demand in the future. If the Group's scenarios regarding future trends or the pace of change are inaccurate or if the Group is unable to develop new products, services, and technologies that adequately or competitively address the needs of the changing marketplace in a timely manner, this could have a material adverse effect on the Group's business results of operations and financial condition.

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 its market forecasts and mid-term scenarios. The Group also invests and participates in organizations that set technology standards. Finally, the Group also emphasizes customer relationship management as a mean to mitigate this risk.

3.3.3 RISKS RELATED TO CHANGES IN THE LICENSING BUSINESS

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

The Group derives significant revenues and profits from the licensing of its patents to product manufacturers that incorporate the Group's patented technologies in their products. The Group's Licensing revenues accounted for 14% of the Group's consolidated revenues in 2013 and the Technology segment, which primarily reflects the Group's Licensing activities, accounted for 66% of the Group's adjusted EBITDA from continuing operations in 2013.

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.

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, 2013, the Group's patent portfolio included approximately 39,800 patents and applications worldwide and approximately 61% of this patent portfolio had a remaining term of over 10 years.

Revenues from the Motion Picture Experts Group (MPEG) LA Licensing pool in respect of MPEG 2 technology contributed 53% of Licensing revenues in 2013, compared with 54% in 2012. Revenues derived from this Licensing pool are recorded in the Technology segment. The Group expects to receive its final royalties from the MPEG LA pool in 2016 once the patent pool is dissolved at the end of 2015. If the Group is unable to enter licensing agreements to replace existing sources of revenues derived from expiring patents, including those held by dissolving patent pools, the Group's results of operations will be materially adversely 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 and 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 many of 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 price competition and, although the Group has leading positions in many of its market segments, competing businesses 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 content 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, thereby decreasing the market share of current market participants. While the Group seeks to innovate and differentiate its products and services, as well as to design, build and source its products and their components in such a way as to minimize the effects of these risks, there can be no assurance that the Group will not be adversely affected by new or existing competitors.

In order to identify changing market conditions and minimize the exposure to related risks, the Group develops models to identify trends and key factors to summarize trends and risks to map the industry and Technicolor's position therein, to create options for each scenario, and generate a series of indicators to manage and adapt the strategy and priorities.

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

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 casings 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. 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 Manufacturer 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 DVDs and Blu-ray™.

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 and the DVD Services business, 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 products and service liability 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 in defending and settling product liability claims.

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 operating difficulties, Intellectual Property infringement, 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 currently may include, without limitation, increasing the patent portfolio in the Technology segment, developing targeted complementary sales opportunities in the Entertainment Services segment and participating in industry consolidation in the Connected Home segment. 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.

Such transactions may give rise to a variety of risks, including, among others: continued protection of the Group's Intellectual Property rights; information security vulnerabilities; diversion of management time and focus from operating the Group's business to transaction execution and integration challenges; unanticipated or unknown liabilities relating to acquired businesses or business partners; integration of new personnel, operations and technology systems; restructuring charges or integration costs; conflicts of interest with strategic partners; and an inability to exert sufficient control over the joint venture or strategic investment due to a minority shareholding or other contractual provisions.

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

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

Historically, movies have been distributed through optical disc media, such as DVD and, more recently, Blu-ray™ discs. However, the growth of the Internet and home computer usage, connected televisions, Set-Top Boxes, tablets, smartphones, and other devices, accompanied by the rapid advancement of online and mobile content delivery, has resulted in a recent and increasing trend toward the use of downloading and streaming services. Although the Group expects that sales of Blu-ray™ discs will continue to increase in the near-to medium-term and offset in part the expected continued decline in overall sales of standard DVD discs, an acceleration of the shift to online and mobile media content consumption may well result in a significant decline in revenues in the Group's DVD Services activity. In addition, the sales of optical disc 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 decrease in such released movies number or success could negatively affect the revenues of the Group's DVD Services activity. Any such decrease could negatively affect the Group's operating results.

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

In 2013, the Entertainment Services segment accounted for 47% of the Group's consolidated revenues. While customers in the Entertainment Services 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. For example, the Group believes that major film studios will increasingly concentrate their resources on a limited number of large budget movies, resulting in greater competition between media service providers such as Technicolor for fewer projects.

As another example, the Group often sees a corresponding increase in sales of its products and services used in the film industry, such as color correction and sound in Digital Postproduction or distribution in Digital Cinema when the number of film productions of our major studio customers increase. In addition, the number of movies released by the Group's studio customers and the box office success of these movies may affect the Group's sales of optical disc media, including Blu-ray™ and standard DVD discs. 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.

The Group may need to expend significant resources to continue meeting the demands of its customers.

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 return on the Group's investments in new development may be less than anticipated and the Group may fall 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 developed more quickly than anticipated, the Group may not have sufficient financial resources to make such investments. Furthermore, if technology 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 inability to commit the resources necessary to develop new products, services, and technologies 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

The Group's reputation and business may be harmed and the Group may be subject to legal claims if there is a loss, disclosure, misappropriation or unauthorized access to its customers, its business partners or its own information, or other breaches of the Group's information systems.

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 and technological systems (managed both by the Group and by third parties) that maintain and transmit this information, and the security of this information may be compromised as a result of system or control failures, inadequate or failed processes, human error, willful breaches and business interruptions. These events could lead to a breach in the Group's global security protocols and customer information may be lost, disclosed, misappropriated, altered or accessed without consent.

Although the Group actively monitors compliance with its security standards, the Group cannot guarantee that the information entrusted to it will be adequately protected or that no security breach will occur. Any loss, disclosure, misappropriation or alternation of, or access to customers, business partners or other information, or other breaches of the Group's information security, including that relating to its technologies, products and services, could result in legal claims or legal proceedings, including regulatory investigations and actions, harm the Group's relationships with its customers, lead to loss of revenues or result in reputational damage, thereby materially adversely affecting the Group's results of operations and financial condition.

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 MPAA and CDSA, along with the Group's premiere customers to exceed their standards. 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

3.4.1 RISKS RELATED TO HUMAN RESOURCES

The Group depends on key personnel, and the loss of any 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 and licensees. 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 people in each segment, 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.

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.

3.4.2 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™ disks or Set-Top Boxes and gateways services (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. The difficult macroeconomic environment globally in recent periods has adversely affected consumer confidence, disposable income and spending, resulted in decreased volumes for certain of the Group's products and resulted in increased demand for lower-end products at the expense of higher-end products. Furthermore, continued 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.

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, particularly in emerging markets.

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 2013, the Group generated approximately 20% 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, 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.

Risks concerning the economic 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.

3.4.3 RISKS RELATED TO THE ENVIRONMENT

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, remediation, 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 emissions at sites that the Group has constructed or acquired expose it to remediation costs, 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 Annual Report. See also note 33 to the consolidated financial statements.

3.4.4 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 assets with finite useful lives 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, 2013, the Group had €450 million of goodwill, €375 million of intangible assets and €293 million of tangible assets. Based on the Group's 2013 impairment review, the Group booked impairments for €15 million on goodwill, €12 million on intangible assets and €4 million on tangible assets.

Of the €450 million of goodwill at December 31, 2013, €342 million relate to DVD Services, for which any significant change in assumptions as described in note 13 to the 2013 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. 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 notes 3.3, 12 and 13 to the Group's consolidated financial statements.

3.4.5 LITIGATION

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 our results of operation and financial condition.

The principal legal proceedings and governmental investigations in progress or envisaged, including certain claims and investigations relating to alleged anti-competitive conduct in connection with the Group's former cathode ray tube business, are described in note 33 to the Group's consolidated financial statements in this Annual Report.

Except for the litigation described in note 33 to the consolidated financial statements, there are no other governmental, judicial or arbitration proceedings, including any 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.

3.5 INSURANCE

The Group has a "Corporate Risk & Insurance" Department in charge of insurance and associated risk management. Through this department, 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.

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), and country-specific risks such as Employer's Liability in the UK and Workers' Compensation insurance in the U.S. For risks considered non-strategic, subsidiaries are allowed to subscribe to additional insurance policies in their local market.

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 executive 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. Thus, the Group has established insurance covering motor vehicles and personal liability, in countries where such insurance is required.

In addition, in partnership with its insurers, Technicolor has developed a loss prevention program in order 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. The Corporate Legal Department has established procedures and rules in order to manage contractual risk. It ensures, in conjunction with the Corporate Risk & Insurance team, that these rules are applied throughout the world.

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

4.1.1 CORPORATE GOVERNANCE STRUCTURE

The Company is governed by a Board of Directors and a Chief Executive Officer. The Board of Directors has been chaired by Mr. Rémy Sautter since June 20, 2012. Mr. Frederic Rose, who is also a Director, has been Chief Executive Officer since September 1, 2008.

In accordance with French law, the Chairman of the Board of Directors organizes and directs the activities of the Board of Directors, and reports thereon to the Shareholders' Meeting. He ensures the proper functioning of the Company's management bodies and in particular that the Directors are capable of performing their duties.

The Chief Executive Officer is vested with the broadest possible 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 and the Board of Directors. However, as an internal order measure, his powers are limited by the Internal Rules of the Board of Directors, which are described in paragraph 4.2.1.2 below.

4.1.2 COMPOSITION AND EXPERTISE OF THE BOARD OF DIRECTORS

As of the date of this Annual Report, the Board of Directors comprises nine Directors, including one woman. Five Directors are not French citizens and one has dual French/U.S. citizenship.

Mr. Didier Lombard is Lead Independent Director. In this capacity, Mr. Lombard chairs the Board in the event of the absence of the Chairman, as well as any meeting of the Board deciding matters relating to the Chairman (remuneration, evaluation of his performance, or renewal of his term of office) and directs the prevention of conflicts of interest.

The appointment of Ms. Laura Quatela was approved by the Combined Shareholders' Meeting on May 23, 2013.

Ms. Catherine Guillouard, who has been a Director of the Company since February 17, 2010, wanted to devote all of her time to her new position at Rexel, and she withdrew from the Board of Directors on August 1, 2013.

The Board also includes two non-voting members, Ms. Béatrix de Russé, appointed on July 25, 2013, and Mr. Loïc Desmouceaux, representing employee shareholders, appointed on December 19, 2012, both for a renewable 18-month term. They participate in the meetings in a consultative capacity.

Evolution of the composition of the Board of Directors during the year ended, 2013 (pursuant to Recommendation 1.2.1.1 of the 2013 Corporate Governance report published by the AMF)

	Name	Gender	Nationality	Start of term of office	Expiration of term of office
Directors who left the Board during the year ended, 2013	Catherine Guillouard (resignation)	F	French	February 2010	August 2013
Directors whose terms of office were renewed at the Annual Shareholders' Meeting, 2013	Lloyd Carney	M	USA	June 2010	AGM* 2016
	Bruce Hack	M	USA	February 2010	AGM* 2016
	Didier Lombard	M	French	May 2004	AGM* 2016
Directors who joined the Board during the year ended, 2013	Laura Quatela	F	USA	May 2013	AGM* 2016
Observers who joined the Board during the year ended, 2013	Béatrix de Russé	F	French	July 2013	January, 2015

* *Annual General Shareholders' Meeting*

Independence of Directors

At its meeting on December 18, 2013, 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 issued by the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF) (the "AFEP-MEDEF Corporate Governance Code"), to which the Company adheres (see paragraph 4.2.1.1 below). According to this Code, "a Director is independent when he does not maintain a relationship of any kind whatsoever with the Company, its group or its management that may compromise the exercise of his free judgment".

Of the nine Directors, six are considered independent: Ms. Laura Quatela, Messrs. Rémy Sautter, Lloyd Carney, Bruce Hack, Hugues Lepic and Didier Lombard. The Board of Directors considered that the shareholding of M. Hugues Lepic (please refer to section 4.1.3.5 "Directors' shareholdings in the Company's registered capital" of this Chapter) does not hamper his free judgment. Those Directors not considered independent, as defined by these recommendations, are Mr. Frederic Rose, Chief Executive Officer and Messrs. Alexander Slusky and David Fishman, who are both partners of Vector Capital, the main shareholder of the Company since July 16, 2012 (please refer to section 4.1.3.4. "Arrangements or agreements made with major shareholders, customers, suppliers or others pursuant to which the Board Members and Executive Committee members were selected" of this Chapter).

Expertise of Board Members

Messrs. Frederic Rose, Lloyd Carney and Didier Lombard have acquired, through their professional experience in high technology companies, wide experience in technology and research. Messrs. Rémy Sautter and Bruce Hack share a high degree of professional experience in the Media and Entertainment sector. Ms. Laura Quatela has considerable strategic expertise in the technology and Intellectual Property sectors. Messrs. Alexander Slusky, David Fishman and Hugues Lepic have significant professional experience in the business financing sector. Mr. Desmouceaux (a non-voting Director) has been a Group employee since 1988 and has a deep knowledge of both the Company and the Media, Technology and Entertainment industry. Finally, Ms. de Russé, who has been a Group employee since 1976, was Head of Intellectual Property and Licensing division, and has considerable experience in the Technology and Intellectual Property sectors. The biographies of the members of the Board of Directors are 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. Article 16 of the Company's bylaws provides that the term of office of the Chairman will automatically terminate when he reaches 70 years of age.

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

Composition of the Board of Directors as of the date of the present Annual Report

Name	Age	Main business address	Present position within the Company	Other positions	Start of term of office	Expiration of term of office	Audit Committee	Nomination and Governance Committee	Remuneration Committee	Technology Committee	Amplify Committee
Rémy Sautter (1)	68	EDIRADIO/RTL 22, rue Bayard, 75008 Paris (France)	Director Chairman of the Board of Directors	Chairman of the Supervisory Board of Ediradio/RTL	January 2006	AGM* 2014	Member	Member			
Frederic Rose	51	Technicolor 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux (France) (4)	Director Chief Executive Officer	-	October 2008	AGM* 2015					Member
Lloyd Carney (1)	52	Brocade 130 Holger Way, San Jose, CA 95134, USA	Director	CEO of Brocade	June 2010	AGM* 2016				Chairman	
David Fishman (2)	43	Vector Capital Management, LC, One Marker Street, Steuart Tower 23rd Floor, San Francisco CA 94105, USA	Director	Managing Director of Vector Capital Management, LC	June 2012	AGM* 2015	Member				Member
Bruce Hack (1)	65	151 Central Park West 10C, New York, NY 10023	Director	Director of companies	February 2010	AGM* 2016	Chairman	Member	Member		Member
Hugues Lepic (1)	49	Aleph Capital Partners LLP, 14 St George Street, 3rd Floor, London W1S 1FE (England)	Director	CEO of Aleph Capital Partners LLP	December 2012	AGM* 2014					
Didier Lombard (1)	72	62, rue Pierre Charron, 75008 Paris, France	Director	Director of companies	May 2004	AGM* 2016			Member	Member	Chairman
Laura Quatela (1) (3)	56	Quatela Lynch Intellectual Property, 973 East Avenue, Rochester, New York 14607	Director	Founder of Quatela Lynch Intellectual Property	May 2013	AGM 2016				Member	
Alexander Slusky (2)	46	Vector Capital Management, LC, One Marker Street, Steuart Tower 23rd Floor, San Francisco CA 94105, USA	Director	Founder and Chief Executive Officer of Vector Capital Management, LC	June 2012	AGM* 2015		Chairman	Chairman		Member
Béatrix de Russé	66	Technicolor 1-5, rue Jeanne d'Arc, 92130 Issy-les-Moulineaux	Observer	-	July 2013	January 2015					
Loïc Desmouceaux	51	Technicolor 1-5, rue Jeanne d'Arc, 92130 Issy-les-Moulineaux	Observer	Market Business Intelligence, Employee Shareholding	December 2012	June 2014				Member	

* *Annual General Shareholders' Meeting.*
(1) Independent Director.
(2) For information about the conditions of Messrs. Fishman's and Slusky's appointments, see section 4.1.3.4 "Arrangements or agreements made with major shareholders, customers, suppliers or others pursuant to which the Board Members and Executive Committee members were selected" of this Chapter.
(3) Ms. Laura Quatela was appointed to be a Director at the Combined Shareholders' Meeting on May 23, 2013
(4) Mr. Frederic Rose's second business address is: Technicolor USA, Inc., 6040 Sunset Blvd, Hollywood, CA 90029 USA

4.1.3 OTHER INFORMATION ABOUT MEMBERS OF THE BOARD OF DIRECTORS

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 Directors and their directorships as of February 19, 2014.

Rémy Sautter

Mr. Rémy Sautter has been Chairman of the Supervisory Board of Ediradio/RTL since 2000. From 1996 to 2000, he was Chief Executive Officer of CLT Multi Media and then of CLT-UFA Group (Luxembourg). From 1985 to 1996, he served as Vice-Chairman and Chief Executive Officer of Ediradio/RTL. From 1983 to 1985, he was Chief Financial Officer of Havas. Mr. Sautter graduated from the Institut d'Études Politiques of Paris and the École Nationale d'Administration.

Current Directorships:

IN FRANCE:

Chairman of the Supervisory Board of Ediradio/RTL*;
Chairman and Chief Executive Officer of Société Immobilière Bayard d'Antin*;
Member of the Supervisory Board of Métropole Télévision – Groupe M6;
Director of Solocal Group, SERC/FUN Radio* SODERA/RTL2*, IP and IP Régions*.

OUTSIDE FRANCE:

Director of PARTNER Reinsurance Ltd. and TVI SA Belgique* .

** Companies belonging to RTL Group*

Directorships held during the past five years:

Director of FIVE and of SICAV Multimédia & Technologies;
Director of Taylor Nelson Sofres Ltd.;
Member of the Supervisory Board of Navimo.

Frederic Rose

Mr. Frederic Rose is a Director and has been Chief Executive Officer since September 1, 2008. Prior to joining Technicolor, Mr. Frederic Rose held various positions between 1993 and 2008 within Alcatel-Lucent, and was a member of that company's Executive Committee. Mr. Frederic Rose is a graduate of the Georgetown University School of Foreign Service and the Georgetown University Law Center.

Current Directorships:

OUTSIDE FRANCE:

Director and Vice-Chairman of Technicolor SFG Technology Co. Ltd.**;
Director of MediaNaviCo LLC.**;
Chairman of Technicolor USA, Inc.** .

*** Companies belonging Technicolor Group*

Directorships held during the past five years:

Director of Logica Plc;
Director of the Weinstein Company Holding LLC;
Chairman of the Board of Directors of Technicolor SA from April 27, 2009 to February 17, 2010.

Lloyd Carney

Mr. Lloyd Carney has been Chief Executive Officer of Brocade (www.brocade.com) since January 2013. From 2007 to 2012, he was a Director and Chief Executive Officer of Xsigo Systems. Prior to that, he managed the Netcool division at IBM. When IBM acquired Micromuse, Mr. Carney was appointed Chairman and CEO of this company. Mr. Carney was COO at Juniper Networks, where he oversaw the sales, marketing, engineering, manufacturing, and customer service organizations. He also supervised three Nortel Networks divisions (Core IP Division, Wireless Internet Division, and Enterprise Data Division). Mr. Lloyd Carney is Chairman of the Lloyd and Carole Carney Foundation.

Current Directorships:

OUTSIDE FRANCE:

CEO of Brocade;
Director of Cypress Semiconductor;

Directorships held during the past five years:

Director of Xsigo Systems, Micromuse and BigBand Networks.

David Fishman

Mr. David Fishman has been Managing Director of Vector Capital Management, LC (formerly "Vector Capital Corporation") since 2008. He managed the investments in SafeNet, Aladdin Knowledge Systems, Teletrac, Inc. and RAE Systems. Before joining Vector Capital Management LC, Mr. Fishman worked for ten years at Goldman Sachs & Co., where he held the position of Managing Director in Mergers & Acquisitions, concentrating on transactions in technologies and media. At Goldman Sachs, he managed or participated in transactions involving Microsoft, eBay, Adobe, IBM, Oracle and PeopleSoft. Before joining Goldman Sachs, Mr. Fishman worked at J.P. Morgan, where he was responsible for debt fundraising on behalf of corporate clients. Mr. Fishman holds an MBA (with honors) from the J.L. Kellogg School of Management at Northwestern University and a BA in Economics (with honors) from Duke University.

Current Directorships:

OUTSIDE FRANCE:

Director of SafeNet Inc., Teletrac, Inc. (formerly Trafficmaster) and RAE Systems.

Directorships held during the past five years:

-

Bruce Hack

Mr. Bruce Hack is a Director of several companies and is currently the Chairman of the Audit Committee of Demerx, Inc. Mr. Hack was Vice-Chairman of the Board of Directors and Chief Corporate Officer of Activision Blizzard until 2009. From 2004 to 2008, Mr. Hack was Chairman and Chief Executive Officer of Vivendi Games. Mr. Hack also served as Executive Vice-President, Development and Strategy, Vivendi Universal, from 2001 to 2003. From 1998 to 2001, he was Vice-Chairman of the Board of Directors of Universal Music Group, and from 1995 to 1998, he was 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. Among his roles at Seagram were Chief Financial Officer of Tropicana Products, Inc. and Director, Strategic Planning, at The Seagram Company Ltd. Mr. Hack earned a BA at Cornell University and an MBA in finance at the University of Chicago.

Current Directorships:

OUTSIDE FRANCE:

Director of MiMedx Group, Inc. and Demerx, Inc.;

Directorships held during the past five years:

Director and Vice-Chairman of Activision Blizzard;
Director of Jagex Limited and Jagex Management Inc.;
Director of iSuppli Corporation.

Hugues Lepic

Mr. Hugues Lepic is the founder and CEO of Aleph Capital Partners LLP, an investment firm based in London. From 2009 to August 2012, he was head of the Merchant Banking Division of The Goldman Sachs Group, Inc. in Europe, the Middle East and Africa (EMEA) where he spent most of his career. Mr. Lepic was also a member of Goldman Sachs' European Management Committee between 2008 and 2012. From 2006 to 2012, he was head of the Principal Investment Area of The Merchant Banking Division of Goldman Sachs in Europe. Prior to that, he was responsible for investing in the Telecom, Media and Technology (TMT) sectors in Europe. 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.

Directorships held during the past five years:

Director of Groupe Eurotunnel SA;
Participating Managing Director of The Goldman Sachs Group, Inc.;
Director of Eutelsat Communications SA, Cablecom GmbH, Cablecom Luxembourg GP Sarl, Prysmian SpA, Iliad SA, Mediannuaire Holding, PagesJaunes Groupe, Edam Acquisition Holding I Cooperatief U.A. and non-voting Director of Neuf Cegetel SA;
Chairman of the Supervisory Board of Autodis SA and of Autodistribution SA.

Didier Lombard

Mr. Didier Lombard is Chairman of the Supervisory Board of STMicroelectronics since spring 2011. 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;
Director of Thales.

OUTSIDE FRANCE:
Chairman of the Supervisory Board of STMicroelectronics.

Directorships held during the past five years:

Chairman and Chief Executive Officer of France Telecom;
Chairman of the Board of Directors of Orange.

Laura Quatela

Ms. Laura Quatela is the founder of Quatela Lynch Intellectual Property. She was the Chairperson of Eastman Kodak Co. from January 1, 2012 to February 2014. In January 2011, she was appointed General Counsel and Senior Vice-Président. She was appointed Chief Intellectual Property Officer in January 2008, and she remained in this position while managing the Company's Legal Department. As Chief Intellectual Property Officer of Eastman Kodak Co., she oversaw the Intellectual Property policies and strategies, chaired the Senior IP Strategy Council, and managed external Intellectual Property affairs. Before that, Ms. Quatela served as Managing Director, Intellectual Property Transactions. In August 2006, she was appointed Corporate Vice-President. Laura Quatela joined Kodak in 1999, working in various positions, including Director of Corporate Commercial Affairs, Vice-President Legal, Assistant General Counsel, Director Finance Transformation and Vice- President, Finance & Administration. 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. Laura Quatela is a graduate of Denison University, BA, International Politics (1979) and Case Western Reserve University School of Law, J.D. (1982).

Current Directorships:

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Directorships held during the past five years:

President of Eastman Kodak Co.

Alexander Slusky

Mr. Alexander Slusky is the founder and CEO of Vector Capital Management, LC (formerly "Vector Capital Corporation"). His areas of expertise include infrastructure and applications software, Internet services, corporate spinouts, and technology buyouts. Prior to Vector Capital Management, LC, Mr. Slusky led the technology equity practice at Ziff Brothers Investments, managing a portfolio of public and private technology investments. Before joining Ziff Brothers, he was at New Enterprise Associates, focusing on venture investments in software, communications, and digital media. Prior to NEA, he was a consultant at McKinsey & Company. Mr. Slusky earned a BA in Economics, *summa cum laude* from Harvard University, and an MBA with high distinction (Baker Scholar) from the Harvard Business School.

Current Directorships:

OUTSIDE FRANCE:
Chief Executive Officer of Vector Capital Management, LC;
Director of Corel Corporation, WatchGuard Technologies, SafeNet Inc. and Cambium Networks.

Directorships held during the past five years:

Director of Register.com and RAE Systems.

Béatrix de Russé (Observer)

Ms. Béatrix de Russé was Head of the Intellectual Property and Licensing division at Technicolor from 2004 to 2013. Prior to this and since 1999, she was Head of Licensing. From 1993 to 1999 she was successively Head of Licensing, and then Head of Patents and Licensing. From 1984 to 1992, Ms. Béatrix de Russé was in charge of international contracts and Intellectual Property at Thomson Components and STMicroelectronics, where she specialized in Intellectual Property matters. From 1976 to 1983, she worked as an international attorney at the international division of Thales (formerly Thomson CSF). Ms. Béatrix de Russé holds a Master's degree in law and DESS in International Trade law as well as a Master's degree in English and a CDCI diploma. She was inducted in the IP Hall of Fame in 2012, a worldwide recognition of the strategic importance of IP at Technicolor.

Current Directorships:

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Directorships held during the past five years:

Director of ContentGuard, a joint venture between Technicolor, Microsoft and Time Warner.

Loïc Desmouceaux (Observer)

Mr. Loïc Desmouceaux has been Vice-President Market Business Intelligence for Technicolor since November 2006. In the Group since 1988, he has held various management positions in Marketing, Strategy and Technology. In 2006, he was Prospective Marketing manager and Strategic Development. From 2001 to 2005, he was Research and Innovation Marketing manager. From 1996 to 2001, he served as Marketing manager, User Interface and Consumer Experience. From 1993 to 1996, he was Product manager Europe, Video Division. From 1988 to 1993, he held the positions of Market Research manager and Product manager in the Television Division Europe. Mr. Desmouceaux graduated from the IEP ("Institut d'Études Politiques") business school of Bordeaux and from the École Supérieure de Commerce et d'Administration des Entreprises of Bordeaux.

Current Directorships:

IN FRANCE:

Chairman of the FCPE Technicolor Gestion and Technicolor Épargne Supervisory Board;
Permanent representative of Sovemarco Europe SA on the Board of Directors of Sellenium SA;
Director of Desamais Distribution SA.

Directorships held during the past five years:

Director of Technicolor from May 6, 2003 to December 19, 2012;
Permanent representative of Sellenium SA at the Supervisory Committee of YB Holding SAS;
Permanent representative of YB Holding SAS on the Board of Directors of Yvan Béal SA;
Director of Yvan Béal SA.

4.1.3.2 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.

4.1.3.3 Regulated agreements – absence of conflicts of interest

French law governs agreements known as "regulated agreements". These agreements are entered into directly or through an intermediary between a Company and its Chief Executive Officer, one of its Deputy Chief Executive Officers, if any, or one of its Directors or certain shareholders (shareholders holding more than 10% of the voting rights or, in the case of a company shareholder, the parent company controlling it) that do not affect current transactions and are not concluded under normal conditions.

These agreements must be submitted to the Board of Directors for special prior authorization and described in a special report by the Statutory Auditors, and the Shareholders' Meeting must be consulted, in accordance with Articles L. 225-38 *et seq.* of the French Commercial Code. See Chapter 8: "Financial statements", section 8.8: "Statutory Auditors' report on Regulated Agreements and Commitments" of this Annual Report.

To the Company's knowledge, there is no potential conflict of interest between the Directors and Company managers' duties towards Technicolor and their private interests and/or other duties.

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

In 2012, the Vector Capital investment fund acquired a minority stake in the capital of the Company, through a double increase of capital, thus acquiring 20.70% of the share capital (see the current percentage of ownership in section 5.1.1 "Distribution of share capital and voting rights" below). These capital increases were made following the adoption of the resolutions submitted by Vector Capital by the Combined General Meeting on June 20, 2012, approving the appointment of Messrs. Alexander Slusky and David Fishman as new members of the Board of Directors. These appointments took effect on July 16, 2012, the completion date of the reserved capital increase approved by that meeting.

On July 10, 2012, the Company and Vector Capital entered into a corporate governance agreement (the "corporate governance agreement") pursuant to which Vector Capital was given a minority representation on the Board of Directors (see section 4.1.2, "Composition and expertise of the Board of Directors" in this Chapter). These rights were granted in return for certain commitments by Vector Capital, in particular:

(i) an undertaking not to participate in a tender offer by a third party that has not been recommended by the Board of Directors;

(ii) an undertaking not to transfer its shares in the Company (with certain exceptions) for a period of one year from the settlement-delivery date of the Reserved Capital Increase – this undertaking expired on July 16, 2013;

(iii) an undertaking not to acquire, directly or indirectly, alone or in concert, 30% or more of the capital of the Company (with certain exceptions) for a period of 18 months (which may be increased to 30 months under certain conditions specified in the Governance Agreement) from the settlement date of the Reserved Capital Increase – this undertaking expired on January 16, 2014;

(iv) an undertaking (with certain exceptions), for a period of 30 months from the settlement date of the Reserved Capital Increase, not to submit draft resolutions to the Shareholders' Meeting proposing to: (x) dismiss any Director of the Company, (y) appoint Directors of the Company (other than those Vector is entitled to appoint pursuant to the Governance Agreement) or (z) change the number of Directors on the Board of Directors;

(v) an undertaking (with certain exceptions), for a period of 30 months from the settlement date of the Reserved Capital Increase, to discuss in good faith with the Company all draft resolutions to be submitted to the Shareholders' Meeting;

(vi) an undertaking (with certain exceptions), for a period of 30 months from the settlement date of the Reserved Capital Increase, not to vote, at the Shareholders' Meeting, in an unreasonable manner (x) against resolutions that have been approved by the Board of Directors or (y) in favor of resolutions proposed by other shareholders that have not been approved by the Board of Directors; and

(vii) an undertaking to make all transfers of Company securities in an orderly manner, to avoid, to the extent practicable, any adverse effects on such securities in the market.

As of the date hereof, there are no other arrangements or agreements with the 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.

4.1.3.5 Directors' shareholdings in the Company's registered 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 Internal Board Rules, each Director is required to invest the equivalent of one year of Directors' fees (gross amount) per three-year term for a maximum of two terms. The Chairman and the Chief Executive Officer are also bound by this undertaking.

Other than 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 Company's "Corporate Policy on the Purchase and Sale of Company Shares, Insider Trading and Protection of Material Non-public Information" set out the rules applicable to transactions in Technicolor securities and defines "black-out periods" during which transactions are 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 on the exercise of options.

Following the recommendation of the Board of Directors at its meeting on March 27, 2013, the Chief Executive Officer, Mr. Frederic Rose, entered into a programmed trading mandate with Bank Degroof on May 7, 2013, in compliance with the framework defined by the Autorité des marchés financiers' Recommendation No. 2010-07 dated November 3, 2010. This mandate is for the purchase of Technicolor shares.

To the Company's knowledge, the Directors' shareholdings in the Company's registered capital as of March 26, 2014 are as follows:

Directors present as of the date hereof	Technicolor shares
Rémy Sautter	20,000
Frederic Rose	114,020*
Lloyd Carney	30,000
David Fishman	200
Bruce Hack	18,000
Hugues Lepic	5,071,545
Didier Lombard	641
Laura Quatela	200*
Alexander Slusky	200

* *Including transactions occured early 2014*

Observers	Technicolor shares/ Shares held through Mutual Funds
Béatrix de Russé	486
Loïc Desmouceaux	5,982

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".

The table below shows the transactions in Technicolor's securities carried out during 2013 by the members of the Board of Directors as well as by other persons listed in Article L. 621-18-2 of the French Monetary and Financial Code:

First name and last name	Date of transaction	Type of transaction	Description of financial instrument	Number of securities/- instruments	Unit price	Amount of transaction
Loïc Desmouceaux	12/23/2013	Purchase*	Shares held through FCPE	564	€3.83	€2,160.12
Frederic Rose	12/09/2013	Purchase**	Shares	2,794	€3.57	€9,974.58
Frederic Rose	10/29/2013	Purchase**	Shares	2,481	€4.00	€9,924.00
Bruce Hack	10/29/2013	Purchase	Shares	13,000	€4.0177	€52,230.10
Frederic Rose	08/12/2013	Purchase**	Shares	2,645	€3.72	€9,389.40
Loïc Desmouceaux	06/05/2013	Purchase**	Shares held through FCPE	418	€3.27	€1,366.12
David Fishman	03/04/2013	Purchase	Shares	200	€2.62	€524.00
Alexander Slusky	03/04/2013	Purchase	Shares	200	€2.62	€524.00
Frederic Rose	02/27/2013	Purchase	Shares	72,000	€2.68	€192,960.00
Rémy Sautter	02/26/2013	Purchase	Shares	8,465	€2.59	€21,924.35

* *These transactions have not been declared with the AMF because they were below €5,000.*
** *Transactions made under the programmed trading mandate signed in May 2013 – see above.*

4.1.3.6 Service and other contracts between Board Members and the Group

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

Ms. Béatrix de Russé and Mr. Loïc Desmouceaux, Observers, are bound by an employment contract with the Company.

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. Rémy Sautter, Chairman of the Board, pursuant to Article L. 225-37 of the French Commercial Code. For the establishment of the corporate governance sections of this report, the Chairman tasked the Legal Department; for the establishment of the Internal control sections, the Chairman tasked the different departments of Corporate Finance (Controlling, Treasury, Accounting, Internal Audit, Internal Control) as well as the Legal and IT Departments. It was reviewed by the Audit Committee and the Nomination and Governance Committee. It was approved by the Board of Directors during its meeting on February 19, 2014.

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 are 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

4.2.1.1 Compliance with AFEP-MEDEF Corporate Governance Code

Pursuant to the Law dated July 3, 2008, the Company now adheres to the AFEP-MEDEF Corporate Governance Code of June 2013 in the preparation of the report as defined by Article L. 225-37 of the French Commercial Code.

In accordance with 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 rejected by the Company	Documentation/ Action plan
One of the nine Directors on the Board is a woman. The proportion of at least 20% women as of the date of the 2013 Shareholders' Meeting is therefore not complied with (paragraph 6.4 of the AFEP/MEDEF Corporate Governance Code).	The Board launched a selection process for a woman Director with proof of experience and skills in finance. The Board will propose her appointment at the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2013.
Mr. Rémy Sautter, Chairman of the Board of Directors, is a member of the Audit Committee (paragraph 16.1 of the AFEP/MEDEF Corporate Governance Code).	Following the resignation of Ms. Catherine Guillouard from her term as Director, the Board had to review the composition of the Audit Committee. Since Mr. Sautter has the required financial and accounting skills, the Board believed his presence on the Committee was an asset. The composition of the Committee will be reviewed when the composition of the Board is reviewed.
The deadline for the Audit Committee's review of the financial statements may exceed two days before the review by the Board (paragraph 16.2.1 of the AFEP/MEDEF Corporate Governance Code).	As some of the Directors who attend the Audit Committee reside outside of France, for practical reasons, the Audit Committee meeting may take place the day before the meeting of the Board of Directors. However, the preparatory documents are sent to the members of the Audit Committee more than two days before the Board meeting date.
The Chairman of the Remunerations Committee is a Non-Independent Director (paragraph 18.1).	The Governance Agreement entered into with Vector Capital (see section 4.1.3.4, "Arrangements or agreements made with major shareholders, customers, suppliers or others pursuant to which the Board Members and Executive Committee members were selected") stipulates that the Remunerations and the Nominations and Governance Committees be chaired by a representative of Vector Capital.

4.2.1.2 Structure of Board of Directors' work – Internal Board Rules

The preparation and organization of the Board of Directors' work are described in the Board of Directors' Internal Board Rules, the main provisions of which are summarized below.

Board of Directors' powers and missions

The Board of Directors determines the Group's strategic direction and ensures its implementation. It examines all questions relating to the proper functioning of the Company, subject to the powers explicitly attributed to the Shareholders' Meetings.

Limitations imposed by the Board of Directors on the powers of the Chief Executive Officer

According to French law and the Company's bylaws, the Chief Executive Officer is vested with the broadest possible powers to act in any circumstances on behalf of the Company. He exercises these powers subject to the limitations imposed by the Company's corporate purpose and those matters expressly reserved by law to the Shareholders' Meeting and the Board of Directors. Moreover, the Chief Executive Officer must obtain Board approval for the decisions listed below and falling within its areas of responsibility.

In accordance with the *sauvegarde* plan and the Governance Agreement, the Internal Board Rules require that the following strategic decisions of the Company be approved by a qualified majority of two-thirds of the Directors:

(i) approval of the annual budget;

(ii) the acquisition or transfer of any entity, activity or assets whatsoever and the financing thereof by any member of the Technicolor Group, including the Company or its subsidiaries (in accordance with Article L. 233-1 of the French Commercial Code), for an amount of more than €25 million, either per operation or per series of related operations;

(iii) the acquisition by the Company of its own ordinary shares (with the exception of the acquisition of shares conducted in the context of plans giving executive or salaried employees rights to shares, or stock-option plans, or under a liquidity contract concluded by the Company);

(iv) any decision relating to the payment of dividends or other distributions;

(v) any anticipated merger aimed at the absorption of the Company (or one of its main subsidiaries) by another corporation;

(vi) any decision modifying the Company's Articles of Incorporation, and specifically, any modification designed to change the number of Directors of the Company currently provided for in the by-laws;

(vii) the issuance or the authorization of the issuance of any new shares (ordinary or preferred) or any equity-linked securities in the Company or one of its main subsidiaries, by way of redemption, conversion, exchange, or any other means;

(viii) the modification of the terms of the main finance contracts or the conclusion of new finance contracts increasing the Technicolor Group's level of indebtedness;

(ix) the granting of any security or guarantee to any of the creditors for a financial debt of the Technicolor Group of more than €20 million, or any modification of any such security or guarantee;

(x) the takeover by any company of the Technicolor Group of a third-party entity for more than €25 million, or any contributions, mergers or de-mergers having an impact of more than €25 million on the Company's business value;

(xi) the appointment of the Chairman of the Board of Directors and the Chief Executive Officer of the Company;

(xii) the removal of the Chief Executive Officer of the Company;

(xiii) the appointment and removal of the Chief Financial Officer of the Company;

(xiv) any proposal modifying the number of Directors serving on the Board of Directors;

(xv) any decision concerning the liquidation or dissolution of the Company (or of one of its main subsidiaries), or any decision to proceed with a restructuring;

(xvi) any decision to implement protection mechanisms for bearers of Notes Redeemable in Shares (NRS) in the event of the transactions on the capital mentioned in Articles L. 228-98 *et seq*. of the French Commercial Code, or in accordance with the specific stipulations applicable to NRS pursuant to an issuance agreement (this disposal is no longer applicable, all NRS have been repayed at the end of 2012);

(xvii) the appointment of a Statutory Auditor who is not part of a network of international repute;

(xviii) any decision, by any member of the Technicolor Group, to settle litigation underway where such settlement would result in a payment of more than €10 million to the relevant counterparty;

(xix) the commencement of any litigation where the amount at issue is more than €10 million;

(xx) any decision to modify the business plan having the effect of reducing the EBITDA of the Company by more than €50 million on an annual basis; and

(xxi) any significant changes to accounting principles applicable to Technicolor or to any subsidiary of the Technicolor Group, other than changes made in accordance with applicable law or required by the Statutory Auditors of Technicolor or the relevant company.

Moreover, in accordance with Article L. 225-35 of the French Commercial Code, the deposits, sureties and warranties granted by the Company as guarantees for undertakings with third parties must have the authorization of the Board of Directors. An Annual Report is made to the Board of Directors on the use of such authorization.

Board Committees

The Board of Directors is assisted in the performance of its tasks by five Committees: the Audit Committee, the Nomination and Governance Committee, the Remuneration Committee (the Remuneration, Nomination and Governance Committee was split into two separate Committees in July 2013), the Technology Committee and the Amplify Committee.

Each Committee formulates proposals, recommendations and assessments in its area of expertise, which is defined by the charter of each Committee. For this purpose, it may carry out any study that may help the Board of Directors' deliberations.

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

Board meetings

Each year, the Board of Directors draws up the 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, the previous year's annual results, the half year results, the 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. Article 10.3 of the Internal Rules of the Board of Directors stipulates that "Outside the meetings of the Board, the Directors shall remain informed on a continuous basis by all possible means of the financial position, cash flow, and commitments of the Company as well as any other significant events and transactions relating to the Company".

The Board of Directors may consult with the Company's outside advisors (financial and legal advisors) during its meetings.

Directors' duties

Members of the Board of Directors are required to abide by a general confidentiality obligation concerning the content of deliberations in the Board and its Committees, and in relation to information that is confidential in nature or presented by its Chairman as being confidential.

The Internal Board Rules 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 Nomination and Governance Committee.

4.2.1.3 Board of Directors' activities in 2013

In 2013, the Board met ten times, with an average participation rate of 95%.

In 2013, the Board of Directors reviewed the Company's quarterly, semi-annual and annual financial information and the process for preparing it: the 2013 annual budget, the corporate and consolidated financial statements for fiscal year 2012 and the first half of 2013, and quarterly revenues for the first and third quarters of 2013. It reviewed major accounting issues, such as impairment of goodwill. Each Board meeting which approved the quarterly, half yearly or annual accounts was preceded by one or more meetings of the Audit Committee, which systematically provided a report to the Board on the questions reviewed during these meetings. Moreover, the Board of Directors reviewed the press releases issued after each meeting, as well as the Registration Document, after examination by the Audit Committee and the Nomination and Governance Committee for the sections falling under their respective areas of expertise.

The Board has focused repeatedly on the implementation of the Company's three-year strategic plan (Amplify 2015) and the Group's strategy beyond 2015.

The Board has also reviewed and approved the Group's refinancing plan, which resulted in the issuance, on July 11, 2013, of a new loan at a lower interest rate, thus extending the maturity of its debt to 2020. This will enable it to enjoy greater financial flexibility (for more information on the Group's indebtedness, see Chapter 2: "Examination of the Group's operational and financial position" section 2.10.3 "Financial resources").

In accordance with the stipulations of the Internal Board Rules, it reviewed and approved the terms of a settlement agreement with BSkyB, a company with which the Group has had a dispute since July 2011.

With respect to governance, the Board of Directors reviewed the composition of the Board and its Committees, especially in view of the recommendations of the AFEP/MEDEF Corporate Governance Code and decided to split the Remuneration, Nomination and Governance Committee into two separate Committees, the Nomination and Governance Committee and the Remunerations Committee. The Board approved the charters for both of these new committees. It also reviewed the composition of the committees following the renewal of the terms of the Directors scheduled to expire the end of the Annual Shareholders' Meeting and the appointment of Ms. Laura Quatela by the Combined Shareholders' Meeting on May 23, 2013.

Following the recommendation of the Remunerations Committee, on October 24, 2013, the Board also approved a worldwide free share plan (titled My Technicolor Shares) for approximately 13,000 Group employees. These employees were awarded the right to receive 125 Company shares of at the end of a four-year vesting period ending on November 6, 2017.

The Board also reviewed the Chairman and the Chief Executive Officer's compensation, focused on the implementation of the 2011 Long-term Management Incentive Plan (LTIP) and approved the implementation of a Medium-Term Incentive Plan (MIP 2015).

It also focused on its operations and the operations of its committees during fiscal year 2013. The Board of Directors noted the proper functioning of the Board and its committees.

Finally, it reviewed the independence of each member of the Board of Directors and deliberated on the Company's policy in respect of equal employment and wages.

4.2.1.4 Composition and activities of the Board Committees

Audit Committee

AMF's report on Audit Committees

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

Composition

The Audit Committee is comprised of Mr. Bruce Hack (Chairman), Mr. Rémy Sautter and Mr. David Fishman.

The Board of Directors believes that this composition complies with the requirements of Article L. 823-19 of the French Commercial Code, which integrates the requirements of Order No. 2008-1278 of December 8, 2008 and the recommendations of the AMF working group report issued on July 22, 2010. However, the Company does not comply with paragraph 16.1(1) of the AFEP/MEDEF Corporate Governance Code, which provides that the Audit Committee should not include any Executive Directors, and the Chairman is considered as such by the Code (see the explanation provided in

paragraph 4.2.1.1 "Compliance with AFEP-MEDEF Corporate Governance Code" above).

Two-thirds of the members of the Committee are considered independent by the Board of Directors with respect to the AFEP-MEDEF Corporate Governance Code (please refer to section 4.1.2: "Composition and expertise of the Board of Directors" in this Chapter).

Mission

The Audit Committee's mission and the organization of its activities are defined by applicable law (the Ordinance of December 8, 2008), its charter, and by the Internal Board Rules.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities concerning financial information and its publication, internal control procedures and risk management, internal auditing, and internal procedures to verify compliance with applicable laws and regulations. In particular, it examines the draft parent company unconsolidated financial statements and consolidated financial statements prior to their presentation to the Board of Directors, and verifies that the procedures adopted ensure that the accounts provide a true and fair view of the Company's financial position and are in compliance with applicable accounting standards.

Similarly, the Committee expresses its opinion and makes proposals to the Board of Directors concerning the nomination, remuneration, dismissal, mission and activities of the Statutory Auditors. In compliance with applicable regulations, the Committee also gives its authorization, or adopts procedures for authorization of services other than audits by the Statutory Auditors.

Pursuant to the Ordinance of December 8, 2008, the work of the Audit Committee also relates to the evaluation of the efficiency of internal controls and the assessment of risks.

Finally, the Audit Committee reviews the works conducted by the Ethics Compliance Committee, which include "whistleblowing" investigations. The Ethics Compliance Committee reports to the Audit Committee (see section 4.2.2.2: "General Control Environment" below).

Organization of the Audit Committee's activities

The Audit Committee meets at least four times a year, and whenever necessary before a Board of Directors' meeting, according to a predetermined annual schedule. In performing its missions, the Committee may directly discuss matters with the Statutory Auditors in the absence of the managers or of persons contributing to the preparation of the financial statements. It may also directly discuss matters with the internal auditors in the absence of management.

The Audit Committee may call upon the services of experts within or outside the Group, in particular, legal counsel, accountants or other advisors or independent experts.

The Statutory Auditors participate in each Audit Committee meeting.

The review process for annual and interim financial statements by the Audit Committee includes an initial meeting for the review of the initial closing issues and a second meeting for the review of the financial statements. As some of the Directors who attend the Audit Committee reside outside of France, for practical reasons, the second meeting may sometimes take place the day before the meeting of the Board of Directors (please refer to paragraph 4.2.1.1 "Compliance with AFEP-MEDEF Corporate Governance Code" above).

Audit Committee's activities

The Audit Committee met six times in 2013, with an average participation rate of 88.89%.

During 2013, the Audit Committee examined the following financial information: the corporate and consolidated financial statements for fiscal year 2012 and the first half of 2013, and quarterly revenues for the first and third quarters of 2013. The Audit Committee looked into accounting issues related to the closing of accounts for fiscal year 2012, the first half of 2013 and fiscal year 2013. In particular, it conducted an in-depth review of impairment of goodwill and important issues surrounding the closing of accounts. The financial statements were examined through presentations by the Company's Chief Financial Officer and the Statutory Auditors.

The Committee carried out the annual review of the Company's risk evaluation and an in-depth review of certain risks (Technicolor Risk Management). It reviewed the organizational structure of the Internal Audit, the semi-annual Internal Audit plans and their results, and internal control and IT procedures.

In addition, the Audit Committee reviewed the financial impact from refinancing the Group's debt. Moreover, the Company's pension plans and social and environmental responsibility policy were presented to it.

The Audit Committee also examined the Statutory Auditors' audit plan and reviewed the matter of their independence.

The Nomination and Governance Committee

Composition

The Nomination and Governance Committee is comprised of Messrs. Alexander Slusky (Chairman), Rémy Sautter and Bruce Hack. Two-thirds of the members of the Committee are considered by the Board of Directors to be independent under the AFEP/MEDEF Corporate Governance Code.

Mission

The Nomination and Governance Committee submits proposals pertaining to the Company's governance, in particular, in respect of the organization and functioning 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 Nomination and Governance Committee

The Nomination and Governance Committee met twice in 2013, with a participation rate of 100% (see the activities of the Remuneration, Nomination and Governance Committee until July 25, 2013 below).

The Committee focused on the new legal provisions relating to the presence of an employee Director on the Board. It also reviewed the Board's proposed self-evaluation process for its operations and operations of its Committees and the succession plan for Executive Directors.

The Remuneration Committee

Composition

The Remuneration Committee is comprised of Messrs. Alexander Slusky (Chairman), Bruce Hack and Didier Lombard. Two-thirds of the members of the Committee are considered by the Board of Directors to be independent under the AFEP/MEDEF Corporate Governance Code. Moreover, the Company does not comply with paragraph 18 of the AFEP/MEDEF Corporate Governance Code, pursuant to which the Chairman of the Remuneration Committee must be an independant Director (see paragraph 4.2.1.1 "Compliance with AFEP-MEDEF Corporate Governance Code" for the justification given by the company for the presence of Mr. Alexander Slusky, a Non-Independent Director, on the Committee)..

Mission

The Remuneration 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. The Committee also makes proposals in respect of the awarding of stock options and free shares to the Group's employees, and more generally concerning employee shareholder and shareholder savings programs, and issues recommendations on the consistency of the remuneration of Executive Directors as compared with that of the other managers and employees.

Activities of the Remuneration Committee

The Remuneration Committee met twice in 2013, with a participation rate of 100% (see the activities of the Remuneration, Nomination and Governance Committee until July 25, 2013 below).

The Committee reviewed the worldwide free share plan (My Technicolor Shares) and recommended its implementation. It also focused on the minimum investment rules for the Chairman of the Board and Chief Executive Officer and made a proposal to the Board regarding them.

Remuneration, Nomination and Governance Committee

Until it was split into two Committees in July 2013, the Remuneration, Nomination and Governance Committee was comprised of Messrs. Alexander Slusky (Chairman), Rémy Sautter and Bruce Hack.

It met five times during 2013, with a participation rate of 100%.

With respect to governance, the Committee reviewed the composition of the Board with regard in particular to compliance with the AFEP/MEDEF Corporate Governance Code revised in June 2013. It recommended the renewal of the terms of Messrs. Lloyd Carney, Bruce Hack and Didier Lombard, the appointment of Ms. Laura Quatela as a Director and Ms. Béatrix de Russé as an Observer. It also recommended that the Board split the Remuneration, Nomination and Governance Committee into two separate Committees.

With respect to remunerations, the Committee studied the terms of the Medium-Term Incentive Plan MIP 2015 and recommended that the Board approve it.

It also focused on the compensation of the Chief Executive Officer and the Chairman of the Board (see section 4.4: "Compensation and benefits of Directors" below) and reviewed the variable remuneration system put in place for all Group employees for 2013 and the achievement of the performance criteria applicable to the incentive plans implemented in 2010 and 2011 (MIP and LTIP – see sub-section 6.1.4: "Stock option and free share plans" of Chapter 6: "Social information and sustainable development" of this Annual Report).

Lastly, the Committee reviewed the results of the self-evaluation of the operations of the Board and of its Committees in 2012.

Technology Committee

Composition

The Technology Committee is comprised of M. Lloyd Carney (Chairman), Ms. Laura Quatela, Messrs. Loïc Desmouceaux and Didier Lombard. Ms. Beatrix de Russé is automatically invited to all Committee meetings.

Mission

The Technology Committee examines issues relating to innovation and research. It provides opinions and recommendations to the Board of Directors on the various technological choices they face, and participates in defining the strategic direction of the Company. The Committee carries out its work alongside the Director of Technology, the Chief Scientist, the Director Research and Innovation, and the Director of Corporate Partnerships and Ventures.

Technology Committee activities

The Technology Committee met three times during 2013, with a participation rate of 100%.

In 2013, the Committee focused on Research and Innovation, its new organizational structure and the relationship between that activity and the operating segments. More specifically, the Committee reviewed the indicators put in place to measure the business activity's performance. It also reviewed the improvements achieved in connection with the Jumpstart incubator program launched in 2012.

The Committee also reviewed the progress of the Cineglass and M-GO projects and the implementation of the Virdata project, an analytical device monitoring a real-time and historical big data allowing the control and management of multiple applications.

The Amplify 2015 Committee

Composition

The Amplify 2015 Committee is comprised of Messrs. Didier Lombard (Chairman), Frederic Rose, Bruce Hack, Alexander Slusky and David Fishman.

Mission

The mission of the Committee is to assist the Board in monitoring implementation of the Amplify 2015 plan. It prepares the Board's decisions in relation to the monitoring of the implementation of the Amplify 2015 plan and, generally speaking, reviews the Company's overall strategy.

Amplify 2015 Committee activity report

The Amplify 2015 Committee met six times during 2013, with a participation rate of 100%.

The Committee focused on the progress of the Amplify 2015 plan. It also reviewed several major strategic projects and provided its conclusions to the Board of Directors.

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

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

The principles and rules adopted by the Board of Directors to determine Executive Directors' compensation and benefits are discussed in paragraph 4.4.1 below and those related to Directors' fees and other Executive Directors' compensation are discussed in paragraph 4.4.7 below.

Information relating to stock options and free shares granted to Directors is provided in paragraph 4.4.8 below and in Chapter 6: "Social information and Sustainability", section 6.1.4: "Stock option plans and free share plans" of this Annual Report.

Participation of shareholders in Shareholders' Meetings

There is no specific arrangement for 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 Annual Report.

4.2.2 INTERNAL CONTROL PROCEDURES

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

The major components underlying the preparation of this report are (i) the compliance with *Loi de Sécurité Financière* (LSF or Law regarding Financial Security), (ii) the Ordinance No. 2008-1278 of December 8, 2008 and (iii) the AMF guidelines on risk management and internal control.

In March 2011, the Company voluntarily delisted from the New York Stock Exchange (NYSE). As a consequence, the Company 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 third annual campaign of the program has been successfully performed in the course of 2013, and a new campaign starts as of January 2014.

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 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 and finance. 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 four 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, 5 to 6 new sub-processes are rolled out under internal control program approach and this is still the plan for 2014. During workshops, the internal specialists on the subject matters are identifying and defining the main risks inherent to the process, in the specific context of the Group. For example, in 2013, the sub-processes of Prioritize Investment, and Manage Intellectual Property rights, as well as the ones related to Security Management 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 2013, about 240 control owners were designated to perform a self assessment on 2,534 controls over 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, internal control coordinators and members of the central internal control team;
- a questionnaire, made of nine key internal control topics in the following areas: customer offers management, costs monitoring, budget and forecast, ethics, delegation of authority, legal monitoring, key personal succession plan, growth initiatives and internal control monitoring. The questionnaires are completed and signed by Heads and Financial Controllers of Business Groups, Divisions and transversal functions (about 35 people). This assessment in the form of a questionnaire covers the whole Group's perimeter.

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. A strong coordination exists between the Internal Audit Department and the internal control team to ensure effective controls implementation at the various levels of the organization and to meet top management expectations.

At the current pace, the roll-out of the internal control program will be completed on the main Group risk areas (see Chapter 3: "Risk Factors" of this Annual Report) within the next 2 years.

4.2.2.2 General control environment

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

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 updated in 2006 and 2012, 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 and an Anticorruption 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. These training sessions involved around 9,462 employees from 2010 through 2013.

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.technicolor.com or upon request to the Company.

Although the Group is no longer subject to the "SOX" requirements following its NYSE delisting and SEC deregistration (as described above), the Financial Ethics Charter is planned to be maintained in the coming years.

Group Management and decision-making processes

At December 31, 2013, the Group Management is organized around three principal bodies:

- the Executive Committee;
- the Management Committee;
- the Senior Leadership Team.

Placed under the authority of the Group's Chief Executive Officer, the Executive Committee currently comprises seven 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, etc.). The Executive Committee meets every two weeks 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 monthly.

The Senior Leadership Team (SLT), whose Members reflect the diversity of the corporation in terms of business and organizations, serves as the operational arm of the Management Committee. Senior Vice-Presidents, appointed by the CEO, are Members of the SLT which, along with Executive Committee and Management Committee Members, form a group of leaders of around 60 people. As part of the SLT are the Technicolor Country Heads nominated in several countries where the Company operates (typically, the significant countries other than France and the USA). Their first priority is to drive an in-country "one company" approach for employees, local customers, and support function structures. They are also responsible for Technicolor's local representation efforts, performance management and investments decisions. The SLT also aims to provide a strong forum for presenting proposals, generating new ideas and further enabling understanding and communication within the Company. The SLT meets at least twice a year.

Together, the three 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.

In addition, 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, and the Company Secretary. The Investment Committee decides on 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 governance rules and debt agreement obligations and is a key part of the Group's internal control procedures. It meets on a weekly basis.

Risk Management

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 four-step-process 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 to build the Technicolor risk universe and prioritize the most important risks to closely manage.

Risk management and monitoring consist in identifying who is in charge of implementing an action plan for mitigating and controlling the risk. Risk owners are appointed in respect of the Group's most significant risks. The risk owner is a Member of the Executive Committee or a direct report. The Group has decided not to name a dedicated Risk manager, and rely mainly on the risk owners, closer to the business. The risk reviews are embedded in various and regular management presentations as Quarterly Business Reviews or Budget Reviews.

The Technicolor Risk Management process is subject to status reports presented to the Executive Committee and to the Audit Committee. This process is supported and facilitated by the Internal Audit Department, in the framework of the Technicolor Internal Audit Charter.

4.2.2.3 Internal Audit

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 framework of the Internal Audit mission has been defined in an "Internal Audit Charter", signed by the Chairmen of the Board of Directors and of the Audit Committee, the Chief Executive Officer, the Chief Financial Officer and the Chief Audit Executive.

The Internal Audit Department reports its results to the Group's management. The Audit Committee reviews and approves the audit plan twice a year and is informed of the main audit results. The Internal Audit Department provides support in the Technicolor Risk Management process.

In 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 around 10 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), Indianapolis, Indiana (U.S.) and Burbank, California (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 2013, 29 audit engagements were performed (both assurance and assistance types) compared to 34 in 2012. Most of the segments and support functions are covered, through a risk-based approach.

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 SA'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 eight 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 for each quarter 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 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 the 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 Annual Report. 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 (Entertainment Services, Connected Home, IP&L) or support shared service IT functions and applications used worldwide by the entire organization (global infrastructure & Risk Management, 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, collaboration tools, video conferencing, web technologies, business intelligence tools, business applications, antivirus, anti-SPAM suites) are operated and managed in an efficient, cost-effective, safe and secure manner. Finally the Office of the CIO, composed of Enterprise Architecture, End to End Business Process, Vendor Management and Enterprise Project & Portfolio Management, supports the tools, applications, and control practices 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, assets and Intellectual Property

The Technicolor Security Office (TSO), created in December 2011, defines the Security Strategy at Group level. This team located in the key sites of the Group and led by the Chief Security Officer, establishes priorities, defines best practices, monitors current implementations, develops common metrics and promotes the security tools for the Group.

The prime areas of focus for the TSO are physical, digital and business security. Physical security protects people, assets and transportation, while digital security covers, for example, network access control, desktop security and data loss prevention. Business security encompasses security assessments, encryption and forensics analysis.

Security is a cross-business concern that affects the 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.

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 differentiator in this "commoditized" market. TSO helped Connected Home to deliver secure devices to their customers.

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.

For all employees, security-conscious behavior needs to be key.

In 2013, the TSO, supported by each Security business representative, worked on Security audits management, dedicated security training and Security awareness at Group level: several dedicated multiple communications have been made to all Technicolor employees (security alerts, security letters "Security Awareness For Everyone", security policies...). It revised some existing security policies and designed new policies and standards (content protection, cloud...)

Working hand to hand with IT security team, the TSO helped to strengthen the overall security of our digital infrastructure.

A physical Security Plan has been launched at worldwide level in order to ensure that any of our facilities will comply with best practices. Security champions have been appointed at local level to support this Plan.

Regarding Travel safety, processes and policies have been harmonized notably for Risky countries where a strict follow up of our business travelers is needed.

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

To the Shareholders,

In our capacity as Statutory Auditors of Technicolor and in accordance with article L. 225-235 of French company law *(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 company law *(Code de commerce)* for the year ended December 31st, 2013.

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 company law *(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 company law *(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 company law *(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 company law *(Code de commerce)*.

The Statutory Auditors

Neuilly-sur-Seine, March 5, 2014
Deloitte et Associés

French original signed by
Alain Pons
Partner

Ariane Bucaille
Partner

Courbevoie, March 5, 2014
Mazars

French original signed by
Jean-Louis Simon
Partner

4.4 COMPENSATION AND BENEFITS OF DIRECTORS

4.4.1 COMPENSATION POLICY FOR EXECUTIVE DIRECTORS

The compensation policy for Executive Directors is defined by the Board of Directors after consultation with the Remunerations Committee. The Remunerations Committee issues recommendations to the Board regarding the principles to be followed when the Executive Directors' compensation items are defined. This includes guaranteeing coherence between the compensation of Executive Directors and compensation of Group employees.

The following principles have been established:

- the Company having adhered to the AFEP-MEDEF Code (see section 4.2.1.1 "Compliance with AFEP-MEDEF Corporate Governance Code"), the Remunerations Committee takes into account recommendations of this Code regarding compensation of Executive Directors;
- the compensation of Executive Directors is defined based on a comparison with the compensation of Executive Directors of publicly traded companies (in particular those that are international in scope) active in the Technology, Media and Telecom sectors;
- the variable compensation is submitted to quantitative and qualitative performance criteria;
- the indicators used to define the quantitative performance criteria applicable to the variable compensation of the Chief Executive Officer are identical to those used for Group employees who benefit from a variable compensation;
- Mr. Rémy Sautter, Chairman of the Board of Directors, and Mr. Frederic Rose, Chief Executive Officer, receive no Directors' fees in their capacity as Directors of the Company;
- Mr. Rémy Sautter's compensation is entirely fixed;
- the stock option and free share plans granted to management are subject to performance conditions and a condition of attendance when, as the case may be, the free shares are delivered or the options are subscribed;
- the Board of Directors ensures that the stock options and free share plans granted to the Chief Executive Officer represent a percentage proportional to his total compensation.

4.4.2 COMPENSATION AND BENEFITS OF MR. REMY SAUTTER, CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Rémy Sautter took up his position of Chairman of the Board of Directors on June 20, 2012. He does not have any employment contract with the Company or any Group company and is not an officer of any other Group company.

Mr. Rémy Sautter's compensation for this directorship was raised from €130,000 gross annually to €162,500 gross annually by the Board of Directors on May 23, 2013, effective June 1, 2013. This increase is proportional to the increase of the average individual amount of Directors' fees, following the increase of the maximum annual account of Directors' fees approved by the Combined Shareholders' Meeting on May 23, 2013. Mr. Sautter receives no Directors' fees in his capacity as director.

Pursuant to a decision by the Board of Directors on October 24, 2013, Mr. Sautter is bound by a minimum commitment to invest in Technicolor shares. This obligation is for a number of shares equal to the investment of one year of average Directors' fees, or around €90,000 at the date of the Board's decision. This number of shares is doubled in the event of a renewal of a Directors' term.

Table summarizing the compensation of Mr. Rémy Sautter (table no. 2 of the Annex of the AFEP-MEDEF Corporate Governance Code)

	2012		2013	
(in €)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	65,000 (1)	65,000 (1)	148,958 (2)	148,958 (2)
Variable	N/A	N/A	N/A	N/A
Directors' fees	33,136 (4)	59,544 (3)	N/A	33,136 (4)
Fringe Benefits	N/A	N/A	N/A	N/A
TOTAL	**98,136**	**124,544**	**148,958**	**182,094**

(1) Amount calculated on a prorata basis from June 20, 2012, when he began his term as Chairman of the Board of Directors.
(2) Amount calculated on a prorata basis, taking into account his new compensation from June 1, 2013.
(3) Directors' fees for 2011, paid in 2012.
(4) Directors' fees paid in 2013 for the period starting from January 1, 2012 to June 20, 2012 – the date on which Mr. Sautter was appointed as Chairman of the Board.

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

Mr. Frederic Rose took up his position on September 1, 2008. He does not have an employment contract with the Company or any Group company. He has also been the Chairman of Technicolor USA, Inc., the holding company for the Group's activities in the United States, since July 1, 2012. Since then, due to the growth of the Group's U.S. activities and the greater amount of time that Mr. Rose spends in the Americas, half of his compensation is paid by Technicolor SA and half by Technicolor USA, Inc.

The compensation of Mr. Frederic Rose, for his positions as Chief Executive Officer, was decided by the Board of Directors on July 23, 2008 and reviewed at meetings on March 9, 2009, and July 25, 2013, based on proposals by the Remunerations Committee. To determine this proposal, the Remunerations Committee relied on the advice of external consultants and comparisons with publicly traded companies (in particular those that are international in scope) active in the Technology, Media and Telecom sectors.

Fixed and variable compensation

Mr. Rose's compensation includes a fixed portion, which was raised from an annual gross amount of €800,000 to €1,000,000, effective on January 1, 2013, by the Board of Directors on July 25, 2013. The Board maintained that Mr. Rose's fixed compensation had not been changed since he assumed office in September 2008. Moreover, the Board is of the opinion that, because of the business sectors in which the Group is active, and the fact that a predominant portion of its revenues is earned in the United States, the comparison of Mr. Rose's compensation should contain executives of international companies within the sample under consideration.

Mr. Rose also receives variable compensation which depends, for 2013, on the following performance objectives:

- a consolidated adjusted EBITDA target that accounts for 35% of the targeted bonus;
- a consolidated adjusted Free Cash Flow target, that accounts for 45% of the targeted bonus; and
- a qualitative target that accounts for 20% of the targeted bonus and is tied to the completion of certain specific actions, relating to the development of the activities and of the resources of certain businesses. This target is determined annually and its achievement is appreciated by the Board of Directors.

The two quantitative objectives are also the objectives retained for the determination of variable compensation of all Group employees who receive this type of compensation. They are linked to the performance indicators chosen by the Group in its financial communications.

Eighty percent of each of the Consolidated Adjusted EBITDA and Consolidated Free Cash Flow targets must be achieved in order to entitle Mr. Frederic Rose to receive that variable component. In the event that 80% to 100% of an adjusted consolidated EBITDA and/or consolidated Free Cash Flow target were to be achieved, the amount of variable compensation for that target would be reduced proportionally. The amount of variable compensation may represent 100% of the annual gross fixed compensation in the event the targets are achieved, and is limited to 150% in the event the targets are exceeded.

The Board of Directors meeting held on February 19, 2014, reviewed the level of achievement of the above performance objectives for 2013. For fiscal year 2013, 114.5% of the adjusted consolidated EBITDA target and 150% of the consolidated Free Cash Flow target were achieved. The Board moreover considers 109% of the qualitative target to have been achieved.

As a result, the gross variable compensation of Mr. Rose for 2013 amounted to €1,293,750.

Mr. Rose receives no Directors' fees in his capacity as a Director of Technicolor SA and is not covered under an additional pensions scheme.

Pursuant to a decision by the Board on October 24, 2013, Mr. Rose is bound by a minimum commitment to invest in Technicolor shares. This obligation is for a number of shares equal to the investment of one year of average Directors' fees, or around €90,000 at the date of the Board's decision. This number of shares is doubled in the event of a renewal of his Director's term.

Stock options granted to Mr. Frederic Rose

Management Incentive Plan (MIP-SP1)

Upon the recommendation of the Remuneration, Nomination and Governance Committee, the Board of Directors decided on June 17, 2010 to implement a mid-term Management Incentive Plan designed to retain key Company personnel while aligning their interests with those of the Company and its shareholders (MIP-SP1). Mr. Frederic Rose was a beneficiary of this plan, which awarded Performance Units comprised of half cash and, in the case of Mr. Rose, half stock options. Under this plan, which affected nearly 300 Group employees, Mr. Rose had been awarded Performance Units (hereinafter "Performance Units") representing 10 to 15 months' base salary on the date they were awarded, for a cash bonus of between €333,300 to €500,000 maximum and 145,495 to 218,232 stock options (number of shares after adjustment subsequent to the capital increases conducted in 2012).

The Board of Directors, at its meeting on February 21, 2013, examined the level of achievement of the performance objectives and noted the amount of the cash premium and the number of options to allocate to the beneficiaries of the plan, based on the financial statements for the year ended December 31, 2012. The options may be exercised from June 18, 2014 to June 17, 2018, subject to a presence condition at the time they are exercised.

The exercise price for the stock options, which is determined in accordance with the provisions of Article L. 225-177 of the French Commercial Code, was set at €6.52 (after adjustments subsequent to the capital increases conducted in 2012), without discount.

The performance conditions were as follows:

- Technicolor shall not breach the financial covenants set forth in the contracts signed with its creditors under the Company's debt restructuring process (Credit Agreement dated April 23, 2010 and Note Purchase Agreement dated April 23, 2010);
- the amount of Performance Units definitively acquired by the beneficiaries was based on the Net Debt/EBITDA ratio validated by the Board of Directors based on the accounts for the fiscal year ended December 31, 2012.

This ratio is defined in the covenants set forth in the Credit Agreement and the Note Purchase Agreement dated April 23, 2010.

In accordance with Article L. 225-185 paragraph 4 of the French Commercial Code, in the event that all or some of the stock options granted to him were exercised, Mr. Rose will have to keep (in registered form), until the end of his term, the amount of shares acquired through the exercise of options representing 20% of net proceeds, defined as the difference between the value of the shares on the date of exercise and the strike price free of taxes and social contributions, including social charges or charges of any nature due on the date of exercise as well as those potentially due after that date, and regardless of the country in which these charges apply.

Management Incentive Plan (MIP 2015)

Upon the recommendation of the Remuneration, Nomination and Governance Committee, on May 23, 2013, the Board of Directors approved the establishment of a mid-term Management Incentive Plan designed to retain key Company employees while aligning their interests with those of the Company and its shareholders. This plan concerns nearly 90 Company employees. Mr. Rose was awarded 2,685,000 stock option rights under this plan, at an exercise price of €3.31, with no discount. This award to Mr. Rose represented 17% of total awards as of the date of the Board and 0.79% of the share capital at December 31, 2013.

The exercise of options is subject to a condition of presence. Mr. Rose shall lose the right to exercise his options if he departs from the Group before the exercise date of the options. It is also subject to a performance condition tied to consolidated Free Cash Flow. This indicator was chosen by the Board because it constitutes one of the main objectives of the Amplify 2015 Plan; it is identical for the Chief Executive Officer and the other beneficiaries of the plan. The options may be exercised according to the following timetable:

- in 2015, if the generation of consolidated Free Cash Flow for fiscal year 2014 is greater than or equal to €100 million, 50% of the options awarded shall become exercisable;
- in 2016, if the generation of consolidated Free Cash Flow for fiscal year 2015 is greater than or equal to €100 million, 25% of the options awarded shall become exercisable. In the event that the Performance objectives for 2014 were not achieved, 75% of the options would become exercisable;
- in 2017, if the generation of consolidated Free Cash Flow for fiscal year 2016 is greater than or equal to €100 million, 25% of the options awarded shall become exercisable. In the event that the performance objectives for 2014 and/or 2015 were not achieved, the options that had not become exercisable in 2015 and/or 2016 shall become exercisable;

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

Following the recommendation of the Remunerations Committee and pursuant to Article L. 225-186-1 of the French Commercial Code, on October 24, 2013, the Board of Directors approved a worldwide free share plan (entitled "My Technicolor Shares") for approximately 13,000 Group employees. Employees were granted the right to receive 125 Company shares at the end of a four-year vesting period ending on November 6, 2017 (for more information about the term of these plans, see Chapter 6: "Social Information and Sustainability", section 6.1.4: "Stock option plans and free share plans" of this Annual Report).

Stock options granted to Mr. Frederic Rose in 2013 (table no. 4 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Plan number and date	Type of options	*Value* of options on the grant date *(in €)*	Number of options granted	Exercise Price	Exercise period
MIP 2015 - May 23, 2013	Subscription	2,958,870 (1)	2,685,000	€3.31	May 23, 2015 –May 23, 2017 (2)

(1) Value of the options at grant date, determined in accordance with IFRS 2, before the spread of the expense over the acquisition period.
(2) The exercise of the options is subject to performance conditions tied to the Consolidated Free Cash Flow and to a condition of presence on the exercise date. See section 4.4.3 above.

Free shares granted to Mr. Frederic Rose

Long-Term Management Incentive Plan (LTIP 2011)

Upon the recommendation of the Remuneration, Nomination and Governance Committee, on February 28, 2011, the Board of Directors approved the terms of a Long-term Management Incentive Plan, the purpose of which is to reward loyalty of key Group contributors by aligning their interests with the Group's and its shareholders (LTIP Plan). On June 8, 2011, the Board of Directors approved its implementation. Mr. Rose was a beneficiary of this plan.

The plan, which was based on a three-year period, provided for the award of performance units (hereinafter "Performance Units") comprised for one-third of a cash bonus and for two-thirds of free ("performance") shares. Under the terms of this plan, Mr. Rose was awarded Performance Units representing a cash bonus which could reach €533,333 and a maximum of 213,333 free shares.

The final number of Performance Units acquired was based on performance conditions, which were identical for the Chief Executive Officer and the other beneficiaries of the plan. These conditions were related to (i) a Net Debt/EBITDA ratio, and (ii) the stock exchange performance measured annually by benchmarking Technicolor's share price against the share price of a panel of approximately twenty comparable companies in North America, Europe and Asia that are representative of the Technology, Media and Telecom industries.

Regarding the first criteria, which counted for two-thirds of the evaluation, the objectives for attaining 100% of the eligible Performance Units were stricter than the corresponding financial covenant as set forth in the Company's Reinstated Debt agreements. Regarding the second criterion, which counted for one third of the evaluation, in order to receive 100% of the Performance Units, its stock-market performance had to be ranked among the three highest in the sample. In the event that it was below the 12th place, no Performance Units was awarded. Between these two situations, the percentage of Performance Units granted will be reduced accordingly.

The Performance Units were acquired progressively in three annual tranches corresponding to 20%, 30% and 50%, respectively, of the total number, at which times the achievement of the performance and presence conditions was measured.

The Board of Directors, at its meeting on March 26, 2014, noted that, for fiscal year 2013, Mr. Rose has acquired a cash bonus totaling €253,985 gross and 101,594 free shares representing 0.03% of the share capital at December 31, 2013. Subject to the fulfillment of the presence condition on the date of the first Board meeting after March 1, 2014, the shares shall be delivered in June 2015.

Pursuant to Article L. 225-185, paragraph 4 of the French Commercial Code, Mr. Rose shall keep a quantity of shares representing 20% of the gain on acquisition net of income and payroll taxes owed for the acquisition and sale of the shares, in registered form, until his term of office ends. The reference price to calculate the number of shares in question shall be the opening share price on the date of acquisition of the shares.

Free shares granted to Mr. Frederic Rose in 2013 (table no. 6 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Plan number and date	Number of free shares for 2013	Value of the shares *(in €)*	Dates of acquisition	Availability date
LTIP June 8, 2011 (1)	101,594 (2)	304,005 (3)	March 2014	June 8, 2015 (4)

(1) This is a three-year plan, with the final tranche comprised by fiscal year 2013.
(2) Number of free shares acquired by Mr. Rose for the 2013 Tranche, subject to the fullfilment of the presence condition on the date of the first Board meeting after March 1, 2014, the shares shall be delivered in June 2015.
(3) According to IFRS 2, this valuation is reestimated at the end of each reporting period depending on the level of achievement of the performance conditions of the plan.
(4) Except for the quantity of shares that Mr. Frederic Rose shall keep in registered form pursuant to Article L. 225-185, para. 4 of the French Commercial Code (see above).

Tables 8, 9 and 10 of the AMF Recommendation of December 22, 2008 (as updated on December 17, 2013) are located in Chapter 6: "Social Information and Sustainability", section 6.1.4: "Stock option plans and free share plans" of this Annual Report.

Indemnity payable in case of removal of position as Chief Executive Officer

In the event of his dismissal from the position of Chief Executive Officer, except in cases of gross negligence or willful misconduct, Mr. Rose shall receive compensation of a maximum gross amount equal to fifteen months of his fixed and variable compensation calculated based on his total gross compensation (fixed and variable). The increase of the fixed and variable compensation approved by the Board of Directors on July 25, 2013 shall not be considered in the determination of the indemnity. Pursuant to the provisions of Article L. 225-42-1 of the French Commercial Code, the payment of this indemnity is subject to performance conditions based on the Group's consolidated Adjusted EBITDA and Free Cash Flow, determined on a yearly basis by the Board of Directors for a period of three years. The targets are the same as those used annually for the variable portion.

Half of the indemnity payment is subject to the achievement of a consolidated EBITDA target and the remaining half is subject to achievement of a 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 correspondingly reduced. 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-competition clause will be enforceable for a period of 9 months following termination, and applicable in Europe, Asia and the United States, in exchange for which he will receive monthly compensation calculated based on the basis of his last monthly overall pay. The increase of the fixed and variable compensation approved by the Board of Directors on July 25, 2013 shall not be considered in the determination of such compensation.

Other compensation items

Mr. Rose does not benefit from any specific pension scheme. He enjoys benefits in kind providing for the use of a vehicle, for an amount of €4,260 for 2013.

The employer's charges paid by Group companies in respect of Mr. Frederic Rose's compensation amounted to €491,747 in 2013.

Table summarizing the compensation of Mr. Frederic Rose (table no. 2 of the Annex of the AFEP-MEDEF Corporate Governance Code)

	2012		2013	
(in €)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	800,000	800,000	1,000,000 (1)	1,000,000 (1)
Variable	1,152,000 (2)	600,000 (3)	1,293,750 (4)	1,152,000 (2)
Cash premium (MIP-SP1)	436,464	N/A	N/A	436,464
Cash premium (LTIP)	149,333	52,148	253,985	149,333
Directors' fees (5)	N/A	N/A	N/A	N/A
Fringe Benefits	4,260	4,260	4,260	4,260
TOTAL	**2,542,057**	**1,456,408**	**2,551,995**	**2,742,057**

(1) The fixed compensation of Mr. Rose has been increased to €1,000,000 gross effective January 1, 2013.
(2) Variable compensation for 2012, paid in 2013.
(3) Variable compensation for 2011, paid in 2012.
(4) Variable compensation for 2013 to be paid in 2014.
(5) Mr. Frederic Rose is not entitled to receive Directors' fees.

Table summarizing the compensation of Mr. Frederic Rose (Annex 2 of the AFG Recommendations on Corporate Governance)

	2011	2012	2013
	Amounts due	Amounts due	Amounts due
Fixed	800,000	800,000	1,000,000
Variable	600,000	1,152,000	1,293,750
Directors' fees	N/A	N/A	N/A
Fringe Benefits	4,260	4,260	4,260
Cash premium (MIP-SP1)	N/A	436,464	N/A
Cash premium (LTIP)	52,148	149,333	253,985 (1)
Extraordinary compensation	N/A	N/A	N/A
TOTAL	**1,456,408**	**2,542,057**	**2,551,995**
Stock options: number of options	**N/A**	**190,529 (2)**	**2,685,000 (3)**
Exercise price (in €)	N/A	€6.52	€3.31
Exercise period	N/A	June 18, 2014-June 17, 2018	May 23, 2015 – May 23, 2017
Value at the grant date of the stock options *(in €)*	N/A	294,622 (4)	2,958,870 (4)
Free shares (LTIP): number of performance shares	**20,859**	**59,733**	**101,594 (1)**
Value at the grant date of the Performance Units *(in €)*	62,417 (4)	178,742 (4)	304,005 (4)

(1) After the Board of Directors of Technicolor's review of the level of achievement of the performance conditions applicable to the plan, at its meeting on March 26, 2014.
(2) Number of stock options acquired by Mr. Rose under MIP-SP1 after the Board of Directors' review of the level of achievement of the performance conditions on February 21, 2013 (see above). The exercise of the options is subject to a presence condition at the exercise date.
(3) Number of stock options acquired by Mr. Rose under the MIP 2015 Plan approved by the Board of Directors on May 23, 2013. The exercise of options is subject to presence and performance conditions – see above.
(4) According to IFRS 2, this valuation is re-estimated at the end of each reporting period depending on the achievements of the performance conditions of the plan.

4.4.4 OVERVIEW OF COMPENSATION, BENEFITS, OPTIONS AND PERFORMANCE SHARES ATTRIBUTED TO THE EXECUTIVE DIRECTORS

Summary table of the compensation options and shares awarded to each Executive Director (table no. 1 of the Annex of the AFEP-MEDEF Corporate Governance Code)

	Rémy Sautter		Frederic Rose	
	Amounts due (in €)		Amounts due (in €)	
	Fiscal 2012	Fiscal 2013	Fiscal 2012	Fiscal 2013
Compensation owed for the fiscal year (detailed in the tables provided in paragraphs 4.4.2 and 4.4.3)	98,136	148,958	2,542,057	2,551,995
Valuation of options granted during the fiscal year (detailed in the table provided in paragraph 4.4.3)	N/A	N/A	294,622	2,958,870 (1)
Valuation of performance shares granted during the fiscal year (detailed in the table provided in paragraph 4.4.3)	N/A	N/A	178,742	304,005
TOTAL	**98,136**	**148,958**	**3,015,421**	**5,814,870**

(1) Value of the options at grant date, determined in accordance with IFRS 2, before the spread of the expense over the acquisition period. The exercise of the options is subject to performance conditions tied to the Consolidated Free Cash Flow and to a condition of presence on the exercise date. See section 4.4.3 above.

4.4.5 COMPENSATION COMPONENTS OF MR. REMY SAUTTER, CHAIRMAN OF THE BOARD OF DIRECTORS, SUBJECT TO SHAREHOLDERS' ADVISORY VOTE

In accordance with Article L. 24.3 of the AFEP/MEDEF Corporate Governance Code of June 2013, the Company shall submit to the shareholders' advisory vote the following compensation components due or attributable for the most recently ended fiscal year to Mr. Rémy Sautter.

Compensation items due or attributable for fiscal year 2013 to Mr. Rémy Sautter, Chairman of the Board of Directors, subject to the shareholders' advisory vote

Compensation items due or attributable to Mr. Rémy Sautter for fiscal year 2013

	Gross amounts	Comments
Fixed compensation	€148,958	Mr. Sautter's compensation was determined by the Board of Directors on October 25, 2012, and reviewed by the Board on May 23, 2013. On May 23, the Board of Directors increased this compensation from €130,000 to €162,500 effective June 1. This increase is proportional to the increase of the average individual amount of Directors' fees, following the increase of the maximum annual amount of in Directors' fees approved by the Combined Shareholders' Meeting on May 23, 2013.

Mr. Rémy Sautter does not receive any of the following compensation items: variable compensation, deferred or multi-year variable compensation, Stock option plans, performance shares, Directors' fees, additional pensions scheme, fringe benefits, severance or non-compete compensation.

4.4.6 COMPENSATION ITEMS OF MR. FREDERIC ROSE, CHIEF EXECUTIVE OFFICER, SUBJECT TO SHAREHOLDERS' ADVISORY VOTE

In accordance with Article L. 24.3 of the AFEP/MEDEF Corporate Governance Code of June 2013, the Company shall submit to shareholders' advisory vote the following compensation items due or attributable for the most recently ended fiscal year to Mr. Frederic Rose. Half of Mr. Rose's compensation is paid by Technicolor SA, and half by Technicolor USA, Inc., the holding company for the Group's activities in the United States, of which Mr. Rose has been the Chairman since July 1st, 2012.

Compensation items due or attributable for fiscal year 2013 to Mr. Frederic Rose, Chief Executive Officer, subject to shareholders' advisory vote

Compensation items due or attributable to Mr. Frederic Rose for fiscal year 2013

	Gross amounts	Comments
Fixed compensation	€1,000,000	Mr. Rose's compensation components were determined by the Board of Directors on July 23, 2008 and reviewed at meetings on March 9, 2009 and July 25, 2013. On July 25, 2013, the Board of Directors decided to increase this compensation from €800,000 to €1,000,000. The Board maintained that Mr. Rose's fixed remuneration had not been changed since he assumed office in September 2008. Moreover, the Board is of the opinion that, because of the business sectors in which the Group is active, the fact that a predominant share of its revenue is earned in the United States, Mr. Rose's compensation should be compared to other executives of international companies
Variable compensation	€1,293,750	The annual bonus depends on the achievement of performance objectives that depend on the following performance objectives for 2013: ▪ a consolidated adjusted EBITDA target that accounts for 35% of the targeted bonus; ▪ a consolidated Free Cash Flow target that accounts for 45% of the targeted bonus; and ▪ a threefold qualitative target that accounts for 20% of the targeted bonus and is tied to the completion of certain specific actions relating to the development of the activities and of the resources of some businesses, the achievement of which is determined by the Board of Directors. Eighty percent of each of the Consolidated Adjusted EBITDA and Consolidated Free Cash Flow targets must be achieved in order to entitle Mr. Frederic Rose to receive that variable component. In the event that 80% to 100% of an adjusted consolidated EBITDA and/or consolidated Free Cash Flow target were to be achieved, the amount of variable compensation for that target would be reduced proportionally. The amount of variable compensation may represent 100% of the annual gross fixed compensation in the event the targets are achieved, and is limited to 150% in the event the targets are exceeded. On February 19, 2014, the Board of Directors reviewed the level of achievement of the performance conditions for 2013. 114,5% of the consolidated EBITDA target for 2013 and 150% of the consolidated Free Cash Flow target for fiscal year 2013 were achieved. 109% of the qualitative target was achieved.
Stock option plans (MIP 2015)	2,685,000 options	Using the authorization granted by the Combined Shareholders' Meeting of May 23, 2013 in its Fifteenth Resolution, the Board of Directors, at its meeting on the same day, approved the conditions for a stock option plan for the benefit of key Group employees. Mr. Rose was awarded 2,685,000 stock options representing 17% of the total number of shares awarded on the date of the Board's decision, and 0.79% of the share capital at December 31, 2013. The exercise price of the options is €3.31, without discount. The exercise of options is subject to a condition of presence and a condition of performance tied to the consolidated Free Cash Flow. It may take place according to a pre-defined calendar, on or after May 23, 2015, May 23, 2016 and May 23, 2017. The accounting valuation of the options on the grant date is €2,958,870 (value of the options at grant date, determined in accordance with IFRS 2, before the spread of the expense over the acquisition period). The terms of the plan are described in section 4.4.3 above.
Fringe Benefits	€4,260	Mr. Rose receives a fringe benefit of a company vehicle.

Components of the compensation granted by the Board to Mr. Frederic Rose in previous fiscal years, which were due in fiscal year 2013

Long-Term Management Incentive Plan (LTIP 2011), bonus	€253,985	Using the authorization granted by the Combined Shareholders' Meeting on June 8, 2011, the Board of Directors, meeting on that same date, approved the establishment of a long-term incentive plan in which Performance Units would be granted to retain key Group employees. Mr. Rose was a beneficiary of this plan (see section 4.4.3 above). The final number of Performance Units acquired was based on performance conditions, which were identical for the Chief Executive Officer and the other beneficiaries of the plan. These conditions were related to (i) a Net Debt/EBITDA ratio, and (ii) the stock exchange performance measured annually by benchmarking Technicolor's share price against the share price of a panel of approximately twenty comparable companies in North America, Europe and Asia that were representative of the Technology, Media and Telecom industries. At its meeting of March 26, 2014, the Board of Directors noted, after reviewing the level of achievement of the performance targets of LTIP 2011, that, for fiscal year 2013, Mr. Rose acquired a cash bonus of a gross total of €253,985. The 2013 tranche was the final tranche of the Plan.
Long-Term Management Incentive Plan (LTIP 2011), free shares	101,594 shares	At its meeting of March 26, 2014, the Board of Directors noted that, for fiscal year 2013, Mr. Rose acquired 101,594 free shares under LTIP 2011 (see above for the vesting conditions for those shares). These shares will be delivered in June 2015. The accounting valuation of the shares on the grant date is €304,005.

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

Severance indemnity	No payment	In the event of dismissal from his position, except in cases of gross negligence or willful misconduct, Mr. Rose shall receive compensation of a maximum gross amount equal to fifteen months of his fixed and variable compensation, calculated based on his total gross compensation (fixed and variable). The increase of the fixed and variable compensation approved by the Board of Directors of July 25, 2013 shall not be considered in the determination of dismissal compensation. Half of the indemnity payment is subject to the achievement of a consolidated EBITDA target and the remaining half is subject to achievement of a 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 correspondingly reduced. 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. Details of the items relative to this indemnity are described in section 4.4.3 above. This commitment was authorized by the Board of Directors of March 9, 2009 and approved by the Ordinary Shareholders' Meeting on June 16, 2009, in its Ninth Resolution.
Non-competition indemnity	No payment	In the event of termination from his duties, a non-competition clause will be enforceable for a period of 9 months following termination, and applicable in Europe, Asia and the United States, in exchange for which he will receive monthly compensation calculated on the basis of his last monthly overall pay. The increase of the fixed and variable compensation approved by the Board of Directors on July 25, 2013 shall not be considered in the determination of this indemnity. Details of the items relative to this indemnity are described in section 4.4.3 above. This commitment was authorized by the Board of Directors of July 23, 2008 and modified on March 9, 2009, and was approved by the Ordinary Shareholders' Meeting on June 16, 2009 in its Eighth Resolution.

During fiscal year 2013, Mr. Frederic Rose was not granted, or did not benefit from, the following compensation items: deferred variable compensation, extraordinary compensation, Directors' fees and additional pensions scheme.

4.4.7 DIRECTORS' FEES AND OTHER COMPENSATION

In accordance with Article L. 225-37 of the French Commercial Code, the principles and rules established by the Board of Directors to determine the Directors' fees awarded to Executive Directors are shown below.

The Remunerations Committee recommends to the Board of Directors the total amount of Directors fees to be submitted for shareholders' approval at the Annual General 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 €650,000 by the Annual General Shareholders' Meeting held on May 23, 2013. It is reminded that this amount hadn't been amended since 2004. This increase has been proposed by the Board of Directors because of the increase of the number of meetings, resulting from the creation of the Amplify Committee and of the internationalization of the Board composition following the entry of Vector Capital in the share capital.

The annual distribution of Directors' fees owed for 2013 is as follows:

- a fixed fee of €35,000 for each Director;
- a fixed fee of €10,000 for each Committee Chairman;
- a fee of €2,500 for each meeting of the Board of Directors;
- an additional fee of €2,000 for each meeting of the Board of Directors that is held across the Atlantic;
- a fee of €2,500 for each meeting of the Audit Committee;
- a fee of €2,000 for each meeting of the Remunerations and of the Nomination and Governance Committees, the Technology Committee and the Amplify 2015 Committee;
- no payment of fees for teleconference meetings or meetings lasting under two hours.

The Directors did not receive any other compensation besides Directors' fees in respect of fiscal year 2013. Except for Mr. Frederic Rose, the Directors of the Company do not hold office at any of the other Group companies.

Directors' fees and other compensation paid to the Non-Executive Directors in 2012 and 2013 (table no. 3 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Name	Gross amounts paid in 2012		Gross amounts paid in 2013	
(in €)	Directors' fees [1]	Extraordinary compensation	Directors' fees [2]	Extraordinary compensation
Lloyd Carney	63,449	-	60,545	-
Loïc Desmouceaux	58,568 [3]	-	56,455 [4]	-
David Fishman	-	-	30,273 [5]	-
Catherine Guillouard	66,377	-	63,000	-
Bruce Hack	77,115	-	78,545	-
Didier Lombard	58,568	-	61,364	-
John Roche	66,377	-	34,773 [6]	-
Rémy Sautter	59,544	-	33,136 [7]	-
Alexander Slusky	-	-	31,909 [5]	
TOTAL	**449,998**	**-**	**450,000**	**-**

(1) Directors' fees for 2011, paid in 2012. The maximum annual amount of Directors' fees being reached, the Board of Directors decided to reduce the amount due to each Director on a prorata basis.
(2) Directors' fees for 2012, paid in 2013. The maximum annual amount of Directors' fees being reached, the Board of Directors decided to reduce the amount due to each Director on a prorata basis.
(3) €4,000 was paid directly to the Technicolor Employee Shareholders' Association at the request of Mr. Loïc Desmouceaux.
(4) €5,000 was paid directly to the Technicolor Employee Shareholders' Association at the request of Mr. Loïc Desmouceaux.
(5) Amount of the Directors' fees from July 16, 2012, the date on which the directorships of Messrs. Alexander Slusky and David Fishman became effective.
(6) Amount of the Directors' fees until June 20, 2012, the date on which Mr. John Roche's term as Director expired.
(7) Amount of the Directors' fees as from June 20, 2012, the date on which Mr. Sautter was appointed as Chairman of the Board.

Directors' fees paid in 2014 (Directors' fees for 2013)

Name		Gross amounts paid
(in €)	Directors' fees	Extraordinary compensation
Lloyd Carney	68,000	-
David Fishman	77,000	-
Catherine Guillouard	36,000 [1]	-
Bruce Hack	97,000	-
Hugues Lepic	56,500	
Didier Lombard	80,500	-
Laura Quatela	37,000 [2]	
Alexander Slusky	84,500	-
TOTAL	**536,500**	**-**

(1) Amount of the Directors' fees until July 25, 2013, the date on which the resignation of Ms. Guillouard became effective.
(2) Amount of the Directors' fees from May 23, 2013, the date on which the directorship of Ms. Laura Quatela became effective.

Compensation paid to Observers in 2014 [1] (compensation due for fiscal year 2013)

Name	Gross amounts paid	
(in €)	Compensation in capacity as Observer	Extraordinary compensation
Loïc Desmouceaux	60,500 [2]	

(1) Ms. Béatrix de Russé receives no compensation in her capacity as Observer
(2) €2,500 was paid directly to the Technicolor Employee Shareholders' Association at the request of Mr. Loïc Desmouceaux.

4.4.8 OTHER INFORMATION CONCERNING STOCK OPTION PLANS OR FREE SHARES AWARDED TO EXECUTIVE DIRECTORS

Stock options

During fiscal year 2013, no stock options previously awarded to the Executive Directors were exercised by the beneficiaries.

Stock Options exercised during the fiscal year by each Executive Director (Table no. 5 of the Annex of the AFEP-MEDEF Corporate Governance Code)	None

Free Shares

During fiscal year 2013, no free shares granted previously to the Executive Directors became available.

Free shares that became available for each Executive Officer in 2013 (Table no. 7 of the Annex of the AFEP-MEDEF Corporate Governance Code)	None

Tables 8, 9 and 10 of the AMF Recommendation of December 22, 2008 (as updated on December 17, 2013) are located in Chapter 6: "Social Information and Sustainability", section 6.1.4: "Stock option plans and free share plans" of this Annual Report.

4.5 EXECUTIVE COMMITTEE

4.5.1 MEMBERS OF THE EXECUTIVE COMMITTEE

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

Name of Executive Committee Member	Age	Responsibility	Appointed
Frederic Rose	51	Chief Executive Officer	2008
David Chambeaud	46	Human Resources & Social Responsibility, Global Sourcing and Real Estate, Insurance and Security	2009
Vince Pizzica	50	Corporate Partnerships & Ventures	2008
Michel Rahier	60	Connected Home – Operations Services & Transformation	2011
Lanny Raimondo	70	Entertainment Services	2001
Stéphane Rougeot	45	Chief Financial Officer & Group Strategy & Portfolio Management	2008
Boris Teksler	43	Technology	2013

Biographies of Executive Committee Members

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

Mr. David Chambeaud is Head of Human Resources & Social Responsibility since July 2009. As an Executive Committee Member, he is also in charge of managing the Global Sourcing, Real Estate, Insurance and Security functions at the Group level. Previously and since 2005, he was heading the Sourcing function for the Group as Chief Procurement Officer. From 1995 to 2005, Mr. David Chambeaud occupied various roles within the Sourcing Management team of Thomson based in France and Germany, assuming regional and divisional responsibilities for this function. He also worked within the Packaging Division of the Danone Group from 1992 to 1994. David Chambeaud is a graduate of the EPSCI (École des practiciens du commerce international), an international business school belonging to the ESSEC Group.

Mr. Vince Pizzica is Head of Corporate Partnerships and Ventures since October, 2011. In addition, he directs the processes for the Technology Licensing activities of Technicolor, the MediaNavi venture and previously led Digital Delivery Business Group and the Strategy, Technology and Research corporate teams. Prior to joining Technicolor and over a 28-year career in the telecoms industry, Mr. Vince Pizzica spent 17 years at Telstra at various operation and technology positions, including as 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 as well as CTO for the APAC region. Mr. Vince Pizzica holds a Bachelor of Engineering 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. He is also in charge of Operations Transformation and IT. He joined the Technicolor Executive Committee in April 2011 following his appointment as Executive Vice-President, Operations Services & Transformation. Mr. Michel Rahier was most recently 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 since 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. Lanny Raimondo is Head of Entertainment Services since 2001. Mr. Lanny Raimondo has worked at Technicolor since 1994 and was appointed President and Chief Executive Officer of Technicolor Inc. in 1998, after having served as President of the Company's Home Entertainment business. Prior to that, he spent 16 years with Pirelli Cable Corporation where he managed large subsidiary companies in Great Britain, Canada and the U.S., holding the position of President and Chief Executive Officer of North American Group from 1985 to 1994. Mr. Raimondo is a graduate of Purdue University with a degree in electrical engineering.

Mr. Stéphane Rougeot is Chief Financial Officer and also Head of Group Strategy and Portfolio Management. Prior to joining Technicolor in November 2008, he spent five years with France Telecom Orange, first as Head of Strategy for Equant, then as Head of Indirect Sales for Orange Business Services and finally as Group

Controller. Previously, he had been in charge of Investor Relations and head of Corporate Communications for Thomson. Mr. Rougeot began his career with Total in Africa and Paris, serving in a range of financial control, project finance and M&A functions. He is a graduate of the IEP ("Institut d'Etudes Politiques") business school in Paris and holds a DEA in International Economics and Finance from Paris Dauphine University.

Mr. Boris Teksler is Head of Technology Group, that includes Intellectual Property & Licensing and the Worldwide Research & Innovation Laboratories. Prior to joining Technicolor in 2013, Mr. Teksler spent 4 years at Apple Inc. where he led the Patent Licensing & Strategy Group. In this capacity, Mr. Teksler took a leadership role in the selection, development and negotiation of patent strategy initiatives, pre-litigation disputes, and licensing programs. Prior to joining Apple in 2009, Mr. Teksler spent 16 years at Hewlett-Packard Company where he held a number of positions including founding HP's Intellectual Property Licensing Organization, charged with out-licensing technology to enhance HP's return on its investment in technology. In addition to his expertise in Intellectual Property, Mr. Teksler spent 10 years creating new innovative product businesses. As a 20-year veteran of Silicon Valley, Mr. Teksler has acquired extensive experience in commercializing technologies and Intellectual Property. He holds a bachelor's degree in Computer Science from the University of California at Davis.

Role of the Executive Committee

The Executive Committee meets under the direction of the CEO every two weeks, 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 Annual Report.

4.5.2 EXECUTIVE COMMITTEE COMPENSATION

Executive Committee compensation

In 2013, 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 €10.4 million (excluding charges and including variable components - short and long term plans - of €6.3 million, calculated on the basis of the 2012 Group financial results).

In 2012, 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 €7.1 million (excluding charges and including a variable component of €2.2 million calculated on the basis of the 2011 Group financial results).

The difference between the compensation paid in 2013 and 2012 is explained by the increase of the CEO's compensation (please refer to section 4.4.3 of this Chapter) and by the better performance of the Group in 2012, resulting in the payment of higher short and long term compensation in early 2013. Overall, the amount of the 2012 variable compensation was 30% higher than the amount of the 2011 variable compensation.

The total amount provided for pensions and retirement and other similar benefits granted to the Members of the Executive Committee amounted to € 1.4 million in 2013.

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

None.

5 TECHNICOLOR AND ITS SHAREHOLDERS

5.1 SHARE CAPITAL

Share capital as of December 31, 2013

At December 31, 2013, Company share capital comprised 335,709,392 fully paid-up shares with a nominal value of €1 each, (ISIN Code FR0010918292), all of which were of the same category.

5.1.1 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS

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

	December 31, 2013			December 31, 2012			December 31, 2011 [1]		
Shareholders	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Public [2]	265,762,470	79.16%	79.28%	265,476,835	79.12%	79.26%	223,153,396	99.73%	100%
Vector TCH (Lux) 1, S.à r.l. [3] [4]	69,461,319	20.70%	20.72%	69,461,319	20.70%	20.74%	-	-	-
Treasury shares [4]	485,603	0.14%	-	605,687	0.18%	-	605,687	0.27%	-
TOTAL	**335,709,392**	**100%**	**100%**	**335,543,841**	**100%**	**100%**	**223,759,083**	**100%**	**100%**

(1) At December 31, 2011, 1,469,580 old shares not exchanged for new (post-reverse split) shares were still in circulation. One (1) voting right was attached to each old share and ten (10) voting rights were attached to each new share (see Chapter 7: "Additional Information", section 7.2.3: "Rights, privileges and restrictions linked to shares").
(2) Estimate obtained by subtraction.
(3) Vector TCH (Lux) 1, S.à r.l. is an investment vehicle wholly owned by the fund Vector TCH Cayman Ltd., which in turn is wholly owned by the funds Vector Capital IV International, LP, Vector Capital III International, LP and Vector Entrepreneur Fund III, LP. See section 5.1.5: "Modifications in the distribution of share capital over the past three years" of Chapter 5 of this Annual Report.
(4) Shares in pure nominative form.

Share ownership threshold notified to the Company in 2013

In accordance with Article L. 233-13 of the French Commercial Code, and to the Company's knowledge, the following share ownership thresholds were notified to the Company or the Autorité des marchés financiers (AMF) in 2013:

Shareholders	Threshold crossing date	Threshold crossed upwards or downwards	Threshold crossed	Percentage of share capital held	Number of shares held
Bpifrance Participations SA (ex FSI) [1]	July 12, 2013	upwards	5.00%	5.400%	18,119,367
Apollo Management Holdings LP	July 11, 2013	downwards	5.00%	4.930%	16,543,121
Caisse des Dépôts et Consignations [2]	March 20, 2013	upwards	5.00%	6.270%	21,063,993
West Face Capital Inc.	January 29, 2013	downwards	5.00%	3.994%	13,401,651

(1) At July 12, 2013, Bpifrance Participations SA (ex FSI) held jointly with Caisse des Dépôts et Consignations 8.29% of share capital and voting rights in the Company.
(2) At March 20, 2013, Caisse des Dépôts et Consignations held jointly with Bpifrance Participations SA (ex FSI) 6.27% of share capital and voting rights in the Company.

Situation as of December 31, 2013

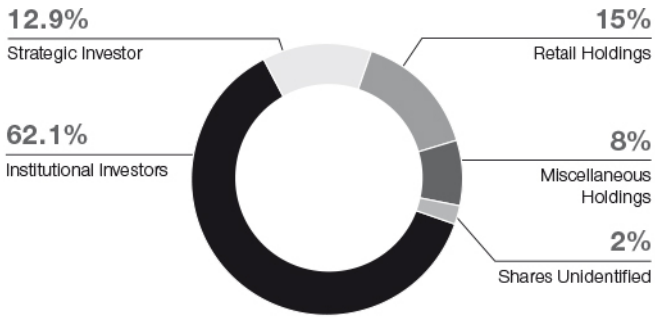
In accordance with Article L. 233-13 of the French Commercial Code, and to the knowledge of Technicolor, it is further noted that (i) on July 12, 2013, Caisse des Dépôts et Consignations held jointly with Bpifrance Participations SA 8.29% of share capital and voting rights (including shares with no voting rights attached in accordance with Article 223-11 of the General Regulation of the AMF) of the Company.

Situation as of March 11, 2014

Following the sale of 26 million Technicolor shares as of March 11, 2014, Vector Capital directly or indirectly held, on its own behalf or on behalf of its clients, 12.95% of the share capital and voting rights of the Company (including shares with no voting rights attached in accordance with Article 223-11 of the General Regulation of the AMF), demonstrating its full support and conviction in Technicolor's Amplify 2015 strategic roadmap.

To the knowledge of the Company, excluding Vector Capital and Caisse des Dépôts et Consignations, there is no other shareholder that holds more than 5% of share capital or voting rights as of March 11, 2014.

Total shareholder composition



Company Related >1%

Institutional shares by geography

Rest of the World >1%

Other information regarding the Company's shareholders

In 2012, the investment fund Vector Capital acquired an interest in the capital of the Company through two capital increases. On July 10, 2012, Vector Capital and the Company entered into a Governance Agreement under which Vector Capital took on a certain number of commitments (see Chapter 4: "Corporate governance and internal control procedures", section 4.1.3.4: "Arrangements or agreements made with major shareholders, customers, suppliers or others pursuant to which the Board Members and Executive Committee Members were selected").

To the Company's knowledge, except Vector Capital, corporate entity related to Messrs. Slusky and Fishman, Directors of the Company, and Mr. Lepic, no other member of the administrative or executive bodies currently holds more than 1% of the share capital or voting rights of the Company (for more information concerning the Board of Directors' shareholding, pleases refer to Chapter 4: "Corporate governance and internal controls" section 4.1.3.5: "Directors' shareholdings in the Company's registered capital" of this Annual Report).

The main shareholders of the Company do not hold voting rights that are different from those of other shareholders.

5.1.2 PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS – BOARD OF DIRECTORS' REPORT ON TREASURY SHARES

The following paragraphs include information required in accordance with Article L. 225-211 of the French Commercial Code.

Share repurchase program

The Combined Shareholders' Meeting on May 23, 2013 authorized an implementation of a share repurchase program subject to the provisions of Article L. 225-209 *et seq.* of the French Commercial Code and European Regulation No. 2273/2003 dated December 22, 2003.

This delegation is granted for a term of 18 months. It cannot be used during any public tender on the Company's securities.

The share repurchase program is solely designed to cover stock options plan and free shares allocation plan.

The purchase of Company shares may include a number of shares such that:

- the number of shares that the Company may buy during the term of a share repurchase program may not exceed, at any time whatsoever, 10% of the Company's share capital, this percentage applying to the capital as adjusted for transactions occurring subsequent to this Shareholders' Meeting, *i.e.*, for information purposes, as December 31, 2013, a number of shares not exceeding 33,570,939;
- the number of shares that the Company can hold at any time may not exceed 10% of the Company's share capital.

The maximum purchase price of the shares is €10 per share, or the equivalent of this amount at the same date in any other currency.

The total amount allocated to the share repurchase program cannot exceed €335,543,840.

Shares purchased by Technicolor and allocation of treasury shares as of December 31, 2013

On December 31, 2013, the Company held 485,603 treasury shares, representing 0.14% of share capital, for a gross book value of €76,492,565.87 and a par value of €485,603.

Percentage of treasury shares held directly or indirectly	0.14%
Number of treasury shares held directly or indirectly (1)	485,603
Number of shares canceled over the last 24 months	-
Gross book value of shares owned *(in €)*	76,492,565.87
Market value of share owned (2) *(in €)*	1,869,571.55

(1) Last 24 months preceding December 31, 2013.
(2) Based on a quoted market price of €3.850 per share on December 31, 2013.

The 485,603 treasury shares held by the Company as of December 31, 2013 were allocated by the Board of Directors on October 20, 2010 for employee option programs or other allocations of shares to employees and Directors and officers of the Group.

June 13, 2013, the Company delivered 120,084 treasury shares to beneficiaries of the 2010 MIP (see section 6.1.4: "Stock options and free share plans" in Chapter 6: "Social information and sustainability" of this Annual Report).

5.1.3 INDIVIDUALS OR ENTITIES HOLDING CONTROL OF THE COMPANY

None.

5.1.4 SHAREHOLDERS' AGREEMENTS

To the Company's knowledge, there are no shareholders' agreements among any of its shareholders.

5.1.5 MODIFICATIONS IN THE DISTRIBUTION OF SHARE CAPITAL OVER THE PAST THREE YEARS

In 2011

No significant modification occurred in the distribution of the share capital of Technicolor in 2011.

In 2012

There was a change in share capital distribution in 2012 because a new main shareholder, Vector Capital, acquired a stake in the Company's capital.

The transaction presented by the two U.S. funds Vector Capital IV, LP and Vector Entrepreneur Fund III, LP hereinafter called, with Vector Capital Corporation (now called Vector Capital Management), the fund management company, "Vector Capital" and Vector TCH (Lux) 1, S.à r.l. (formerly Petalite Investments S.à r.l.), which was approved by the Combined Shareholders' Meeting on June 20, 2012, was comprised of two capital increases:

- an initial capital increase of €94,943,012, including share premium, with no shareholders' preferential subscription rights, through the issuance of 47,471,506 new shares at a price of €2.00 per share, entirely reserved for Vector TCH (Lux) 1, S.à r.l. (formerly Petalite Investments S.à r.l. (the "Reserved Capital Increase"); and
- a second capital increase in the amount of €96,163,573, including share premium, with shareholders' preferential subscription rights, through the issuance of 61,643,316 new shares at a price of €1.56 per share, in a ratio of five new shares for 22 existing shares (the "Capital Increase with PSR" and, together with the Reserved Capital Increase, the "Capital Increases").

The Capital Increases took place on July 16, 2012 and August 14, 2012, respectively. As a result, the portion of share capital held by Vector Capital was 20.70%.

In 2013

No significant modification occurred in the distribution of the share capital of Technicolor in 2013.

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.

5.1.6 CHANGES TO SHARE CAPITAL

Transaction date	**Number of shares issued or canceled**	**Increase/ decrease of capital** *(in €)*	**Total amount of share capital** *(in €)*	**Additional paid-in capital variation** *(in €)*	**Value of the additional paid-in capital balance** *(in €)*	**Cumulative number of shares**	**Nominal value** *(in €)*
January 27, 2010 Reduction of share capital by reason of losses (reduction in the par value)	-	(985,098,602)	26,989,003	(1,643,402,595)	-	269,890,028	0.10
May 26, 2010 Capital increase through issuance of new shares	526,608,781	52,660,878	79,649,881	294,900,917	294,900,917	796,498,809	0.10
July 15, 2010 Reverse share split*			79,649,881	–	294,900,917	79,649,881	1
Fees linked to the capital increase			79,649,881	(9,035,399)	285,865,518	79,649,881	–
December 31, 2010 Capital increase after conversion of NRS I	45,196,744	45,196,744	124,846,625	300,075,371	585,940,889	124,846,625	1
December 31, 2010 Capital increase after conversion of DPN	50,000,000	50,000,000	174,846,625	162,750,000	748,690,889	174,846,625	1
December 31, 2010			174,846,625		748,690,889**	174,846,625	1
December 30, 2011 Capital increase after conversion of remaining NRS I and of NRS II and IIC	48,912,458	48,912,458	223,759,083	323,376,246	1,072,067,135	48,912,458	1
December 31, 2011			223,759,083		1,072,067,135**	223,759,083	1
July 16, 2012 Increase in capital Reserved***	47,471,506	47,471,506	271,230,589	47,471,506		271,230,589	1
August 14, 2012 Capital increase with preferential subscription rights***	61,643,316	61,643,316	332,873,905	34,520,258		332,873,905	1
Fees related to capital increases				(10,103,209)			
December 27, 2012 Increase in capital	2,669,936	2,669,936	335,543,841	17,156,285	1,161,111,975	2,669,936	1
After conversion of all remaining NRS II and IIC							
December 31, 2012			335,543,841		1,161,111,975	335,543,841	1
June 17, 2013 Increase in capital Creation of new sharesunder LTIP 2011	165,551	165,551	335,709,392	(165,551)	1,160,946,424	335,709,392	1
December 31, 2013			335,709,392			335,709,392	1

* *On July 15, 2010, following the decision of the Board of Directors' Meeting of January 27, 2010, a reverse share split was implemented with 10 old shares with a par value of €0.10 exchanged for each new share with a par value of €1.*

** *Different from IFRS equity because Notes Redeemable in Shares (NRS) are considered as an equity component and not as a debt.*

*** *For further details about these capital increases, see section 5.1.5: "Modifications in the distribution of share capital over the past three years" in this chapter.*

5.1.7 POTENTIAL MODIFICATIONS TO THE COMPANY'S SHARE CAPITAL

Stock options

At December 31, 2013, a total of 17,136,767 stock options were allocated to certain employees, Directors and officers pursuant to the stock option plans (for details about these plans, see Chapter 6: "Social Information and Sustainability", section 6.1.4: "Stock option plans and free share plans" of this Annual Report).

If all of the options in the stock option plans mentioned above were exercised, 17,136,767 shares would be issued. Technicolor capital would be composed of 352,846,159 ordinary shares, *i.e.* an 5.10% increase in the number of shares as compared to the number existing as of December 31, 2013.

Convertible/Exchangeable bonds/Share purchase warrants

At March 15, 2014, no 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 provides the delegations of power in force granted to the Board of Directors by the Shareholders' Meeting and the use made of these delegations during the 2013 fiscal year:

I – Financial delegations to allow equity-linked instruments excluding employees or executive officers

Type of the financial delegation	Duration of the delegation and date of expiration	Maximum amount of the issuance of equity-linked debt securities *(in €)*	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 in consideration for contributions in kind granted to the Company **(12th resolution of the CSM of May 23, 2013)**	26 months July 23, 2015	N/A	€100 million	None	100% of the scope

II – Delegations to allow equity-linked instruments for employees or executive officers

Type of financial delegation	Duration of the delegation and date of expiration	Number of shares that may be issued and percentage of the share capital	Number of shares issued	Number of shares available
Increase of the share capital through issuances reserved to members of a Group savings plan **(13th resolution of the CSM of May 23, 2013)**	18 months November 23, 2014	3,355,438 shares representing 1% of capital at May 23, 2013 (1)	None	100% of the scope
Capital increase reserved to certain categories of beneficiaries (Shareholding transactions for employees outside a savings plan) **(14th resolution of the CSM of May 23, 2013)**	18 months November 23, 2014	3,355,438 shares representing 1% of capital at May 23, 2013 (1)	None	100% of the scope
Grant of share subscription or purchase options to employees and executive officers **(15th resolution of the CSM of May 23, 2013)**	38 months August 23, 2016	26,843,507 shares representing 8% of share capital at May 23, 2013	None	3.28% of the share capital at May 23, 2013 (2)
Grant of free shares to all Group employees or certain categories of employees **(16th resolution of the AGM of May 23, 2013)**	38 months August 23, 2016	1,677,719 shares representing 0.50% of share capital at May 23, 2013	None	0.02% of the share capital at May 23, 2013 (3)

(1) The ceilings of the 13th and 14th resolutions are common so that the use of one of these delegations will count towards the individual ceiling of the other delegation.

(2) Authorization implemented by the Board of Directors on May 23, June 7, October 24 and December 18, 2013 for the implementation of the 2015 MIP Management Incentive Plan (see Chapter 6: "Social information and sustainability", section 6.1.4: "Stock option plans and free share plans").

(3) Authorization implemented by the Board of Directors on October 24, 2013 for the implementation of the worldwide free share plan "my.technicolor shares" (see Chapter 6: "Social information and sustainability", section 6.1.4: "Stock option plans and free share plans").

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. The Company has not distributed any dividends in respect of the 2012, 2011 and 2010 fiscal years.

The Internal Rules of the Board of Directors (described in Chapter 4: "Corporate governance and internal control procedures", section 4.2.1: "Preparation and organization of the Board of Directors' works" in paragraph 4.2.1.2: "Structure of Board of Directors' work – Internal Board Rules" in this Annual Report) require the approval of a qualified majority of two-thirds of the Directors for any decision relating to payment of dividends. In addition, the Reinstated Debt agreements contain covenants restricting the ability of the Company or certain of its subsidiaries to declare or pay dividends (see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources").

5.1.10 OTHER INFORMATION RELATING TO SHARE CAPITAL

Technicolor shares subject to a security interest

To the knowledge of the Company, as of March 15, 2014, no shares of the Company were subject to a pledge or other security interest.

Elements likely to have an influence in case of a public offer

Pursuant to Article L. 225-100-3 of the French Commercial Code, it is indicated that the agreements pertaining to the Restructured Debt include a change of control clause. For more information on the agreements pertaining to the Restructured Debt, please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" in this Annual Report.

Moreover, under the terms of the Governance Agreement, Vector Capital has made the following undertakings in the event of a tender offer that has not first been recommended by the Board of Directors (an "Unsolicited Tender Offer"):

- an undertaking not to offer or participate in or assist with in any way or discuss with a third party offeror or a third party prospective offeror concerning a tender offer on shares or equity securities in the Company which has not been previously recommended by a resolution of the Board of Directors. In particular, Vector Capital agrees not to commit in advance with respect to such an initiating third party in order to tender its shares and equity securities in connection with an Unsolicited Tender Offer;
- an undertaking to use its best efforts to promote a higher offer recommended by the Board of Directors, notwithstanding the intention or opinion expressed by the Directors representing Vector Capital, as set out in the response note from the Company, should this opinion differ from that of the Board;
- an undertaking to refrain from any communication to the public concerning the Unsolicited Tender Offer that is not consistent with the recommendation of the Board of Directors with the exception of the intention or opinion expressed where relevant by the Directors representing Vector Capital, as set out in the response note from the Company.

Notwithstanding the above and the fact that the Unsolicited Tender Offer is not approved by the Board of Directors, Vector Capital is free to tender the shares and equity securities that they hold in the Company to an Unsolicited Tender Offer as from the fifth trading day immediately preceding close of the said Unsolicited Tender Offer, or to initiate a tender offer.

5.2 LISTING INFORMATION

5.2.1 MARKETS FOR THE COMPANY'S SECURITIES

Since November 3, 1999, Technicolor's shares have been listed on NYSE Euronext Paris (Compartiment B).

As of July 15, 2010, when the Company effected a reverse share split, its new ordinary shares have been listed on NYSE Euronext Paris under the designation Technicolor, ISIN Code FR0010918292, with the trading symbol TCH.

Technicolor's shares are eligible for the Long-only Deferred Settlement Service. In the Long-only Deferred Settlement Service, the purchaser may on the determination date (date de liquidation), which is the fifth trading day prior to the last trading day of the month, 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 NYSE 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 NYSE 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 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. Thereafter, the Group's American Depositary Shares (ADSs) remained traded on the over-the-counter (OTC) Pink market until early 2014, when the Group upgraded to OTCQX International Premier, a premium listing service for OTC securities (Symbol: TCLRY).

5.2.2 LISTING ON NYSE EURONEXT PARIS

The tables below set forth, for the periods indicated, the high and low prices (in euros) for Technicolor's outstanding shares on NYSE Euronext Paris.

	NYSE Euronext Paris					
	Volume of transactions			Share price *(in €)*		
Years ending December 31	***(in million euros)***	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2009	3,446.6	357,370,155.9	1,401,451.6	9.50	18.40	3.60
2010	1,716.1	170,758,549.9	6,686,057	6.29	11.62	3.55
2011	1,494.3	455,522,406.0	1,772,460.7	3.54	5.73	0.98
2012	1,146.3	593,522,948.0	2,318,449.0	1.87	2.69	1.14
2013	807.0	258,614,158.0	1,014,173.2	3.30	4.17	1.93

Source: NYSE Euronext.

	NYSE Euronext Paris					
	Volume of transactions			Share price *(in €)*		
Quarters	**(in million euros)**	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2011						
First quarter	705.1	150,062,103.0	2,344,720.4	4.61	5.73	3.42
Second quarter	250.8	51,928,885.0	824,268.0	4.79	5.35	4.06
Third quarter	306.2	95,548,514.0	1,447,704.8	3.24	4.67	2.01
Fourth quarter	232.2	157,982,904.0	2,468,482.9	1.56	2.52	0.98
2012						
First quarter	676.90	326,111,600.0	5,017,101.5	1.99	2.69	1.14
Second quarter	267.36	160,414,367.0	2,587,328.5	1.68	2.20	1.32
Third quarter	127.35	68,086,199.0	1,047,480.0	1.87	2.10	1.57
Fourth quarter	74.67	38,910,782.0	607,981.0	1.92	2.01	1.79
2013						
First quarter	296.65	115,203,642.0	1,851,013.10	2.52	3.24	1.93
Second quarter	160.01	49,931,194.0	789,516.16	3.21	3.50	2.97
Third quarter	181.50	49,969,332.0	754,235.79	3.62	3.90	3.04
Fourth quarter	168.87	43,509,990.0	679,843.59	3.83	4.17	3.51

Source: NYSE Euronext.

	NYSE Euronext Paris					
	Volume of transactions			Share price *(in €)*		
Last six months	**(in million euros)**	**Number of shares**	**Average volume**	**Average closing price**	**High**	**Low**
2013						
September	54.67	14,558,994.0	693,285.43	3.73	3.90	3.57
October	91.33	22,794,573.0	991,068.39	4.02	4.17	3.65
November	44.56	11,705,967.0	557,427.00	3.79	3.98	3.65
December	32.99	9,009,450.0	450,472.50	3.67	3.86	3.51
2014						
January	63.96	16,690,946.0	758,679.36	3.80	4.00	3.58
February	136.51	30,979,959.0	1,548,997,95	4.29	5.01	3.52

Source: NYSE Euronext.

6 SOCIAL INFORMATION AND SUSTAINABILITY

6.1 EMPLOYEES AND WORKFORCE

6.1.1 OVERVIEW

On December 31, 2013, the Group employed 14,000 employees (67% male and 33% female), compared to 14,639 employees at December 31, 2012, a decrease of 4.36%.

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, 2013, 2012, and 2011, as well as the distribution of personnel across geographical regions.

	2013	2012	2011
Europe	3,894	4,135	5,766
North America	5,468	5,930	6,497
Asia (1)	2,063	1,960	1,975
Other countries (2)	2,575	2,614	2,704
TOTAL NUMBER OF EMPLOYEES	**14,000**	**14,639**	**16,942**
Number of employees in entities accounted for under the equity method*	417	413	232
** Mainly the SV Holdco joint venture.*			
(1) Including India.	*1,409*	*1,238*	*1,183*
(2) Including Mexico.	*1,562*	*1,618*	*1,608*

Total workforce figures above account for executives, non-executives and workers. Temporary employees, trainees and apprentices are excluded.

The following table indicates the number of Group employees by segment as of December 31, 2013:

Segment	Number of employees	Percentage
Entertainment Services	10,245	73.18%
Connected Home	1,853	13.24%
Technology	604	4.31%
Transversal functions	1,298	9.27%
TOTAL	**14,000**	**100%**

The overall reductions in work force during 2013 resulted primarily from the Group strategy to refocus on its core business.

Split by gender and age

At the end of December 2013, the Group employed 4,653 women (representing 33% of Technicolor headcount) and 9,347 men (representing 67% of Technicolor headcount) with the following breakdown per age:

Age	Women	Men	Total
< 20	3	23	26
20 to 29	869	2,024	2,893
30 to 39	1,654	3,523	5,177
40 to 49	1,280	2,200	3,480
50 to 59	687	1,259	1,946
60 +	160	318	478
TOTAL	**4,653**	**9,347**	**14,000**

Hiring and termination

During 2013, 3,776 employees have been hired and 2,763 were made redundant.

Methodology

Employees and workforce figures are extracted from the Technicolor worldwide HR repository system currently implemented in all Technicolor locations.

6.1.2 EMPLOYEE PROFIT-SHARING

The Holding company and five 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 2011 for year 2010: €736,312;
- amounts distributed in 2012 for year 2011: €1,907,592; and
- amounts distributed in 2013 for year 2012: €1,811,405.

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

As of December 31, 2013, 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*), and the number of shares directly held by the employees and subject to a lock-up period was 532,635 shares, representing 0.16% of the share capital.

The Combined Shareholders' Meeting of May 23, 2013 authorized the Board of Directors to proceed with share capital increases reserved to the Group's employees in connection with an employee shareholding plan (for more information, see Chapter 5: "Technicolor and its shareholders", section 5.1.8: "Delegations granted to the Board of Directors by the Shareholders' Meetings").

6.1.4 STOCK OPTION PLANS AND FREE SHARE PLANS

Stock Option Plans

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 representing 8% of the share capital of the share capital at the date of the Shareholders' Meeting held on May 23, 2013.

Management Incentive Plan 2010-2014 (MIP-SP1)

Making use of the authorization given by the Shareholders' Meeting of May 22, 2008 in its thirteenth resolution, the Board of Directors meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1 and SP2) for the benefit of the CEO and approximately 80 key Group employees. This plan awarded Performance Units comprised of half cash and, according to the categories of beneficiaries, either half subscription options or half performance shares.

Depending on the achievement of attendance and performance conditions, the options granted will be exercisable as from June 18, 2014. Following the determination by the Board of Directors on February 21, 2013 of the level of achievement of the performance conditions, but still subject to the achievement of the attendance condition during the four-year vesting period, the maximum number of subscription options exercisable as from June 18, 2014 is 887,972 accounting for 0.3% of the share capital.

Management Incentive Plan 2015 (MIP 2015)

Upon the recommendation of the Remuneration, Nomination and Governance Committee, on May 23, 2013, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, approved the establishment of a mid-term Management Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders. This plan concerns nearly 90 Key Group employees. The Board of Directors made use of the authorization on several occasions (see the chart below). The exercise price was set without discount. As of December 31, 2013, 15,836,000 options granted to the beneficiaries were outstanding.

The exercise of options is subject to a condition of presence. The beneficiary shall lose the right to exercise his options if he departs from the Group before the exercise date of the options. It is also subject to a performance condition tied to consolidated Free Cash Flow. This indicator was chosen by the Board because it constitutes one of the main objectives of the Amplify 2015 Plan. It is identical for the Chief Executive Officer and the other beneficiaries of the plan. The options may be exercised according to the following timetable:

- in 2015, if the generation of consolidated Free Cash Flow for fiscal year 2014 is greater than or equal to €100 million, 50% of the options awarded shall become exercisable;
- in 2016, if the generation of consolidated Free Cash Flow for fiscal year 2015 is greater than or equal to €100 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2014 were not achieved, 75% of the options would become exercisable;
- in 2017, if the generation of consolidated Free Cash Flow for fiscal year 2016 is greater than or equal to €100 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2014 and/or 2015 were not achieved, the options that had not become exercisable in 2015 and/or 2016 shall become exercisable.

Subject to the presence condition, the options granted under the plan may be exercised at any time between the date at which they become exercisable and May 23, 2021 included. Options that have not been exercised by that date will be automatically cancelled.

Certain beneficiaries will have to retain, in their name, in registered form, and during twelve months as from the exercise of the options, at least 20% of the shares subscribed further to the exercise of the options.

The stock option plans in existence as of December 31, 2013 are as follows (Tables No. 8 and 9 of the AFEP-MEDEF Corporate Governance Code):

	Plan 09/22/2004	Plan 04/19/2005	Plan 12/08/2005	Plan 09/21/2006	Plan 12/14/2007	Plan MIP-SP1 06/17/2010	Plan MIP 2015 05/23/2013
Date of Shareholders' Meeting	**November 10, 2000**	**November 10, 2000**	**May 10, 2005**	**May 10, 2005**	**May 10, 2005**	**May 22, 2008**	**May 23, 2013**
Date of Board of Directors' meeting	**09/22/2004**	**04/19/2005**	**12/08/2005**	**09/21/2006**	**12/14/2007**	**06/17/2010**	**05/23/2013** **06/17/2013** **10/24/2013**
Type of options	**Subscription**	**Purchase**	**Purchase**	**Subscription**	**Subscription**	**Subscription**	**Subscription**
Number of options granted, including:	***7,366,590***	***719,400***	***1,993,175***	***2,739,740***	***1,307,100***	***12,167,000***	***16,598,000***
Number of options granted to Directors and officers:							
Frederic Rose							
■ *before adjustments and performance condition review*	-	-	-	-	-	2,155,700	2,685,000
■ *after adjustments and performance condition review* (1) (2)	-	-	-	-	-	190,529	N/A
Number of options granted to the first ten employee beneficiaries :	-	-	-	-	-	*7,196,400*	*4,880,000*
■ *before adjustments and performance condition review*							
■ *after adjustments and performance condition review* (1) (2)	-	-	-	-	-	635,996	N/A
Beginning of the exercise period	09/23/2007	04/20/2008	12/09/2008	09/22/2008	12/15/2009	06/18/2014	05/23/2015
Plan life	10 years	10 years	10 years	8 years	8 years	8 years	8 years
Expiration date	09/21/2014	04/18/2015	12/07/2015	09/20/2014	12/14/2015	06/17/2018	05/23/2021
Exercise price at grant time	€16.00	€20.82	€17.73	€12.49	€10.43	€0.66	05/23: €3.31 06/17: €3.31 10/24: €4.07
Exercise period	50%: 09/23/2007 100%: 09/23/2008	50%: 04/20/2008 100%: 04/20/2009	50%: 12/09/2008 100%: 12/09/2009	50%: 09/22/2008 100%: 09/22/2009	50%: 12/15/2009 100%: 12/15/2010	100%: 06/18/2014	50%: 05/23/2015 75%: 05/23/2016 100%: 05/23/2017
Number of shares subscribed as of 12/31/2013	-	-	-	1	-	-	-
Number of options cancelled since the beginning of the plan	5,046,570	451,100	1,587,650	2,098,790	881,400	3,395,651	762,000
Number of options cancelled during the 2013 exercise	301,600	25,500	47,900	78,250	74,400	0	762,000
Number of outstanding options at the end of the exercise (after 2010 & 2012 capital adjustments and performance condition review) (2)	282,655	32,684	49,455	78,153	51,987	887,972	15,836,000
Exercise price	€131.38	€170.99	€145.60	€102.53	€85.64	€6.52	05/23/2013: €3.31 06/17/2013: €3.31 10/24/2013: €4.07

(1) Information provided pursuant to Article L. 225-184 of the French Commercial Code.
(2) Adjustment coefficient: 1,012348451.

As of December 31, 2013, the total options granted under the plans amounted to 82,139 purchase options and 17,136,767 subscription options granted to 329 beneficiaries.

The exercise price of the various stock option plans have been fixed without discount.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that no options were exercised in 2013.

Free Share Plans

The Shareholders' Meeting of May 23, 2013, in its sixteenth 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 38-month period, and is valid until July 23, 2016. The existing or the shares to be issued pursuant to this authorization shall not represent more than 0.50% of the share capital at the date of the Shareholders' Meeting held on May 23, 2013.

Management Incentive Plan 2010-2014 (MIP-SP2)

Making use of the authorization given by the Shareholders' Meeting of May 15, 2007 in its thirteenth resolution, the Board of Directors meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1 and SP2) for the benefit of the CEO and approximately 80 key Group employees. This plan awarded Performance Units comprised of half cash and, according to the categories of beneficiaries, either half subscription options or half performance shares.

Subject to the achievement of cumulative attendance and performance conditions, this plan required, depending on the country, a four-year vesting period or a two-year vesting period with a two-year holding period as from the acquisition of the performance shares. Following the determination by the Board of Directors held on February 21, 2013 of the level of achievement of the performance conditions, 120,084 free shares were delivered on April 2013 to beneficiaries with a two-year acquisition period and 124,248 free shares (number as of December 31, 2013) will be delivered to beneficiaries with a four-year acquisition period on June 2014.

Long-Term Management Incentive Plan (LTIP 2011)

Making use of the authorization given by the Shareholders' Meeting of June 8, 2011 in its fourteenth resolution the Board of Directors of June 8, 2011 approved a long-term incentive plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders. This three-year plan provided for the granting of Performance Units comprising a cash bonus and free shares (known as "performance shares"), representing one-third and two-thirds respectively.

In addition to a condition requiring recipients to be employed by the Group at the end of each acquisition period, the final number of Performance Units granted depended on the performance conditions, which were the same for each recipient. These conditions related to (i) the net debt/EBITDA ratio, and (ii) the stock market performance measured each year by comparing the change in the Technicolor share price with the change in the share prices of a sample of around 20 stocks listed in North America, Europe and Asia that are representative of the technology, media and telecoms sectors.

As regards the former criterion, which accounted for two-thirds of the assessment, the conditions for obtaining 100% of the Performance Units were stricter than those contained in the corresponding covenant in the agreements relating to the Restructured Debt. For the second criterion, which accounted for one-third of the assessment, for 100% of the Performance Units to be awarded, the Company must be among the top three comparable stocks reporting the best performances, and in the event that the comparison is not satisfactory, no Performance Units will be granted. Between these two situations, the percentage of Performance Units granted were reduced accordingly.

The right to the delivery of the shares and the payment of the cash bonus were recorded in three annual tranches:

- 20% of the Performance Units granted was conditional on the achievement of the performance conditions related to the consolidated financial statements for the year ended December 31, 2011;
- 30% of the Performance Units granted was conditional on the achievement of the performance conditions related to the consolidated financial statements for the year ended December 31, 2012;
- 50% of the Performance Units granted was conditional on the achievement of the performance conditions related to the consolidated financial statements for the year ended December 31, 2013.

For each *tranche*, the payment of the cash bonus and the acquisition of the shares were subject to the attendance condition of the recipient in the Group.

Subject to the achievement of cumulative attendance and performance conditions, this plan required, depending on the country, a four-year vesting period or a two-year vesting period with a two-year holding period as from the acquisition of the shares.

The number of shares definitely acquired by the beneficiaries after review by the Board of Directors of the level of achievement of the performance conditions as described above amounted to 130,326 for the year ended December 31, 2011 and to 373,206 for the year ended December 31, 2012. They were delivered on June 8, 2013 for beneficiaries with a two-year acquisition period and will be delivered on June 2015 for the beneficiaries with a four-year acquisition period.

Subject to a presence condition at the date of the first Board meeting to be held in March 2014, the number of free shares definitely acquired by the beneficiaries after review by the Board of Directors of the level of achievement of the performance conditions for the year ended December 31, 2013 amounts to 607,342. They will be delivered on March 2014 and June 2015.

Therefore, the maximum number of free shares acquired by the beneficiaries under this plan amounts to 1,110,874.

Free Share Plan 2013 (My Technicolor Shares)

Making use of the authorization given by the Shareholders' Meeting on May 23, 2013 in its sixteenth resolution, the Board of Directors of 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 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 12,832 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, 2013, the maximum number of shares to be delivered, subject to the achievement of the presence condition, was 1,604,000 shares, accounting for 0.48% of Technicolor's share capital.

The free share plans in existence as of December 31, 2013 are as follows (Table No. 10 of the AMF Guide for compiling Registration Documents revised on December 17, 2013):

	MIP-SP2	LTIP 2011	Free Share Plan 2013
Date of Shareholders' Meeting	**May 15, 2007**	**June 8, 2011**	**May 23, 2013**
Date of Board of Directors' meeting	**June 17, 2010**	**June 8, 2011**	**October 24, 2013**
Number of shares granted, including:	503,000	1,633,644	1,604,000
Number of shares granted to Directors and officers:	*N/A*	*213,333*	*N/A*
Frederic Rose			
■ *before performance condition review*	N/A	213,333	N/A
■ *after performance condition review* (1) (2)	N/A	182,186	N/A
Acquisition date	At the Board meeting approving the Financial Statements for the Year ended December 31, 2012 (1), or June 17, 2014 (2)	*Tranche* 2011: June 8, 2013 (3) *Tranche* 2012: June 8, 2013 (3) *Tranche* 2013: March 26, 2014 (4)	November 6, 2017
End of the holding period	February 2015 for the shares delivered in February 2013 No holding period for the shares to be delivered on June 2014	June 2015 for the shares delivered in June 2013 and March 2016 for the shares delivered in March 2014 No holding period for the shares to be delivered on June 2015	N/A
Cumulated number of forfeited shares	258,668	522,770	-
Number of outstanding free shares as of December 31, 2013	244,332	1,110,874	1,604,000

(1) For beneficiaries with a two-year acquisition period. The shares were delivered on pril 2013.
(2) For beneficiaries with a four-year acquisition period. The shares will be delivered on June 18, 2014.
(3) The shares were delivered on June 2013 for beneficiaries with a two-year acquisition period and will be delivered on June 2015 for the beneficiaries with a four-year acquisition period.
(4) The shares will be delivered on March 2014 for the beneficiaries with a two-year acquisition period and will be delivered on June 2015 for the beneficiaries with a four-year acquisition period.

6.1.5 HUMAN RESOURCES & SUSTAINABLE DEVELOPMENT

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 2013, 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, talent management, performance management and organizational development practices;
- HR Information Systems 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 are regrouped under a unique leader and Regional HR Centers are geographically organized as follows:

- Asia-Pacific including Greater China and India;
- Americas;
- Europe.

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

Further to the deep analysis of the learning and development needs and the alignment of training investments with the Amplify 2015 Roadmap undertaken in 2012, Technicolor's priorities in Talent and Development were reviewed and the focus on leadership development, innovation and entrepreneurship to support the growth of our divisions was increased.

In parallel, the creation of new development programs at the executive level in all divisions and corporate functions enabled 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, an analysis of the evolution of the Group is an essential contribution to these people and competencies development initiatives. In this perspective, a comprehensive and detailed review of the architecture of jobs in the organization has been conducted.

Talent Review and Development of Leadership

A yearly 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 the talent pool benefit from dedicated leadership development trainings, activities and events during the year.

Further to the 2013 Talent Review, the talent pool represents 10% of the exempt population of the Group.

The set of competencies of our Leadership Profile has been expanded to ensure that a broader range of competencies related to innovation and entrepreneurship are taken into account. In 2013, members of the talent pool were led to assess their competencies against the expanded leadership profile through a 360 evaluation. 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. A series of virtual meetings with Technicolor Executives was organized during the year. These meetings were not only occasions to discuss business and strategy but also the opportunity for our Executives to express their views and own experiences in developing leadership.

One-day thematic events for Group High Potentials and High Potentials were organized in Europe and North America. The themes in 2013 were "The Role of Leaders in Spreading strategic Mentality" and "Generating Passion and Perseverance". These events were closed by discussions led by the CEO and the CFO on the Group's strategy as well as on important achievements of the past year.

The partnership with the University of Stanford in California was renewed to produce the second edition of the "Innovation Management and Culture" program. Group High Potentials have followed this program that focused on demonstrating the impact of internal organizational aspects and external aspects on the capacity to innovate. Aligned with the Group's strategic priorities, topics such as innovation and profitability, monetization and innovative business models and leading for innovation were covered.

HR Development and Management Academy

An HR development program was created in 2011 to reinforce the people development capabilities of HR Business Partners and managers and to support the development of skills aligned with Technicolor vision, values and strategy. In 2013, this initiative has been continued with a distant learning program mixing on-line courses and participative video conferences on how to develop leadership and emotional intelligence Twenty members of the HR community participated in this initiative that aims at enhancing the HR leadership and at enhancing the support HR provides to the development of managers and leaders.

The Management Academy plays an important role in the support HR provides to managers in the Group. A group of HR managers has been prepared to facilitate management sessions within the academy with the objective of ensuring the quality and the consistency of our management practices across the globe. Adjustments in this program were made further to the conclusions of the pilot phase of 2012. Sessions were delivered in the U.S., UK, France and Belgium in 2013 and will be extended to most sites of the Group in 2014.

Job and Competency Evolution Plan

In order to continue to ensure Technicolor's competitiveness and innovation capacity, 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. More than 1,100 man/days of training were delivered in this program in 2013. Linked with the learning tracks, a professional accreditation program was designed to recognize the level of competencies and achievements of the employees that have followed the tracks. The accreditation program has been launched in 2012 for four jobs: Product/Service Line managers, R&D Project managers, Customer Project managers and Solution Architects. Incumbents of these jobs who have completed all the learning tracks designed for their jobs can be candidates to be accredited in January 2014. A broader range of jobs will benefit from learning tracks and professional accreditation in 2014.

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 workforce planning discussions and other HR processes (benchmarking, compensation planning, development, succession planning, etc.).

Women's Forum

The Technicolor Women's Forum is a network that consists of almost 80 women, each of whom plays a role in raising awareness of changing gender values. This network has ensured that each Technicolor site has one appointed woman leader who coordinates site meetings on the progression of women in the Company and how can women be key change initiators for Technicolor. A policy to encourage gender diversity in senior management positions was adopted and is implemented: 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 finalist submitted for open senior management positions within the Company.

Diversity in the Workplace

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 experience. 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.

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 twenty cases of discrimination were reported in 2013.

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 do not reflect properly the reality.

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.

6.1.7 TRAINING POLICY

The objective of Technicolor training policy is to ensure the development of competencies and capabilities 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 skills, 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 centralized at corporate level.

To do so, Talent & Development HR Center of Expertise support business heads and HR Business Partners in all aspects regarding Learning and Development. HR Business Partners are facilitators of functional committees or job committees, formed by managers and employees at different levels, who have the mission of identifying key competencies and ensuring the training plans to develop them, are appropriate.

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 2013 encompass 14,400 training seats and 136,500 hours person of training; in addition 179,000 hours of informal on the job training activities and discussion groups took place.

These figures cover all active employees of the Group, with the exception of the training activities organized for around 240 active employees from Animation & Games DDU in Bangalore. Training hours for Piaseczno are based on enrolment. MPC UK internal training hours are not reported.

6.1.8 REMUNERATION POLICY

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 2013) and at constant population of employees (all employees present both in 2012 and in 2013), the evolution of the base salary payroll mass (without variable elements and social contributions paid by the employer) between 2012 and 2013 increased by 2.84%

6.1.9 LABOR RELATIONS

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 labour 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
Italy	1*
Poland	1
UK	2

** Seat currently unfilled.*

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 4 times in 2013.

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 2013, Technicolor entered into two collective bargaining agreements with its German employees; 17 such agreements in France; one such agreement in Belgium.

In Italy, 100% of the employees are unionized. In Poland, 4.3% of the employees are unionized. In Canada, in 2013, we entered into a collective bargaining agreement and 5.2% of the Group's employees are unionized. In the United States, approximately 3.97% 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, andworking conditions and organization. In Mexico, employment agreements are renegotiated every year, in 2013 three such agreements were signed. The proportion of employees belonging to an union is 55%. In Brazil, eight such agreements were signed.

In Australia, 60% of employees belong to an union and one collective agreement was signed in 2013.

In China, 100% of the employees are unionized.

6.1.10 WORKING TIME MANAGEMENT AND ABSENTEEISM

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. Technicolor has about 150 part time employees working 1 to 4 days per week. Part time employees working at least half time represent 95% of part time employees and part employees working at least the equivalent of 4 days per week (80% of a full time worker's time) represent 60% of part time employees.

Some activities of Technicolor experience seasonal peak workloads (such as DVD Services) and require significant interim and temporary 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). Seasonal workers (interim and temporary workers) are not included in the year end Group headcount figures, as the peak season does not cross year's end. The main countries employing seasonal workers are the United States, Mexico, Canada, and to a lesser extent Australia, and Western Europe.

Across Technicolor, total overtime represents about the equivalent of 500 full time jobs.

Overall, seasonal workers (interim and temporary) represent about the equivalent of 3,750 full time jobs while at the peak they may more than double the number of workers present on the relevant sites.

Working time is managed in the Group's various sites *via* software such as ADID (France), Oasis (UK), Kronos (UK, Australia, Canada, U.S.), CasNet (Mexico), Myehr (China) and Telematica (Brazil). 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.

Leave of absence (for sickness, etc.) is also tracked. The average rate of employee absenteeism at the Group level in 2013 was 3.6%.

Absenteeism Methodology

Population coverage: all sites above 25 employees. 99% of the employees are covered. All employees with an active and not terminated working contract with Technicolor (interns, apprentices, contracted workers, employees under a notice period are excluded).

Absence reported: all absences except vacations, bank holidays, training, severance absence, time in lieu off/compensation time, medical leave beyond 12 continuous weeks of absence.

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

Technicolor closely follows the international principles laid out in the International Labour 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 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

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 2013 and several of them are summarized below:

- the Memphis (USA) packaging and distribution sites continued to raise awareness among the workforce and supervisory staff through regular weekly safety talks and training modules, weekly cross function safety meetings to ensure excellent coordination between EH&S, Engineering, Facilities, and Maintenance managers, and a focus program about improved safety of order pickers working at height, all of which resulted in continued reduction of recordable injury numbers and rates;
- similarly, the efforts deployed in Rugby (UK) packaging and distribution over the last three year to put in place a complete Safe System of Work were rewarded when the site obtained OHSAS 18001 certification during 2013 while registering no recordable injury for the second year in a row. As the project unfolded there were many improvements made, in-depth risk assessments were conducted and as a result some physical changes were made such as defining separate pathways for workers and manual handling equipment and separating them with physical barriers;
- in Piaseczno (Poland), the number of recordable injuries was divided by two compared to 2012;
- the Sydney (Australia) site engineering team devised a warning lights system on packing lines to alert operators when a line is activated remotely so as to avoid pinch points and entanglements;
- the Tultitlan (Mexico) site laid the first bricks of a complete health and safety management system: risks assessments were conducted, some situational diagnosis tools where used to better control occupational risks in two areas, the site joined a pool of neighboring businesses to share experience and join forces to better address all emergency risks together, including emergency response in case of fire, earthquake, or floods. The site goal is to implement the Mexican PASST system;
- the Bangkok (Thailand) film laboratory site included Safety awareness prevention messages into the site's LCD TV information channel;
- existing and new MPC sites are actively promoting safety and well-being at work to provide safe and comfortable workspaces to accommodate the permanent and contracted creative staff who can spend long hours devising the best award winning image effects;
- in Bangalore (India), the occupational doctor contract was augmented so that there is now a permanent medical service available to employees, including those working on shifts.

Technicolor has initiated some discussion bearing on health and safety with employee representatives, in countries where structured dialogue with employee representatives is well established. In Canada, the Brampton site discussed and agreed on a new health and safety policy, focusing on working safely, workplace violence, and the prohibition of drugs on the workplace. In the Ash Road Australian site, an agreement was made to organize consultation of employees in the decision process where working conditions were at stake. In Mexico, safety rules for work including discipline measures in case of failure to wear personal protective equipment were discussed and agreed on by management and employee representatives. In Rugby, United Kingdom, a substance misuse policy was agreed. In France, two agreements on teleworking were signed with the unions in Issy les Moulineaux headquarters, and one agreement on excess time compensation including mandatory time off was signed at the Boulogne post-production site, both telework and time compensation aiming at reducing work related stress and exhaustion from peak production periods in the first case, or from stress or long commutes among other factors influencing occupational health.

Technicolor understands that each employee has the ability to impact its 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 2013, 24,035 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 2013, including medical exams, vaccinations, flu shots, blood drives, wellness programs, 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 2013:

In 2013, Technicolor experienced a 2.7% increase in work-related injury and illness incident rate (number of reportable injuries and occupational illnesses per 200,000 hours worked) from 1.10 in 2012 to 1.13 in 2013.

The work-related lost workday incident rate (number of reportable lost workday injuries and occupational illnesses per 200,000 hours worked), increased from 0.46 in 2012 to 0.51 in 2013.

Technicolor records all days lost due to work-related injuries or illnesses, but, as the legal definition of a lost day varies from country to country (one significant difference is to measure all calendar days or only working days) and each Technicolor location is reporting lost days according to their local legal definition, there is no consistent and meaningful formulation for a Group severity rate, since severity rate is normally a function of total days away from work normalized by some standardized number of hours. Technicolor does calculate and track severity rate at each individual location using a model of number of days multiplied by 200,000 divided by total hours worked at the site, for a practical meaning of lost days per person per year at each location, and tracks its evolution over time.

Work Related Incident Rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Incidents	Rate	Incidents	Incident rate
2011	218	1.05	67	0.32
2012	196	1.10	83	0.46
2013	201	1.13	90	0.51

2013 Incident and Lost Workday Incident Rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Incident	Rate	Incident	Incident rate
Connected Home	37	1.65	29	1.29
Entertainment Services	162	1.09	61	0.41
Technology	1	0.68	0	0
Other	1	0.21	0	0

6.2 ENVIRONMENTAL MATTERS

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 2013.

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 2013 management report, a total of 41 reporting locations are included.

There were many notable environmental achievements during 2013 and several of them are summarized below:

- a successful Internal Pallet Recycling Program was launched in the Memphis (USA) Packaging and Distribution activity, reworking and recycling damaged pallets. The programme yielded significant pallet expense reduction on the way and helped the site achieve a recycling rate of about 80%. The sites of Mexicali and Rugby also diverted more waste in 2013 from elimination and increased their recycling rate;
- process improvement in DVD replication at Melbourne (Australia) and Piaseczno (Poland) led to an improvement in effluent quality in the first, and the elimination of a solvent in the second;
- communication and awareness campaigns were deployed at Rennes (France) R&D center to further educate employees to minimize impacts in office and at home;
- in Burbank (USA), the site has equipped the parking lot with electrical sockets for employees' electric cars;
- Brampton (Canada) successfully implemented a pilot project to go paperless for pay statements;
- the Bangkok (Thailand) film lab implemented an energy-saving project to recover waste heat from condensate water and reduced HVAC-related energy consumption by about 15%.

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

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 2013, the Group operated 41 main locations, 18 of which are industrial. By Technicolor's definition an industrial location is a facility where DVDs are produced, packaged or distributed, where motion picture media is processed or distributed, or where any digital delivery 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 41 sites included in this report may be reviewed in the subsection "Data Collection Method and Rationale" 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, Sustainability, Global Sourcing, and Real Estate 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 industrial 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

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 distracted driving, emerging disease and workplace violence.

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

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 2013, 24,035 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 2013, six SBIs associated with EH&S aspects were reported, and one penalty or fine of €1,200 was incurred as a result of these SBI events.

Environmental Management Systems

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 2013, a total of ten sites held an ISO 14001 certification. 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 thogh the risk threshold is not exceeded.

Technicolor Locations with ISO 14001 Certified EMS

Site	Segment	Original certification date
Bangkok	Entertainment Services	November 2011
Glendale Film	Entertainment Services	May 2012
Guadalajara	Entertainment Services	October 2004
Manaus	Connected Home	August 2003
Melbourne	Entertainment Services	December 2005
Piaseczno	Entertainment Services	December 2004
Pinewood	Entertainment Services	August 2009
Roma	Entertainment Services	November 2001
Rugby	Entertainment Services	November 2004
Sydney	Entertainment Services	December 2005

Product Design and Life Cycle Assessment

As a leading supplier of Set Top Boxes (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

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 actively contributed to the revision of the 278/2009 regulation on External Power Supplies (EPS) by providing inputs to the EU commission, in particular *via* its membership of the Digital Europe organization of leading Digital Technology European companies. The scope of this revision extended beyond energy efficiency and no load power consumption to use of PVC-free and halogens-free materials, overall material usage reduction and EPS standardization to drive reusability. Also 2013 saw the finalization of the latest 801/2013 Networked (NW) standby regulations, (amendment to the 1275/2008 On/Off and Standby mode regulation). Effective industry adoption will depend upon suitable implementation guidelines becoming available. Technicolor is currently contributing to the development of such NW standby guidelines, particularly in relation to Home Gateway (GW) and Complex STB (CSTB) products.

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 Boxes and Network Equipment. 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 boxes.

Compliance methods and actions are in place with regard to the RoHS, and WEEE European directives, and the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) European regulation, or similar legislation in other regions, 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. For U.S. market, Technicolor, although not directly under scope of Dodd-Frank Wall Street Reform and Consumer Protection Act, is also taking steps to develop and implement a due diligence process for identifying and managing the sourcing of "conflict minerals" based on the OECD Due Diligence guidance.

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 film lab 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 2013, three 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

In total, approximately €1.53 million was spent on environmental remediation projects in 2013.

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 acquired in the 1987 transaction with General Electric Company and Technicolor's affiliate in Taiwan owned the facility from approximately 1988 to 1992, when it was sold to an entity outside the Group. Soil remediation was completed in 1998. In 2002, the Taoyuan Environmental Protection Bureau ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. It is Technicolor's position that General Electric Company has a contractual obligation to indemnify Technicolor with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric (for further information, please refer to note 33 of Technicolor's consolidated financial statements for 2013, 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 continued in 2013 ;
- 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 sitewide 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. 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. In 2014, soil vapor extraction processes and site groundwater delineation will begin.

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 €76,000 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

Goals and Performance 2012-2015

Technicolor established the following EH&S goals and objectives for the Group, to be met by its worldwide industrial operations by the end of 2015:

- 5% annual reduction of injury rate;
- 10% minimum proportion of energy coming from renewable sources;
- 75% minimum waste recycling rate;
- Reporting to satisfy GRI Application Level B+.

Reporting Perimeter

This report contains data from 41 operating locations, of which 18 are industrial. Prior years 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 2013 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 2013. 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 2013 worldwide energy use was approximately 1,261 tera joules, an increase of 3.3% compared with 2012. Of the total energy consumed, 84.2% was in the form of electricity (of which 7.2% was from renewable sources), 15.3% was in the form of fossil fuels, and 0.5% was in the form of purchased steam. When compared to total revenue, average energy intensity was 0.360 TJ/m€ across the business in 2013.

Energy consumption *(terajoules or tj/m€)*

	Total	Electricity	Fuel sources	Total per revenue
2011	1,485 (1)	1,201	279	0.430
2012	1,221 (2)	1,051	164	0.341
2013	1,261 (2)	1,062	193	0.360

(1) Total energy includes about 5 TJ steam purchase.
(2) Total energy includes about 6 TJ steam purchase.

2013 energy consumption *(terajoules or %)*

	Total Energy	% Total Group	Electricity	% Total Segment	Fuels	% Total Segment
Connected Home	59.9	4.8%	58.5	97.7%	1.4	2.3%
Entertainment Services	1,176.5	93.3%	985.1	83.7%	191.4	16.3%
Technology	3.4	0.3%	3.4	100%	-	-
Other	21.8 (1)	1.7%	15.4	70.6%	0.4	1.8%

(1) Total energy includes about 6 TJ steam purchase.

Water

In 2013, water consumption at the Technicolor reporting locations decreased by 29% versus 2012 to 624 thousand cubic meters, primarily as a result of the Group's continued exit from Photochemical film. When compared to revenues, average water consumption rate was 0.181 km^3/M€ across the business in 2013.

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, set-top box manufacturing, or photo-chemical film processing. 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.

Water consumption *(thousand cubic meters or km^3/m€)*

	Total Consumption	Total per Revenue
2011	1,488	0.431
2012	880	0.246
2013	624	0.181

2013 water consumption *(thousand cubic meters)*

	Total Consumption	% Total
Connected Home	40.6	6.5%
Entertainment Services	574.4	92.1%
Technology	2.1	0.3%
Other	6.7	1.1%

Process Waste Water

Within Technicolor's facilities, 8 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 2013, the amount of treated water discharged was 188 thousand cubic meters, and the total estimated amount of discharged priority pollutants was 0.05 metric ton.

In addition, due to effluent characteristics, 6 sites are required to monitor biological oxygen demand (BOD) or chemical, oxygen demand (COD), in 2013 an estimated total of 6.5 and 0.15 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 2013 were:

Raw materials *(metric tons)*

Polycarbonate molding plastic	33,557
Cardboard and paper packaging	13,690
Plastic packaging	3,438
DVD bonding resin	1,451
Photochemical film	324

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 by industrial sites was 33,741 tons, an increase of 291 metric tons or 0.9% compared to 2012. The recycling rate was 77.1% decreasing about 4 percent compared to 2012. When compared to total revenue, the average waste generation rate across the business was 9.78 M-Ton/m€ in 2013.

Waste *(metric tons or m-ton/m€)*

	Total Waste Generated	% Treated Hazardous	% Recycled	Total per Revenue
2011	39,748	5.7%	76.4%	11.5
2012	33,450	7.6%	81.4%	9.35
2013	33,741	3.3%	77.1%	9.78

2013 waste generation *(metric tons or %)*

	Total Waste Generated	% Total	% Treated Hazardous	% Recycled
Connected Home	649	1.9%	1.6%	91.3%
Entertainment Services	33,092	98.1%	3.3%	76.9%
Technology	-	-	-	-
Other	-	-	-	-

New questionaires 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 2014 to more completely measure and categorize this waste generation. For 2013, the overall reported waste was not significant at about 1% of the Group total tonnage, with approximately 20 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. One such instance was the successful launch of a pilot project to go paperless for pay statements at the Brampton (Canada) site.

Air Emission

Upon evaluation of its operations, Technicolor determined the most significant but limited air emission contaminant resulting from the Group's industrial operations to be carbon dioxide associated with on-site combustion of fuels for heating.

In 2013, a total of 10,285 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)*

	CO_2
2011	15,694
2012	9,469
2013	10,285

Climate Change

In 2013, Technicolor participated for the seventh 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 and innovation programs linked to integration of smartgrid software in Set-Top Boxes, 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 our 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 18 industrial 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 2013, no industrial 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).

6.2.4 DATA COLLECTION METHOD AND RATIONALE

This report contains data from 41 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, 2013 to December 31, 2013.

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:

			2011			2012			2013		
Site	**Segment (ref 2012)**	**Location**	**E**	**utility**	**H&S**	**E**	**utility**	**H&S**	**E**	**utility**	**H&S**
Angers	N/A [1]	France	X	X	X						
Bangalore	Entertainment Services	India		X	X		X	X		X	X
Bangkok	Entertainment Services	Thailand	X	X	X	X	X	X	X	X	X
Bejing	Connected Home	China		X	X		X	X		X	X
Brampton	Entertainment Services	Canada	X	X	X	X	X	X	X	X	X
Boulogne	Entertainment Services	France								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
Chiswick	N/A [1]	UK		X	X						
Coventry	N/A [1]	UK	X	X	X						
Detroit	N/A [1] [2]	Michigan, USA	X	X	X						
Edegem	Connected Home	Belgium	X	X			X	X		X	X
Glendale	Entertainment Services	California, USA		X	X		X	X		X	X
Glendale (film)	Entertainment Services	California, USA	X	X	X	X	X	X	X	X	X
Guadalajara	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Hannover	Technology	Germany		X	X		X	X		X	X
Hilversum	N/A [1]	The Netherlands		X	X						
Hollywood	Entertainment Services	California, USA		X	X		X	X		X	X
Indianapolis	Connected Home	Indiana, USA		X	X		X	X		X	X
Issy	Corporate	France		X	X		X	X		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
Madrid	N/A [1]	Spain	X	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
Mirabel	N/A [1]	Canada	X	X	X						
Montreal	Entertainment Services [3]	Canada	X	X	X	X	X	X		X	X
New York	N/A [1]	New York, USA	X	X	X						
New York MPC	Entertainment Services	New York, USA								X	X

			2011			2012			2013		
Site	**Segment (ref 2012)**	**Location**	**E**	**utility**	**H&S**	**E**	**utility**	**H&S**	**E**	**utility**	**H&S**
North Hollywood	N/A [1]	California, USA	X	X	X						
Ontario California	Entertainment Services	California, USA	X	X	X	X	X	X	X	X	X
Paramount	Entertainment Services	California, USA								X	X
Perivale	Entertainment Services	UK		X	X		X	X		X	X
Piaseczno	Entertainment Services	Poland	X	X	X	X	X	X	X	X	X
Pinewood	Entertainment Services	UK	X	X	X	X	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
Rome	Entertainment Services [2]	Italy	X	X	X	X	X	X	X	X	X
Rugby	Entertainment Services	UK	X	X	X	X	X	X	X	X	X
Saint-Cloud	Entertainment Services [4]	France		X	X						
San Francisco	Entertainment Services	California, USA	X	X			X	X		X	X
Santa Monica MPC	Entertainment Services	California, USA								X	X
Sydney	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Toronto (film)	N/A [1]	Canada	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
Wilmington	Entertainment Services	Ohio, USA	X	X	X	X	X	X	X	X	X

E = Environmental data, Utility = Water and Energy data, H&S = Work injury and illness data.
(1) These sites have been closed or sold.
(2) These sites stopped operating during 2013, and their partial-year figures for the duration of their operation are included in this report.
(3) The prior Montreal location stopped photochemical film operations during 2012 and was refurbished for digital production operations for 2013 and beyond.
(4) The prior Saint Cloud location was transferred during 2012 and a small part of prior site was refurbished for dubbing operations.

6.3 STAKEHOLDER RELATIONS AND LOCAL IMPACTS OF THE COMPANY'S ACTIVITIES

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 stakeholders to ensure growth and sustainability of its businesses.

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 2013, 22 cooperative programs involving academics were running, involving more than 90 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 it operates R&D activities and has established strong relationships with neighboring educational institutions in close proximity to Technicolor research locations such as Stanford University in Palo Alto (California).

Standardisation bodies are key for the implementation of patents in the frame of our Licensing activity. Technicolor contributes to 52 standardization bodies or standard setting organizations around the world and is part of the governance for some of them.

Customers 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. Four surveys were performed in 2013 (India, a Canadian activity, a U.S. site and Belgium).

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.

One area in which Technicolor had strong activities in the past continued to significantly reduced in 2013: photo-chemical film processing due to the acceleration of the transition to digital cinema. This development led to the closure of several manufacturing units to which Technicolor has committed resources, 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 150 events (roadshows, conference calls and conferences), met 502 institutions (institutional investors) and had 70 contacts with analysts during the course of the year. Overall Technicolor handled 572 meetings or calls with investors and analysts over the course of the year.

In addition to its support to the Technicolor Foundation, the Group continues to support activities in various environments relating to the world of film: training students in schools, donating equipment, launching festivals for new talent, organizing screenings for children in hospitals *(Les Toîles Enchantées)*, supporting charities, and developing new experimental technologies or supporting joint initiatives with students to foster product and service innovation.

6.4 SUPPLIER AND SUB-CONTRACTOR RELATIONS

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 of boxes and gateways (81%), the photochemical film processing (66% of film footage), and part of the logistics of the DVD services in Europe (38%) (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 43 audits performed in 2013. 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.

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 TECHNICOLOR FOUNDATION FOR CINEMA HERITAGE

The Technicolor Foundation for Cinema Heritage operates worldwide to safeguard films of the past, in order that they may be seen now and in the future.

Created in 2006, the Technicolor Foundation is a non-profit entity, acting in the field of the preservation and promotion of film heritage, which reflects the history and the culture of a country.

The programs are built around three main guiding principles:

- preserve film heritage as a key part of a country's memory;
- promote and highlight film heritage in order that it may be seen by and shared with as wide an audience as possible;
- train and sensitize everyone who can play a part in the safeguarding of film heritage.

To meet these three main objectives, the Foundation operates in different ways:

- it operates directly on site with the related film archive institutions (Cambodia, India): annual programs are defined to upgrade the archive and enable access to these archives (preservation work, equipment donations, education programs for local teams, collection enrichment, etc.). In 2012, the Foundation has amplified its support to Bophana Center, the Cambodia Film and Audiovisual Archive, managed by the Franco/Cambodian filmmaker Rithy Panh. The program comprises equipment donation and technical training, lost film search worldwide, digitization of film, creation of an international festival fully dedicated to film heritage, etc.;
- it defines and monitors major restorations: each year, one of the objectives of the Foundation is to restore and promote key international cinema titles in order better to raise audiences' awareness of the importance of film heritage and the risks of endangering films that are not properly safeguarded. A project team is set up, which includes the Foundation, the rights owners and a film archive institution. The Foundation monitors the whole process from the preservation to the non-commercial distribution of the restored version in the world. The Foundation also most notably provides legal support and technical expertise. Several restorations: in 2008, the Foundation restored *Lola Montès* by Max Ophuls and in 2009 *Mr. Hulot's Holiday* by Jacques Tati, *Selvi Boylum al Yazmalim* by Atif Yilmaz. In 2009 and 2010, the Foundation worked closely with Pierre Etaix in order to put an end to a legal imbroglio which blocked the films for almost 20 years. Consequently the *Complete Film Works* of Pierre Etaix could then be restored and released again. In 2011, the Foundation conducted one of the most ambitious restoration projects with a master piece of early times of cinema *A Trip to the Moon* by Georges Méliès (1902). The original color version which had disappeared for 80 years was miraculously found and meticulously restored. In 2012, among other projects: the first feature of Jacques Demy, *Lola* (1961),*Tell Me Lies* (1968) by Peter Brook. In 2013, Hiroshima Mon Amour (1959) by Alain Resnais was restored and presented at Cannes Film Festival in presence of Emmanuelle Riva. All those films were circulated worldwide since their restoration;
- it defines and conducts specific education programs targeting mostly film school students: the Foundation is involved in various ways from offering a complete curriculum incorporated in film school programs to conducting regular workshops in these programs or during festivals (India, USA, China, France, Romania, Russia, Italy, Portugal, Ethiopia and Turkey). These educational programs cover basic aspects of film heritage: preservation concerns and risks, access to film heritage, basic technical and legal knowledge, filmmaker responsibilities (rights and duties). The objective is to raise the awareness of the future generation of filmmakers, in close liaison with film industry representatives and film archive institutions;

- it supports classics festivals or creates specific festivals or events for the promotion of film heritage. In 2013, the Foundation created MEMORY! the first Film festival in Asia dedicated to international film heritage. The first edition took place in Phnom Penh (Cambodia) in June 2013. MEMORY! was designed both for a large audience and cinema professionals. Beyond a programming of 50 classics, conferences and workshops gathered several international delegations alongside students about film heritage topics such as preservation, copyrights, etc. The festival took place under the high patronage of the King of Cambodia and received numerous supports from public institutions both Cambodian and international.

For all of these programs, the Foundation identifies the appropriate resources required and helps set up multi-disciplinary teams. These include experts from its founder Technicolor and experts from leading film archive institutions, film preservation schools and cinema schools. Knowledge transmission and education play a key role in each program.

6.6 REPORT OF THE STATUTORY AUDITORS, DESIGNATED AS INDEPENDENT THIRD-PARTY ENTITY, ON THE REVIEW OF ENVIRONNMENTAL, SOCIAL AND SOCIETAL INFORMATION PUBLISHED IN THE GROUP MANAGEMENT REPORT

For the attention of the Shareholders,

In our capacity as Statutory Auditor of Technicolor, and designated as an independent third-party entity, whose request for accreditation was deemed admissible by the French National Accreditation Body (COFRAC), we hereby present you with our report on the social, environmental and societal information presented in the management report prepared for the year ended December 31, 2013 (hereinafter the "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code *(Code du commerce)*.

RESPONSIBILITY OF THE COMPANY

The Board of Directors of Technicolor is responsible for preparing a management report including the CSR Information provided by article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting criteria used by Technicolor (the "Reporting Criteria"), some of which are presented in the paragraph 6.2.4 of the management report named "Data collection and consolidation methodology", throughout the management report and are available on request from the company's registered office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITORS

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of article R. 225-105 of the French Commercial Code (Attestation of completeness of the CSR information);
- to express limited assurance on the fact that, taken as a whole, the CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Criteria (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a ten man team between September and February, a period of around four weeks. To assist us in conducting our work, we referred to our corporate responsibility experts.

We conducted the following procedures in accordance with professional standards applicable in France, the order of May 13, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, with regard to the fairness opinion, ISAE (International Standard on Assurance Engagements[1]) 3000.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

1. ATTESTATION OF COMPLETENESS OF THE CSR INFORMATION

Based on interviews with management, we familiarized ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the company's business and its societal commitments and, where appropriate, any resulting actions or programs.

We have compared the CSR Information presented in the management report with the list set forth in article R. 225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of the article R. 225-105 of the French Commercial Code.

We have verified that the CSR Information covered the consolidated scope, i.e., the company and its subsidiaries within the meaning of article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of article L. 233-3 of the French Commercial Code, subject to the limits set forth in the methodological memo paragraph presented in the management report.

Based on our work and considering the aforementioned limits, we attest to the completeness of the required CSR Information in the management report.

2. REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

Nature and scope of procedures

We held some twenty interviews with the persons responsible for preparing the CSR Information with the departments in charge of the CSR Information collection process and, when appropriate, those who are responsible for internal control and risk management procedures, in order to;

- assess the appropriateness of the Reporting Criteria with respect to its relevance completenes, reliabilit, neutrality and clarity, by taking into consideration, when relevant, the sector's best practices;
- verify the set-up of a process to collect, compile, process, and check the CSR Information with regard to its completeness and consistency and familiarize ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR information that we consider to be most significant[1] :

- for the consolidating entity, we consulted the documentary sources and held interviews to corroborate the qualitative information (organization, policies, actions), we implemented analytical procedures on the quantitative information and verified, using sampling techniques, the calculations as well as the data consolidation and we verified their consistency with the other information shown in the management report;
- for a representative sample of entities that we selected[2] according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and implemented substantive tests on a sampling basis, consisting in verifying the calculations performed and reconciling the data with supporting evidence. The selected sample represented on average 35% of headcounts and on average 20% and 90% of environmental quantitative information.

Regarding the other consolidated CSR information, we have assessed its consistency in relation to our knowledge of the Group.

(1) Quantitative information: Headcounts at the end of the year, headcounts per gender, recruitments, dismissals, number of training hours, absenteism rate, frequency rate and severity rate of accident, total amount of wastes generated, effluents, water consumption, energy consumption; Qualitative information: Remuneration policy, training policy, EHS charter and policy, Procedure of EHS performance evaluation, Environmental management system, EHS audit program, Investment for the prevention of pollution and rehabilitation expenses, Suppliers relationship.

(2) Selected sites : Bangalore (India), Guadalajara (Mexico), MPC London (UK), Piaseczno (Poland), Pinewood (UK) and remotely Manaus (Brasil).

Finally, we have assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Informations cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information has been presented fairly, in all material aspects, in accordance with the Reporting Criteria.

Neuilly-sur-Seine and Paris-La Défense, March 5th, 2014

The statutory auditors,

Deloitte & Associés
Alain Pons,
Partner

Ariane Bucaille,
Partner

Mazars
Jean-Louis Simon,
Partner

Emmanuelle Rigaudias
Partner CSR
and Sustainable Development

7 ADDITIONAL INFORMATION

7.1 PROPERTY, PLANT AND EQUIPMENT

OPERATING FACILITIES AND LOCATIONS

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 2013, Technicolor took a number of key actions to optimize its global real estate footprint. These actions have resulted in a reduced global real estate footprint from 11.1 million square feet at end 2012, to 10.7 million square feet at end 2013, or a reduction of 3.85%.

The key actions taken to reduce the Group's real estate footprint in 2013 included:

Operating Facilities	Primary Activity	Type of Action
Saint-Cloud, France	Production	Closure
Glendale, United States	Office	Closure
San Diego, United States (Chumby Industries)	Office	Closure
Toronto, Canada (Peter street)	Production	Closure
New-York, United States (320 West 44th St.)	Office	Closure
Rome, Italy (Via Tiburtina)	Film Lab	Closure
Rome, Italy (Via Urbana)	Production	Closure
Princeton, United States	Office	Sub-lease
London, UK (Soho Square)	Office	Sub-lease

The Group operates various manufacturing, production, film processing and 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 2013, Technicolor occupied the following key facilities:

Main Operating Facilities	Primary Activity	Own/Lease	Square Feet
Memphis (TN, United States)	Distribution	Lease	4,399,521
Livonia (MI, United States)	Distribution	Lease	788,174
Brampton (ON, Canada)	Distribution	Lease	529,552
Piaseczno (Poland)	Manufacturing	Own	291,776
Rugby (United Kingdom)	Distribution	Lease	282,675
Guadalajara (Mexico)	Manufacturing	Own	272,850
Ontario (CA, United States)	Distribution	Lease	241,170
Tultitlan (Mexico)	Distribution	Lease	239,292
Mexicali (Mexico)	Distribution	Lease	210,630
Issy-les-Moulineaux (France)	Office	Lease	195,410
Rennes-Cesson (France) Les Champs Blancs	Lab	Lease	194,129
Indianapolis (IN, United States)	Office	Lease	179,913
Bangalore (India)	Production	Lease	169,867
Camarillo (CA, United States)	Distribution	Lease	158,256
Mississauga (ON, Canada)	Distribution	Lease	149,629
Wilmington (OH, United States)	Distribution	Lease	121,600
Sydney (NSW, Australia)	Distribution	Lease	118,230
Hollywood (CA, United States)	Office	Lease	116,830
Los Angeles Paramount, Cahuenga (United States)	Production	Lease	99,447

Main Operating Facilities	Primary Activity	Own/Lease	Square Feet
Beijing (China)	Office	Lease	97,231
London (United Kingdom)	Production	Lease	76,956
Toronto (ON, Canada)	Production	Lease	76,749
Burbank 2255 Ontario Street (CA, United States)	Office	Lease	73,850
Princeton (NJ, United States)	Office	Lease	67,401
Bangkok (Thailand)	Film Lab	Own	65,998
Glendale (CA, United States)	Film Lab/Office	Lease	62,080
Montreal Ste Catherine (Canada)	Production	Lease	61,913
Manaus (AM, Brazil)	Manufacturing	Own	50,001
Hannover (Germany)	Lab	Lease	46,780
Burbank Olive Street (CA, United States)	Office	Lease	46,380
Boulogne (France)	Production	Lease	46,285
San Francisco (CA, United States)	Production	Lease	45,843
Perivale (United Kingdom)	Production	Lease	44,935
Melbourne (Australia)	Manufacturing/Distribution	Lease	43,415
Vancouver (Canada)	Production	Lease	38,500
Edegem (Belgium)	Office	Lease	37,867
London Pinewood Studios (United Kingdom)	Production	Lease	36,739
Burbank 2233 Ontario Street (CA, United States)	Office	Lease	33,698
Montreal MPC (Canada)	Office	Lease	33,164

Summary of Operating Facilities	Square Feet	Percentage of Surface
Office	766,289	7%
Lab	341,477	3%
Film Lab	156,853	2%
Manufacturing	659,327	6%
Production	1,177,862	11%
Warehouse/Distribution	7,612,904	71%
ALL PROPERTIES	**10,714,712**	**100%**

Production: *sites dedicated to digital work for Digital Creative Services (post production, special effects, animation, digital conversion, digital distribution...).*
Manufacturing: *sites dedicated to DVDs, Set top boxes and gateways are manufacturing.*
Film lab: *photochemical film development and printing sites.*
Lab: *research sites.*
Office: *sites dedicated to corporate activities and product development.*
Warehouse/Distribution: *sites dedicated to DVDs and film distribution/warehousing.*

Manufacturing, Production, Film Processing and Distribution

Technicolor's manufacturing, production, film processing, and distribution facilities accounted for 90% of its facilities space, at the end of 2013. The location of each significant facility can be found in the table above.

Technicolor's respective business segments have varying approaches to performing these activities; each is discussed in turn below.

DVD replication and Distribution

Global distribution and supply chain activities are provided in-house and through a network of contracted Third-Party Logistic Providers (3PLs). In markets where distributed unit volumes are sufficient, Technicolor completes all distributions and logistics activities in-house. In smaller markets, or where other considerations prevail, these activities are completed by 3PL's on Technicolor's behalf. In North America, the Group distributed 100% in-house; in Europe, approximately 62% in-house and approximately 38% by 3PL's. In Australia, Technicolor provides distribution services.

Film Services

Bulk-printing services are offered to customers for the release of film to cinemas for theatrical release. Following the rapid shift to digital cinema since 2010, the Company has launched several initiatives in order to optimize its Photochemical film activities. Since 2012, the Group subcontracted all release printing services in North America and in Europe to Deluxe. It has resulted in late December 2013 to the closure of the remaining film laboratories in Glendale for IMAX and in March of the London film laboratories where a small front lab was maintained for rush orders. Physical film theatrical hard drive distribution relies mostly on DCP (Digital Cinema Package) distribution where broadband or satellite distribution are not available. For more information, please refer to section 1.3.2: "Entertainment Services" of this Annual Report.

Set-Top Boxes, Gateways, and Connected Devices

In 2013, Technicolor delivered a total of about 32,5 million gateways, set-top boxes, and connected devices. Overall, around 19% 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 2013 :

In-house Manufacturing and Replication	Number of Units
Entertainment Services	
DVD Replication	1.2 billion DVDs
Blu-ray™ Replication	253 million Blu-ray™ discs
Film Processing	125 million feet of film
Theatrical post production (picture & sound)	226 feature films
Broadcast post production (picture & sound)	159 series
Connected Home	
Gateways, SetTop Boxes and Connected Devices	6.2 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 *Greffe* of the Registry of Commerce and Companies of Nanterre, France.

7.2.1 CORPORATE PURPOSE

Technicolor's corporate 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 is listed in Chapter 4: "Corporate governance and internal control", section 4.1.2: "Composition and expertise of the Board of Directors" of this Annual Report.

7.2.3 RIGHTS, PRIVILEGES AND RESTRICTIONS LINKED TO SHARES

Voting rights

"Each shareholder shall have as many votes as the shares that he possesses or represents by proxy" (Article 20 of the bylaws). Each shareholder is entitled to one vote per share only.

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 a share in the profits, and to the liquidation proceeds, in an amount equal to the portion of the share capital represented.

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 share entails, by operation of law, adherence to the bylaws of the Company and to the decisions of the Shareholders' Meeting and of the Board of Directors, as authorized by the 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 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 identity, to participate in Shareholders' Meetings, by attending in person, by mailing in a voting form, or by designating a proxy.

Such participation is subject to the recording of the shares, either in the Company's registered share account, or in bearer share account held by an authorized intermediary, within the time limits and under the conditions provided for by applicable regulation. In the case of bearer shares, the registration is evidenced by a certificate of participation (attestation de participation) issued 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 time limit 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 decrease 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 which may be decided by judicial decision upon request of the Chairman, a shareholder, or the AMF.

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 and seq. of the French Commercial Code, are taken into account.

The declarant must certify that the declaration includes all 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 affecting the Restructured Debt described in Chapter 2: "Operating and Financial Review and prospects"; section 2.10.3: "Financial resources" of this Annual Report.

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.

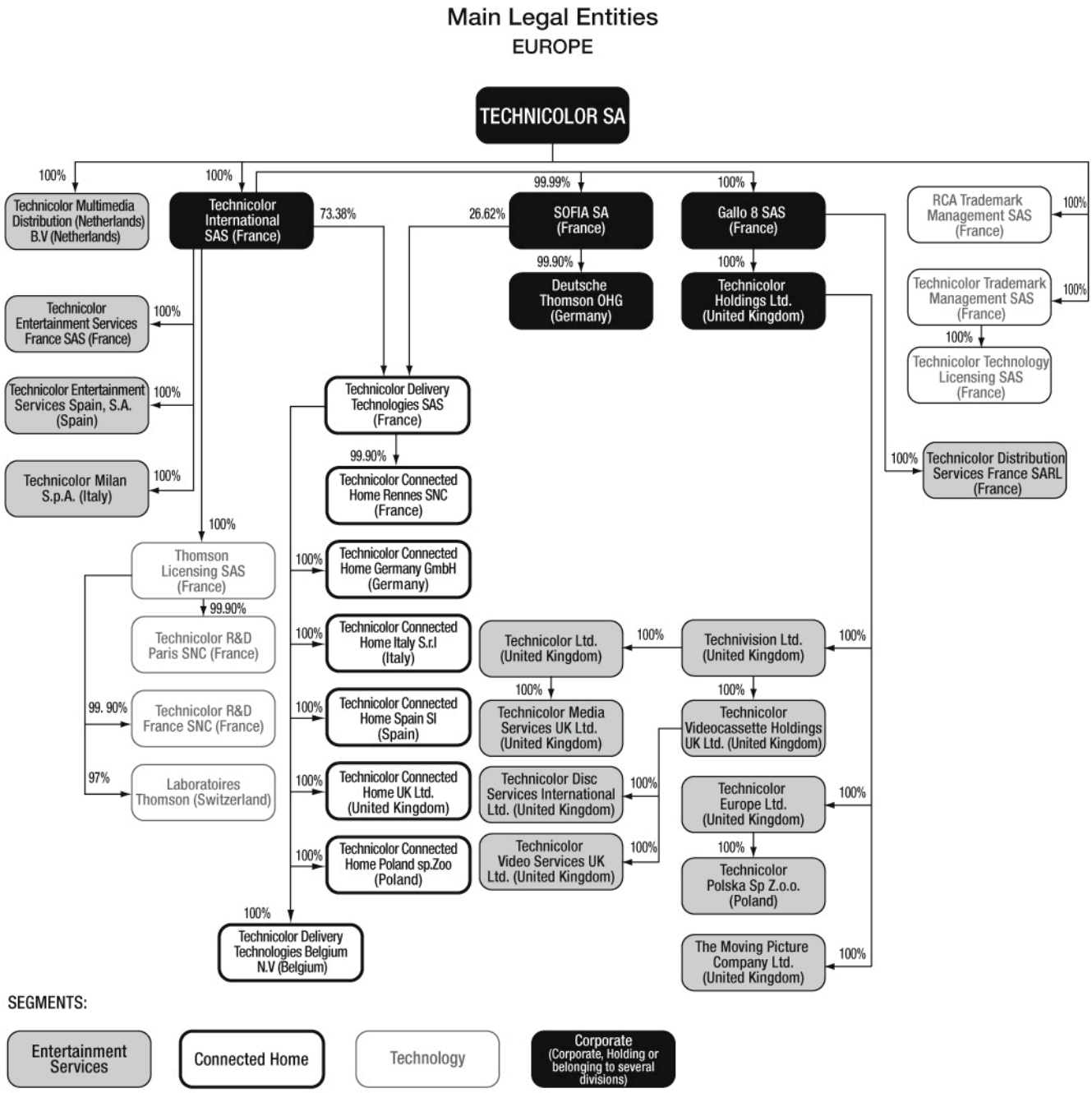
Total amount of certain non-deductible expenses under Articles 39-4 and 223 quater of the Tax Code

The non-deductible expenses referred to in Article 39-4 of the French General Tax Code amounted to €142,725.33 in 2013 for the Company and correspond to the non-deductible rents on private vehicles.

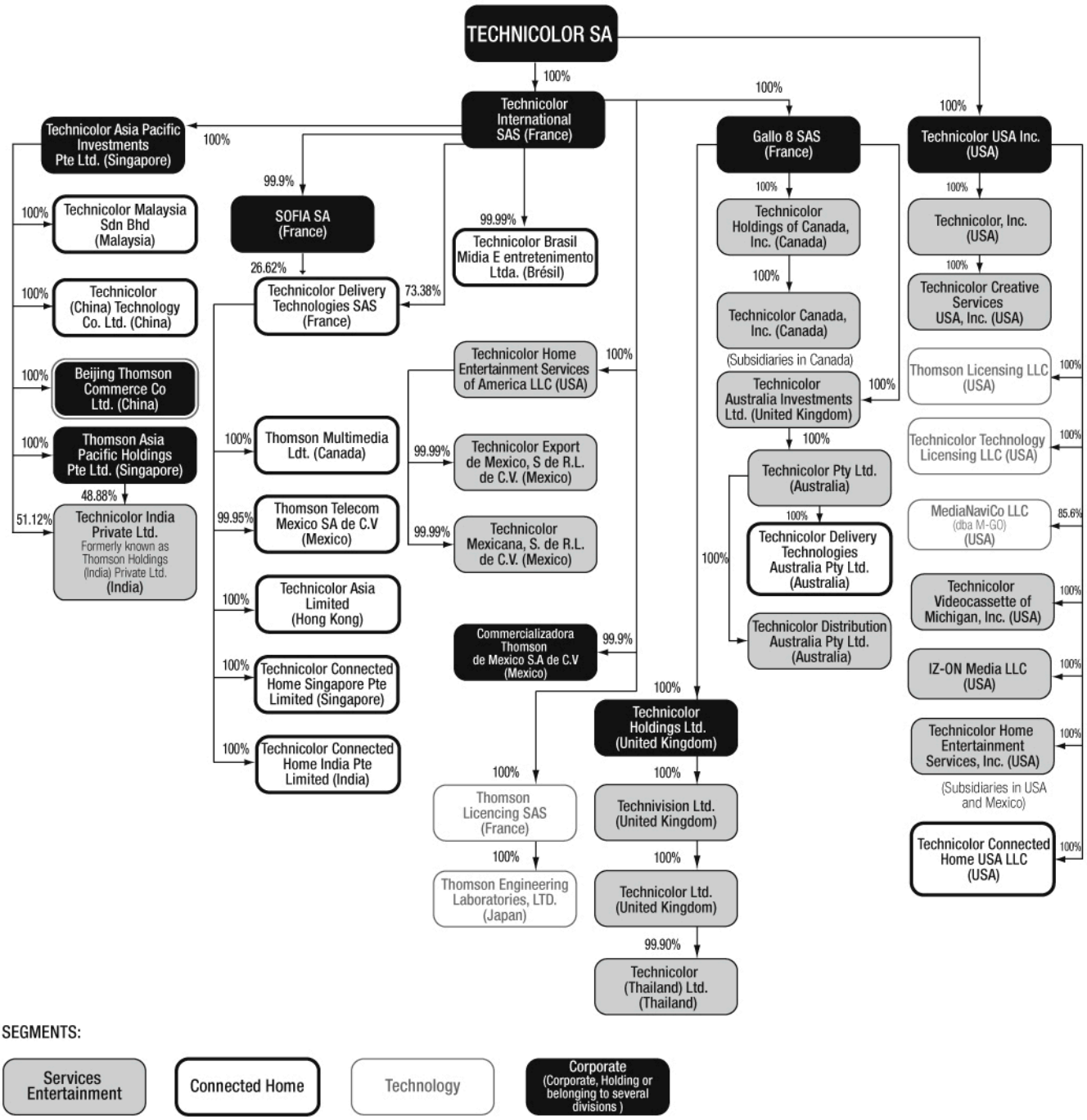
7.5 ORGANIZATION OF THE GROUP

7.5.1 LEGAL ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2013

At December 31, 2013, the Group included 122 consolidated subsidiaries: 103 were incorporated outside of France; 19 in France (see notes 4 and 36 to the Group consolidated financial statements).



Main Legal Entities
ASIA & AMERICA



7.5.2 OPERATIONAL ORGANIZATION

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, 2013. They have been selected based on their contribution to the Group's revenues (external and intra-group) for the entities of Entertainment Services and Connected Home segments. They are based on workforce for the entities belonging to Technology. Revenues from these subsidiaries represented 98% of the Group's revenues (external and intra-group) in 2013.

The list of main consolidated subsidiaries is described in note 36 to the Group's consolidated financial statements. A summary table sets forth the list of Group's subsidiaries broken down by the geographic location of the entity (please refer to note 4 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 5 and 13, respectively.

	Technology	Connected Home	Entertainment Services
France	▪ Thomson Licensing SAS ▪ RCA Trademark Management SAS ▪ Technicolor R&D France SNC (2) ▪ Technicolor Trademark Management SAS	▪ Technicolor Delivery Technologies SAS ▪ Technicolor Connected Home Rennes SNC	▪ Technicolor Distribution Services France SARL ▪ Technicolor Entertainment Services France SAS
Europe excl. France	▪ Deutsche Thomson OHG		▪ Technicolor Polska sp.zo.o. ▪ MPC The Moving Picture Company Ltd. ▪ Technicolor Disc Services International Ltd. (Hammersmith) ▪ Technicolor Video Serv.(UK) Ltd ▪ Thomson multimedia Distribution (Netherlands) BV ▪ Technicolor Ltd. ▪ Technicolor SpA ▪ Technicolor Media Services UK Ltd.
Americas	▪ Thomson Licensing LLC ▪ MediaNaviCo LLC	▪ Technicolor USA Inc (1) ▪ Technicolor Brasil Midia E Entretenimento LTDA ▪ Technicolor Connected Home USA LLC ▪ Thomson Telecom Mexico, SA de CV ▪ Comercializadora Thomson de Mexico SA de CV	▪ Technicolor Videocassette of Michigan, Inc. ▪ Technicolor Home Entertainment Services Inc. ▪ Technicolor Creative Services USA Inc. ▪ Technicolor Canada, Inc. ▪ Technicolor Export de Mexico, S. de R.L. ▪ Technicolor Home Entertainment Services de Mexico S. de R.L. de CV ▪ Technicolor Mexicana, S. de R.L. de CV ▪ Technicolor Inc. ▪ IZ-ON Media, LLC.
Asia		▪ Technicolor Delivery Technologies Australia, Pty, Ltd. ▪ Technicolor Asia Pacific Holding Pte Ltd. ▪ Technicolor Connected Home Singapore Pte. Ltd.	▪ Technicolor India Pvt Ltd. ▪ Technicolor, Pty, Ltd. ▪ Technicolor (Thailand) Ltd. ▪ Technicolor Distribution Australia, Pty, Ltd.

(1) This entity also hosts some operation of the Entertainment Services segment - Connected Home activity from October 2013 has been transferred to Technicolor Connected Home USA LLC

(2) This entity also hosted some operation of the Connected Home segment until july 2013

Parent company

At December 31, 2013, Technicolor SA had 276 employees. It hosts mainly the activities of Group management, support functions, Group treasury and part of the segments Connected Home and Technology. The income statement of the Company (as presented in the corporate financial statements) shows a net loss of €69 million in 2013 (compared to a gain of €2,104 million in 2012) (for more information regarding the parent company, refer to Technicolor SA's corporate financial statements and notes to the financial statements in Chapter 8: "Technicolor financial statements", section 8.4: "Corporate financial statements" and 8.5: "Notes to Technicolor SA financial statements" of this Annual Report).

Main cash flows between the Company and the subsidiaries

The Company ensures the financing of its subsidiaries by loans and current accounts (net receivable position of €2,187 million before depreciation at December 31, 2013) and equity instruments and, consequently, has received €11 million in dividends in 2013 (compare to €332 million in 2012). 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 computing, purchases, management, treasury, people and various counsels. These services are invoiced either on the basis of a percentage of the income or/and on the subsidiaries, result by a fixed fee, or upon completion of the services.

For more details, see note 21 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 Annual Report, and, more generally, all documents sent or made available to shareholders pursuant to French law may be consulted at the Company's headquarters, 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 Annual Report are available free of charge. This Annual Report may also be consulted on the Technicolor website.

7.7 INFORMATION ON ACCOUNTING SERVICES

7.7.1 STATUTORY AUDITORS

Deloitte & Associés
185 C avenue Charles de Gaulle
92200 Neuilly-sur-Seine
Represented by Ariane Bucaille and Alain Pons

Mazars
61 rue Henri-Régnault – Tour Exaltis
92400 Courbevoie
Represented by Jean-Louis Simon

Starting date of Statutory Auditors' first mandate

Deloitte & Associés: 2012.
Mazars: 1985.

Duration and expiration date of Statutory Auditors' mandate

Deloitte & Associés: approved at the Combined Shareholders' Meeting of June 20, 2012. Their mandate will expire at the Shareholders' Meeting held for the approval of the 2017 annual accounts.

Mazars: renewed by the Annual Ordinary Shareholders' Meeting held on June 17, 2010. Their mandate will expire at the Shareholders' Meeting to be held in 2016 for the approval of the 2015 annual accounts.

7.7.2 SUBSTITUTE STATUTORY AUDITORS

BEAS
195 avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Mr. Patrick de Cambourg
1 rue André Colledebœuf
75016 Paris

Duration and expiration date of Substitute Statutory Auditors' mandate

BEAS: approved at the Combined Shareholders' Meeting of June 20, 2012. Their mandate will expire at the Shareholders' Meeting held for the approval of the 2017 annual accounts.

Mr. Patrick de Cambourg: renewed by the Annual Ordinary Shareholders' Meeting held on June 17, 2010. Their mandate will expire at the Shareholders' Meeting held for the approval of the annual financial statements for the fiscal year ending December 31, 2015.

7.8 STATUTORY AUDITORS FEES

	Deloitte		KPMG	Mazars		Total	
(in € thousands)	2013	2012	2012	2013	2012	2013	2012
Audit services (1)	**2,136**	**2,039**	**-**	**1,611**	**1,598**	**3,747**	**3,637**
■ Technicolor SA	725	717	-	680	760	1,405	1,477
■ Subsidiaries	1,411	1322	-	931	838	2,342	2,160
Audit-Related Fees (2)	**197**	**83**	**174**	**628**	**305**	**825**	**562**
■ Technicolor SA	166	75	174	565	274	731	523
■ Subsidiaries	31	8	-	63	31	94	39
Tax fees (3)	**76**	**62**	**-**	**5**	**-**	**81**	**62**
■ Technicolor SA	-	-	-	-	-	-	
■ Subsidiaries	76	62	-	5	-	81	62
Other fees	**-**	**44**	**-**	**-**	**-**	**-**	**44**
■ Technicolor SA	-	-	-	-	-	-	
■ Subsidiaries	0	44	-	-	-		44
TOTAL	**2,409**	**2,228**	**174**	**2,244**	**1,903**	**4,653**	**4,305**

(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

7.9.1 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Frederic 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 that, to the best of my knowledge, 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, integrated within this Registration Document, fairly presents the evolution of the business, results and financial position of the Company and its consolidated subsidiaries, together with a description of 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.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2013, included on page 252 of this Registration Document is unqualified and does not contain any observation.

The Statutory Auditors' report on the annual financial statements for the same year, included on page 279 of this Registration Document is unqualified and does not contain any observation.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2012, included on page 221 of the 2012 Registration Document submitted to the AMF on April 16, 2013 under the no. D. 13-0361 and included by reference in this Registration Document, is unqualified and contains the following emphasis of matter:

"Without qualifying our opinion, we draw your attention to note 3.1 to the consolidated financial statements which describes the reasons for applying the going concern assumption to approve the consolidated financial statements."

The Statutory Auditors' report on the parent company financial statements for the same fiscal year included on page 246 of the 2012 French Registration Document is unqualified and contains the following emphasis of matter:

"Without qualifying our opinion, we draw your attention to note 2 to the financial statements which describes the reasons for applying the going concern assumption to approve the financial statements. "

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2011, included on page 231 of the 2011 Registration Document submitted to the AMF on March 27, 2012 under the no. D. 12-0224 and included by reference in this document is unqualified and contains the following emphasis of matter:

"Without qualifying our opinion, we draw your attention to the following note 3.1 to the consolidated financial statements which describes the reasons for applying the going concern assumption to approve the consolidated financial statements."

The Statutory Auditors' report on the parent company financial statements for the same fiscal year included on page 258 of the 2011 French Registration Document is unqualified and contains the following emphasis of matter:

"Without qualifying our opinion, we draw your attention to the note 2 to the financial statements which describe the reasons for applying the going concern assumption to approve the financial statements."

The historical financial information presented in this Registration Document has been subject to reports by the Statutory Auditors.

Chief Executive Officer, Technicolor,

Frederic Rose

7.9.2 RESPONSIBLE FOR INFORMATION

Mr. Stéphane Rougeot, Chief Financial Officer, 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

8 FINANCIAL STATEMENTS

8.1 TECHNICOLOR 2013 CONSOLIDATED FINANCIAL STATEMENTS

8.1.1 CONSOLIDATED STATEMENT OF OPERATIONS

		Year ended December 31,	
(in million euros)	Note	2013	2012
Continuing operations			
Revenues		3,450	3,580
Cost of sales*		(2,627)	(2,750)
Gross margin		**823**	**830**
Selling and administrative expenses	*(6)*	(341)	(397)
Research and development expenses	*(7)*	(143)	(132)
Restructuring costs	*(26)*	(68)	(29)
Net impairment losses on non-current operating assets	*(8)*	(31)	(10)
Other income (expense)	*(6)*	(16)	2
Profit (loss) from continuing operations before tax and net finance income (expense)		**224**	**264**
Interest income	*(9)*	5	4
Interest expense	*(9)*	(117)	(149)
Other financial income (expense)	*(9)*	(176)	(52)
Net finance income (expense)		**(288)**	**(197)**
Share of loss from associates		(6)	(5)
Income tax	*(10)*	(41)	(49)
Profit (loss) from continuing operations		**(111)**	**13**
Discontinued operations			
Net gain (loss) from discontinued operations	*(11)*	**19**	**(35)**
NET INCOME (LOSS)		**(92)**	**(22)**
Attributable to Equity holders		(87)	(20)
Attributable to Non-controlling interest		(5)	(2)

		Year ended December 31,	
(in euro, except number of shares)	Note	2013	2012
Weighted average number of shares outstanding (basic net of treasury shares held)	*(29)*	335,094,417	275,885,374
Earning (loss) per share from continuing operations			
■ basic		(0.32)	0.05
■ diluted		(0.32)	0.05
Earning (loss) per share from discontinued operations			
■ basic		0.06	(0.12)
■ diluted		0.06	(0.12)
Total earning (loss) per share			
■ basic		(0.26)	(0.07)
■ diluted		(0.26)	(0.07)

* *In 2013, €9 million of selling and marketing expenses have been classified into cost of sales as it better reflects the direct cost nature of these expenses. Had such comparable 2012 expenses been classified the same way, selling and administrative expenses would have amounted to €389 million instead of €397 million and cost of sales to €2,758 million instead of €2,750 million.*

The accompanying notes on pages 164 to 251 are an integral part of these consolidated financial statements.

8.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
(in million euros)	**Note**	**2013**	**2012**
Net income (loss) for the year		**(92)**	**(22)**
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligation [1]	*(25)*	14	(65)
Items that may be reclassified subsequently to profit or loss			
Fair value gains/(losses), gross of tax on available-for-sale financial assets:			
■ reclassification adjustments to income on disposal of available-for-sale financial assets		(2)	-
■ fair value adjustment of the year		-	1
Fair value gains/(losses), gross of tax on cash flow hedges:			
■ reclassification adjustments when the hedged forecast transactions affect profit or loss	*(19)*	(2)	(1)
Currency translation adjustments :			
■ currency translation adjustments of the year		(47)	(16)
■ reclassification adjustments on disposal or liquidation of a foreign operation [1]		-	1
Total other comprehensive income [2]		**(37)**	**(80)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(129)**	**(102)**
Attributable to:			
■ *Equity holders of the parent*		(124)	(100)
■ *Non-controlling interest*		(5)	(2)

(1) Impact related to held for sale businesses is nil as of December 31, 2013 and as of December 31, 2012.
(2) No significant tax effect due to the overall tax loss position of the Group.

The accompanying notes on pages 164 to 251 are an integral part of these consolidated financial statements.

8.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million euros)	Note	December 31, 2013	December 31, 2012
Assets			
Non-current assets			
Property, plant and equipment	*(12)*	293	350
Goodwill	*(13)*	450	478
Other intangible assets	*(13)*	375	433
Investments in associates and joint ventures	*(14)*	13	18
Investments and available-for-sale financial assets		6	7
Contract advances and up-front prepaid discount		54	42
Deferred tax assets	*(10)*	364	388
Income tax receivable		19	20
Other non-current assets	*(17)*	35	66
Cash collateral and security deposits	*(18)*	15	15
Total non-current assets		**1,624**	**1,817**
Current assets			
Inventories	*(15)*	104	112
Trade accounts and notes receivable	*(16)*	545	526
Income tax receivable		16	12
Other current assets	*(17)*	341	340
Cash collateral and security deposits	*(18)*	25	29
Cash and cash equivalents	*(18)*	307	397
Assets classified as held for sale	*(11)*	-	4
Total current assets		**1,338**	**1,420**
TOTAL ASSETS		**2,962**	**3,237**

The accompanying notes on pages 164 to 251 are an integral part of these consolidated financial statements.

(in million euros)	Note	December 31, 2013	December 31, 2012
Equity and liabilities			
Shareholders' equity	*(19)*		
Common stock *(335,709,392 shares at December 31, 2013 with nominal value of €1 per share)*		335	335
Treasury shares		(156)	(156)
Additional paid-in capital		940	940
Subordinated perpetual notes		500	500
Other reserves		15	-
Retained earnings (accumulated deficit)		(1,228)	(1,142)
Cumulative translation adjustment		(287)	(240)
Shareholders' equity		**119**	**237**
Non-controlling interest		-	4
TOTAL EQUITY		**119**	**241**
Non-current liabilities			
Borrowings	*(22)*	936	1,019
Retirement benefits obligations	*(25)*	322	353
Restructuring provisions	*(26)*	-	1
Other provisions	*(26)*	82	76
Deferred tax liabilities	*(10)*	130	158
Other non-current liabilities	*(28)*	136	96
Total non-current liabilities		**1,606**	**1,703**
Current liabilities			
Borrowings	*(22)*	86	96
Retirement benefits obligations	*(25)*	34	35
Restructuring provisions	*(26)*	59	45
Other provisions	*(26)*	51	78
Trade accounts and notes payable		450	445
Accrued employee expenses		135	164
Income tax payable		10	13
Other current liabilities	*(28)*	412	414
Liabilities classified as held for sale	*(11)*	-	3
Total current liabilities		**1,237**	**1,293**
TOTAL LIABILITIES		**2,843**	**2,996**
TOTAL EQUITY AND LIABILITIES		**2,962**	**3,237**

The accompanying notes on pages 164 to 251 are an integral part of these consolidated financial statements.

8.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
(in million euros)	Note	2013	2012
Net income (loss)		**(92)**	**(22)**
Income (loss) from discontinued activities		**19**	**(35)**
Profit (loss) from continuing activities		**(111)**	**13**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		197	219
Impairment of assets [1]	*(8)*	34	16
Net changes in provisions		18	(75)
Gain on asset disposals		(1)	-
Interest (income) and expense	*(9)*	112	145
Other non-cash items (including tax)		195	77
Changes in working capital and other assets and liabilities	*(31)*	(5)	26
Cash generated from continuing activities		**439**	**421**
Interest paid		(84)	(117)
Interest received		4	4
Income tax paid		(53)	(49)
Net operating cash generated from continuing activities		**306**	**259**
Net operating cash used in discontinued activities	*(11.3)*	(39)	(6)
NET CASH FROM OPERATING ACTIVITIES (I)		**267**	**253**
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(31)*	(8)	(10)
Proceeds from sale of investments, net of cash	*(31)*	6	17
Purchases of property, plant and equipment (PPE)		(64)	(80)
Proceeds from sale of PPE and intangible assets		1	2
Purchases of intangible assets including capitalization of development costs		(51)	(69)
Cash collateral and security deposits granted to third parties		(2)	(4)
Cash collateral and security deposits reimbursed by third parties		7	8
Loans (granted to)/ reimbursed by third parties		-	(1)
Net investing cash used in continuing activities		**(111)**	**(137)**
Net investing cash used in discontinued activites	*(11.3)*	27	(5)
NET CASH USED IN INVESTING ACTIVITIES (II)		**(84)**	**(142)**
Increase in capital (net of fees paid)	*(19)*	-	179
Changes in ownership interests with no gain/loss of control, net of transaction fees		2	-
Proceeds from borrowings	*(22)*	843	2
Repayments of borrowings	*(22)*	(965)	(255)
Fees paid linked to the debt and capital restructuring	*(31)*	(131)	(1)
Other		3	2
Net financing cash generated used in continuing activities		**(248)**	**(73)**
Net financing cash used in discontinued activities	*(11.3)*	-	-
NET CASH USED IN FINANCING ACTIVITIES (III)		**(248)**	**(73)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**(65)**	**38**
Cash and cash equivalents at beginning of year		**397**	**370**
Exchange gains/(losses) on cash and cash equivalents		(25)	(11)
Cash and cash equivalents at end of year		**307**	**397**

(1) Including €3 million and €6 million of impairment of assets as part of restructuring plans in 2013 and 2012, respectively (see note 26).

The accompanying notes on pages 164 to 251 are an integral part of these consolidated financial statements.

8.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Group									Non-controlling interest	Total equity (deficit)
(in million euros)	Share capital	Treasury shares	Additional paid-in capital	NRS	Perpetual Notes (TSS)	Other reserves	Retained earnings	Cumulative translation adjustment	Total Group equity (deficit)		
Balance at January 1, 2012	**224**	**(156)**	**857**	**13**	**500**	**60**	**(1,122)**	**(225)**	**151**	**4**	**155**
Changes in 2012											
*Total other comprehensive income**	*-*	*-*	*-*	*-*	*-*	*(65)*	*-*	*(15)*	*(80)*	*-*	*(80)*
Net income (loss) for 2012	*-*	*-*	*-*	*-*	*-*	*-*	*(20)*	*-*	*(20)*	*(2)*	*(22)*
Total comprehensive income for 2012	**-**	**-**	**-**	**-**	**-**	**(65)**	**(20)**	**(15)**	**(100)**	**(2)**	**(102)**
NRS converted into equity (see note 19)	2	-	11	(13)	-	-	-	-	-	-	-
Capital increase (see note 19)	109	-	70	-	-	-	-	-	179	-	179
Tax impact on fees related to capital increase**	-	-	2	-	-	-	-	-	2	-	2
Share-based payment to employees (see note 27)	-	-	-	-	-	5	-	-	5	-	5
Capital increase of non-controlling interest	-	-	-	-	-	-	-	-	-	2	2
Balance at December 31, 2012	**335**	**(156)**	**940**	**-**	**500**	**-**	**(1,142)**	**(240)**	**237**	**4**	**241**
Changes in 2013											
*Total other comprehensive income**	*-*	*-*	*-*	*-*	*-*	*10*	*-*	*(47)*	*(37)*	*-*	*(37)*
Net income (loss) for 2013	*-*	*-*	*-*	*-*	*-*	*-*	*(87)*	*-*	*(87)*	*(5)*	*(92)*
Total comprehensive income for 2013	**-**	**-**	**-**	**-**	**-**	**10**	**(87)**	**(47)**	**(124)**	**(5)**	**(129)**
Impact of IAS 19 Revised (see note 25)	-	-	-	-	-	-	1	-	1	-	1
Share-based payment to employees (see note 27)	-	-	-	-	-	6	-	-	6	-	6
Capital increase of non-controlling interest	-	-	-	-	-	(1)	-	-	(1)	1	-
BALANCE AT DECEMBER 31, 2013	**335**	**(156)**	**940**	**-**	**500**	**15**	**(1,228)**	**(287)**	**119**	**-**	**119**

* *Refer to details in the "Consolidated Statement of Comprehensive Income" in 8.1.2.*
** *In 2012, fees on capital increases have been allocated to equity for €10 million, of which €2 million of tax effect.*

The accompanying notes on pages 164 to 251 are an integral part of these consolidated financial statements.

8.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

1.1 General information

Technicolor is a technology-driven company supporting its Media & Entertainment (M&E) customers in shaping their digital future. Technicolor's activities are organized into three operating segments, namely Technology, Connected Home and Entertainment Services. All other activities and corporate functions (unallocated) are presented within the "Other" segment.

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.

The consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 19, 2014. 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 2014.

1.2 Main events of the year

Debt refinancing

On July 11, 2013, Technicolor signed with the holders of its private placement notes and credit agreement loans (the "Reinstated Debt") an amendment of certain terms of the Reinstated Debt and obtained the consent for the refinancing of the Reinstated Debt which was restructured in 2010. Moreover on that date the Group completed the refinancing by the issuance of €838 million in new loans (the "New Debt"). The objectives of the refinancing were to allow Technicolor to borrow funds at a lower interest rate, extend its debt maturity profile and benefit from greater covenant flexibility.

The impact on financial statements can be summarized as follows:

Evolution of the Senior Debt as of July 11, 2013 (excluding other debt of €24 million) *in million euros*	**Existing debt as of July 11, 2013 and before refinancing**	**Tendered Notes and Loans**	**New Debt**	**Remaining part of Reinstated Debt**	**Debt after refinancing as of July 11, 2013**
Senior Notes of Reinstated Debt	462	(462)	-	-	-
Senior Loans of Reinstated Debt	725	(443)	-	-	282
Senior Loans of New Debt	-	-	838	-	838
Total nominal of the Senior Debt	**1 187**	**(905)** [a]	**838**	**-**	**1 120**
IFRS discount deducted from nominal of Debts	(107)	76 [b]	(47) [c]	(3) [c]	(81) [d]
TOTAL IFRS amount of the Senior Debt	**1 080**	**(829)**	**791**	**(3)**	**1 039**

(a) The €905 million of Reinstated Debt tendered in the offer was repaid through €838 million of proceeds from the New Debt and €67 million of cash.
(b) The IFRS discount on the Reinstated Debt was reversed on July 11, 2013 (IFRS discount was reversed for the percentage of Reinstated Debt which was tendered). Costs and fees of the refinancing which were related to the Reinstated Debt were booked in "Other financial cost" of the Consolidated Statement of Operations.
(c) A total of €50 million of fees have been deducted from the debt (of which €47 million on the New Debt and €3million on the remaining part of the Reinstated Debt after refinancing).
(d) The IFRS discount as of July 11, 2013 is made up of €34 million related to the remaining Reinstated Debt and €47 million related to the New Debt. Such discount is amortized over the duration of the debt using the IFRS effective interest rate method.

With regard to the residual Reinstated Debt of €282 million (€266 million at December 31, 2013), Technicolor refinanced a portion of this debt in February 2014 *via* a cashless exchange into the New Debt and plans to reimburse the balance before the end of April (see note 35).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on the basis of the Group continuing to operate as a going concern (see note 3.1 for more detailed information) and in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2013 and adopted by the European Union as of February 19, 2014.

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.

The accounting policies applied by the Group are consistent with those followed last year except for the following standards, amendments and interpretations which have been applied for the first time in 2013.

2.2 Standards, amendments and interpretations effective and applied as of January 1, 2013

New standard or interpretation	Main provisions	Main impacts on the 2013 consolidated financial statements
IFRS 13 - Fair Value Measurement	IFRS 13 sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is broad and it applies to both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. IFRS 13 applies prospectively on or after January 1, 2013.	The application of this standard for the first time in the current year since January 1, 2013 had no significant impact in the Group consolidated financial statements. Items valued at fair value are mainly financial investments for which the Group have quoted value (level 1) and non-quoted investments and financial derivatives which are based on observable rate and interest on the market (level 2).
Amendments to IFRS 1 - Government Loans	Amends IFRS 1 - First-time Adoption of IFRS to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs.	The application of this amendment since January 1, 2013 had no impact on the Group consolidated financial statements
Amendments to IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities	Amends the disclosure requirements in IFRS 7 - Financial Instruments: Disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 - Financial Instruments: Presentation.	The application of this amendment since January 1, 2013 had no impact on the Group consolidated financial statements.
Amendments to IAS 1- Presentation of Items of Other Comprehensive Income	The amendments to IAS 1 only revise the way Other Comprehensive Income (OCI) is presented: requiring separate subtotals for those elements which may be "recycled" (*e.g.* cash flow hedging, foreign currency translation), and for those elements that will not.	The application of this amendment since January 1, 2013 led the Group to present separately within the Other Comprehensive Income items that may be recycled subsequently and items that will not be recycled subsequently (mainly actuarial gains and losses).
Amendments to IAS 12, Deferred tax -Recovery of underlying assets	The amendments provide a practical solution and introduce an exception to the measurement principle in IAS 12 in the form of a rebuttable presumption that assumes that the carrying amount of an investment property measured at fair value will be recovered through sale.	The application of this amendment since January 1, 2013 had no impact on the Group consolidated financial statements.

New standard or interpretation	Main provisions	Main impacts on the 2013 consolidated financial statements
Amendments to IAS 19 - Employee Benefits	These amendments include the main following items: ■ require recognition of changes in the net defined benefit liability (asset) in other comprehensive income (end of the corridor approach); ■ require alignment of the discount rate used for defined benefit obligation and the rate used for expected return on plan assets; ■ introduce enhanced disclosures about defined benefit plans; ■ clarify the criteria for distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits.	These amendments change the accounting for defined benefit plans and termination benefits. It includes the main following items: ■ recognition of all actuarial gains and losses in other comprehensive income (end of the corridor approach). This method, which was an option under IAS 19, was already applied by the Group; ■ alignment of the discount rate used for defined benefit obligation and the rate used for expected return on plan assets led to an increase in 2013 pension financial cost of €3 million; ■ recognition of the €(1) million prior service costs in the pension liability with a counterpart in equity as of January 1, 2013 (Year 2012 has not been retrospectively restated due to immateriality of the impact).
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine	IFRIC 20 establishes when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.	The application of this interpretation since January 1, 2013 had no impact for the Group financial statements.
Improvements to IFRS (May 2012)	The IASB issued amendments to five International Financial Reporting Standards as part of its program of annual improvements to its standards.	The application of these improvements since January 1, 2013 had no material impact on the Group consolidated financial statements.

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by Technicolor

New standard and interpretation	Effective Date [1]	Main provisions
IFRS 10 - Consolidated Financial Statements	Annual periods beginning on or after January 1, 2014.	IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC 12, Consolidation - Special Purpose Entities and IAS 27, Consolidated and Separate Financial Statements. No material impact is expected from this new standard.
IFRS 11 - Joint Arrangements	Annual periods beginning on or after January 1, 2014.	IFRS 11 provides for accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard eliminates diversity in practice in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. Following the change in accounting method for joint ventures in 2012, the Group does not anticipate a significant impact of the application of this new standard based on its existing joint venture portfolio as of December 31, 2013.
IFRS 12 - Disclosure of Interest in Other Entities	Annual periods beginning on or after January 1, 2014.	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard will in crease the level of disclosure especially on Tech Finance Special Purpose Entity (note 4).
Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities	Annual periods beginning on or after January 1, 2014.	These amendments include the main following items: ■ provide "investment entities" (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 - Financial Instruments or IAS 39 - Financial Instruments: Recognition and Measurement; ■ require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries.
IAS 28, Investments in Associates and Joint Ventures (amendments)	Annual periods beginning on or after January 1, 2014	This Standard supersedes IAS 28 Investments in Associates. It prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after January 1, 2014	Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting.

(1) The effective dates mentioned in the table above are the dates as adopted by the European Union. These standards and interpretations issued by the IASB are nevertheless applicable by anticipation.

The impacts of the above standards, amendments and interpretations and of current IASB and IFRIC projects are not anticipated in these financial statements and cannot be reasonably estimated at this time.

2.4 Main accounting options selected by the Group for the preparation of the opening IFRS balance sheet at the transition date (January 1, 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. 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.

- Stock options and other share-based payments

  The Group elected to apply IFRS 2 to all equity instruments granted after November 7, 2002 and for which the rights had not vested as of December 31, 2004.

2.5 Functional and presentation currency

These consolidated financial statements are presented in euro. All financial information presented in euro has been rounded to the nearest million, unless otherwise stated.

2.6 Basis of measurement

The IFRS 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: available-for-sale financial assets at fair value, derivative financial instruments and financial assets at fair value through profit and loss, and initial recognition of a financial assets or liabilities at fair value.

2.7 Use of estimates

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.

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. The actual results could significantly differ from these estimates depending on different conditions and assumptions. The critical accounting assumptions and estimates made by the Group are detailed in note 3.

2.8 Positions taken by the Group when no specific requirement exists in the IFRS

These positions are linked to issues that are being analyzed by the IFRIC or the IASB. In the absence of standards or interpretations applicable to the transactions described below, Group management has used its judgment to define and apply the most appropriate accounting methods. The Group's judgment-based interpretations relates to joint venture.

The accounting for gains or losses resulting from contribution of non monetary assets to jointly controlled entities, is not currently precisely defined by applicable IFRS. The Board discussed recently the consistency between IAS 27R (Consolidated and separate financial statements) and SIC 13 (jointly controlled entities – non monetary contribution by venturers). For the time being the Group does not recognize a portion of the gain or loss which is attributable to the equity interests of the other venturers but rather applies the disposition of IFRS 3R and IAS 27R, *i.e.* recognizes the gain and loss on 100% of the contribution and values the acquisition in the joint venture at its fair value.

The IASB proposed to amend IAS 28 and future IFRS 10 so that the partial gain or loss recognition between an investor and its associate or joint venture only apply to gains and losses from the sales or contribution of asset that do not constitute a business under IFRS3 and those gains or losses arising from sale or contribution of asset that do constitute a business are recognised in full.

2.9 Scope and consolidation method

(a) 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 SIC 12, whatever their legal forms are, even where the Group holds no shares in their capital.

(b) 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. The goodwill arising on these entities is included in the carrying value of the investment.

(c) 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 since January 1, 2012.

2.10 Business combinations and goodwill

Business combinations are accounted for using the acquisition method as 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 interests 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.

2.11 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.

2.12 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 each foreign currency converted to euros) are summarized in the following table:

	Closing rate		Average rate	
	2013	2012	2013	2012
U.S. dollar (U.S.$)	0.72516	0.75809	0.75172	0.77442
Pound sterling (GBP)	1.19503	1.22444	1.17777	1.23145
Canadian dollar (CAD)	0.68069	0.76161	0.72670	0.77383

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.

2.13 Property, Plant and Equipment (PPE)

All 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.

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. 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.

2.14 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 (i) the transfer of ownership at the end of the lease, (ii) the existence of a bargain price option in the agreement, (iii) the fact that the lease term is for the major part of the economic life of the asset, or (iv) 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 and the corresponding financial liability is accounted for by the Group. 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.

2.15 Intangible assets

Intangible assets consist mainly of capitalized development projects, trademarks, rights for use of patents 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 relating to the acquisition and set-up. All other costs, including those relating 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. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. 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”.

(a) Research and development projects

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 which 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 and service fees necessary for the development projects.

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.

(b) Patents and trademarks

Patents are amortized on a straight-line basis over the expected period of use. Trademarks are considered as having an indefinite useful life and are not amortized, but are tested for impairment annually according to IAS 36. 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.

With respect to trademarks acquired through business combinations, the valuation methodology used is based on the royalty relief method which takes into account the royalty that could reasonably be paid to third-party licensees on similar trademarks.

(c) 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 used is generally based on the excess profit method using the attributable discounted future cash flows expected to be generated.

(d) Other intangible assets

This caption comprises mainly acquired or internally developed software.

2.16 Impairment of intangible assets, goodwill and PPE

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 in December and whenever circumstances indicate that they might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units (CGU) or groups of cash-generating units (hereafter called "goodwill reporting units" (GRU)) that represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

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.

Value in use is the present value of the future cash flow expected to be derived from an asset or group of assets.

The fair value (less costs to sell) corresponds to the amount that could be obtained from the sale of the asset (or the CGU), 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) 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 of the Group.

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. Methodology and assumptions used by the Group are detailed in note 13.

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 recognised in "Restructuring expenses". In accordance with IAS 36, impairment of goodwill cannot be reversed.

2.17 Assets held for sale and discontinued operations

(a) Assets 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.

(b) 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. To be disclosed as discontinued, the operation must have been stopped or be classified as "asset held for sale". The component discontinued is clearly distinguishable operationally and for reporting purposes. It represents a separate major line of business (or geographical area of business), is 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 in note 11. 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 and detailed in note 11.

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.

2.18 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.

2.19 Customer contract advances and up-front prepaid discount

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.

2.20 Financial assets

Financial assets are classified in the following categories, depending on the purpose for which the financial assets were acquired: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale 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 or sell the asset. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed.

(a) 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 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.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. For maturities greater than 12 months after the balance sheet date loans and receivables are classified as non-current assets. Loans and receivables are, subsequent to initial recognition, carried at amortized cost using the effective interest method.

(c) 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 (debt instruments) 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.

Interest on available-for-sale securities calculated using the effective interest rate method is recognized in the statement of operations. Dividends on available-for-sale equity instruments are recognized in the statement of operations when the Group's right to receive payments is established.

Derecognition

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.

Fair value measurement

The Group establishes fair value of the unlisted securities by using valuation techniques. These include 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.

Impairment of financial assets

The Group assesses at each balance sheet 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. If any such evidence exists for available-for-sale financial assets, the cumulative negative changes in fair value – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income in equity and recognized as an expense in the statement of operations. Impairment losses recognized in the statement of operations on financial instruments classified as available-for-sale are not reversed through the statement of operations, except if the instruments are disposed of.

2.21 Financial liabilities and equity instruments issued by the Group

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.

Notes redeemable in shares (NRS) issued in connection with the implementation of the Company's *Sauvegarde* Plan, have been classified as equity because they were redeemable into a fixed number of shares (including NRS IIC which were redeemable in cash or into a fixed number of shares at the Company option).

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.

Subordinated perpetual notes

On September 26, 2005, Technicolor issued subordinated perpetual notes in a nominal amount of €500 million. Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes were recorded in shareholder's equity for the net value received of €492 million (€500 million issue price less €8 million offering discount and fees classified in retained earnings). No derivative was identified because the provisions of the notes detailed in note 19 fall outside the scope of the definition of a derivative under IAS 39 (the "change of control" event represents a non financial event excluded from the definition of a derivative under IAS 39). More information is provided in note 19.3.

The Group's objectives, policies and processes for managing equity are described in notes 19, 20 and 23.

2.22 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. More information is provided in note 22.

2.23 Trade receivables and payables

The trade receivables and payables are part of the current financial assets and liabilities. At the date of their initial recognition, they are measured at the fair value of the amount to be received or paid. This generally represents their nominal value because the effect of discounting is immaterial between the recognition of the instrument and its realization (for assets) or its settlement (for liabilities).

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.

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.

2.24 Derivatives

The Group uses derivatives as hedging instruments for hedges of foreign currency risks, changes in interest rates, commodity prices 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) in equity, 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 and certain activities linked to long-term contracts where the period is generally up to one year.
- the termination of hedge accounting may occur if the underlying hedged item does not materialize, if there is a voluntary revocation of the hedging relationship or at the termination or the arrival of maturity of the hedging instrument. The accounting consequences are then as follows:
  - for fair value hedges, the fair value adjustment of the debt at the date of cessation of the hedging relationship is amortized *via* the effective interest rate method recalculated on that date,
  - for 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 other cases, they are included in the income statement linearly over the remaining life of the hedging relationship as defined at the origin of the hedge.

  In both cases, 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 the statement of operations.

2.25 Cash, cash equivalents, cash collateral and security deposits

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.

Cash collateral and security deposits represent cash granted to third parties to secure credit facilities and other obligations of the Group.

2.26 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.

2.27 Equity transaction costs

Incremental and external costs directly attributable to the equity transactions are accounted for as a deduction from equity.

2.28 Deferred and current income taxes

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.

Income tax expense comprises current and deferred tax. Deferred tax is recognised in profit or loss, except to the extent that it relates to items previously recognised 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 realisation 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.

2.29 Post employment benefits and other long-term benefits

(a) 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 relating 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 recognised in OCI in the period in which they occur. Remeasurement recognised in OCI is reflected immediately in retained earnings and will not be classified in profit or loss.

Past service cost is recognised 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.

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 in note 9;
- remeasurement.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. 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.

(b) 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.

2.30 Share-based payments

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.

2.31 Provisions

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 to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The obligation may be legal, regulatory or contractual 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 finance income (expense)" in the consolidated statement of operations.

Restructuring provisions

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.

2.32 Revenues

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.

(a) 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.

(b) 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.

(c) 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.

2.33 Earnings 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 put 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.

2.34 Related parties

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;
- the party is 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.

NOTE 3 GROUP CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Technicolor's principal accounting policies are described in note 2 above. Certain of Technicolor's accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from these estimates, while different assumptions or conditions may yield different results. 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 under IFRS.

3.1 Going concern

The consolidated financial statements as of December 31, 2013 were approved by the Board of Directors on February 19, 2014 on a going concern basis.

The Board of Directors considered the Group's cash flow projections which support the operating performance with the sensitivities highlighted in note 13 and believes that the Group can meet its expected cash requirements and address potential financial consequences of ongoing litigation, until at least December 31, 2014.

Having considered the above, the Board of Directors determined that it was appropriate for these consolidated financial statements to be prepared on a going concern basis.

3.2 Tangible and intangible assets with finite useful lives

The Group records intangible assets with finite useful lives (mainly customer relationships, software, development projects and certain rights on Intellectual Property acquired) under "Other intangible assets" and tangible assets under "Property, plant and equipment" ("PPE"). 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 the expected useful lives of PPE and intangible assets are defined in the Group's accounting policies manual and are consistently applied throughout the Group.

For the year ended December 31, 2013, the Group recognized amortization expense amounting to €93 million related to PPE and amortization expense of €73 million for intangible assets with finite useful lives (these figures exclude depreciation expense booked in the loss from discontinued operations).

In order to ensure that its assets are carried at no more than their recoverable amount, Technicolor evaluates at each reporting date certain indicators (see note 2.16) that would result, if applicable, in the calculation of an impairment test. The recoverable amount of an asset or group of assets may require the Group to use estimates to assess the future cash flows expected to arise from the asset or group of assets and a suitable discount rate in order to calculate present value. Any negative change in relation to the operating performance or the expected future cash flows of individual assets or group of assets will change the expected recoverable amount of these assets or groups of assets and therefore may require a write-down of their carrying amount.

As of December 31, 2013, 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 (see notes 12 and 13). The impairment booked on amortizable assets in 2013 amounts to €16 million, split between PPE (€4 million) and intangible assets (impairment of €12 million). These amounts exclude impairment loss of tangible assets in the frame of a restructuring plan that amounted to €3 million in 2013 (see notes 8 and 26).

Consequently, as of December 31, 2013, the net carrying amount of PPE and intangible assets with finite useful lives amounted to €293 million and €177 million, respectively (excluding PPE and intangible assets classified as held for sale).

3.3 Impairment tests of goodwill and intangible assets with indefinite useful lives

The Group reviews annually goodwill and other indefinite-lived intangible assets for impairment in accordance with the accounting policy stated in note 2 above. Such review requires management to make material judgments and estimates.

Technicolor's management believes its policies relating to such annual impairment testing are critical accounting policies involving critical accounting estimates because determining the recoverable amount of cash-generating units requires (1) determining the appropriate discount rate to be used to discount future expected cash flows of the cash-generating unit and (2) 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. These assumptions used by the Group for the determination of the recoverable amount are described in note 13.

Additional 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 stated in note 2 above.

In 2012, following the decision to rebrand PRN into IZ-ON Media, PRN trademark was written off for €4 million. The impairment tests performed in 2013 result in an impairment charge of €15 million related to IZ-ON Media goodwill (see notes 8 and 13.3). Expected change in the contracts renewal assumptions has led the Group to determine that the future cash flows generated by IZ-ON Media are not sufficient to recover its carrying value. As a consequence the Group written off IZ-ON Media's goodwill.

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.

As of December 31, 2013, the net book value of goodwill and trademarks amounted to €450 million and €198 million, respectively, after impairment.

3.4 Deferred tax

Management judgment is required to determine the Group's deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized in accordance with the accounting policy stated in note 2 above. 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 (1) the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future, and/or (2) the expectation of exceptional gains or (3) future income to be derived from long-term contracts. The Group considered tax-planning in assessing whether deferred tax assets should be recognized.

From 2012, the use of tax loss carry-forward in France is limited to only 50% of yearly taxable profit (instead of 60% in 2011 and 100% previously). As well, the French tax regulation limits to 85% (in 2013) and to 75% (in 2014 and after) the deductibility of net interest expenses. In addition, from 2013, a surtax of 10.7% (compared to 5% in 2012) was extended up to 2014.

In 2013, taking into account updated forecasts within the French tax group and 2013 consumption, French deferred tax assets remained stable compared to the deferred tax assets recognized as at December 31, 2012. The remaining deferred tax assets correspond to a usage by 2027 which represents the estimated Licensing activity's predictable taxable income period based on existing and future licensing programmes.

As of December 31, 2013, the Group recorded deferred tax liabilities of €130 million and €364 million of deferred tax assets reflecting management's estimates of their recoverable amount.

3.5 Post employment benefits

The Group's determination of its pension and post-retirement benefits obligations and expense for defined benefit plans is dependent on the use of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in note 25 and include, 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 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.

As of December 31, 2013, the post-employment benefits provision amounted to €356 million. The present value of the obligation amounted to €529 million, the fair value of plan assets amounted to €173 million. For the year ended December 31, 2013, net pension expense was €15 million, compared to a gain of €26 million in 2012 mainly driven by a curtailment gain (see details in note 25).

3.6 Provisions and litigation

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. See note 33 for a description of the significant legal proceedings and contingencies for the Group.

3.7 Determination of royalties payable

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 and detailed in note 28.

NOTE 4 SIGNIFICANT CHANGES IN THE SCOPE OF CONSOLIDATION

For the years ended December 31, 2013 and 2012, Technicolor's consolidated statement of financial position and statement of operations include the accounts of all investments in subsidiaries (which are fully consolidated), jointly controlled entities and associates (which are accounted under equity method), the main ones being listed in note 36. The following is a summary of the number of companies consolidated and accounted for under the full consolidation method and the equity method.

	As of December 31,							
	2013				2012			
	Europe*	France	U.S.	Others	Europe*	France	U.S.	Others
Number of companies								
Parent company and consolidated subsidiaries	41	18	16	37	36	18	15	35
Companies accounted for under the equity method	1	1	3	5	1	1	4	5
Sub-total by region	**42**	**19**	**19**	**42**	**37**	**19**	**19**	**40**
TOTAL	**122**				**115**			

* *Except France.*

4.1 Changes in 2013

(a) Main business acquisitions

As part of the Strategic Alliance with Village Roadshow Ltd. announced in December 2012, Technicolor finalized in February 2013 the acquisition of the Village Roadshow distribution business in Australia for a fixed amount of Australian $9 million (equivalent to €7 million at transaction rate) payable in four installments until year 2015 and an additional variable consideration dependent on future level of activities of the acquired business. A fair value of Australian $3.6 million (equivalent to €2.8 million) of contingent consideration liability has been initially recognized in addition to the fixed consideration, which represents the present value of the Group estimated cash outflow. This business has responsibilities for Warner Bros and Paramount Home Entertainment as well as Roadshow Entertainment.

The provisional goodwill of Australian $11 million (equivalent to €9 million at transaction rate) is primarily related to synergies expected with other businesses that Technicolor will develop locally.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2013 is not significant. The impacts of this transaction are detailed below:

The impacts of these transactions are detailed below:

(in million euros)	Acquirees' carrying amount before acquisition	Fair value adjustments	Fair value
Net assets acquired			
Property, plant and equipment	1	-	1
TOTAL NET ASSETS ACQUIRED	**1**	**-**	**1**
Purchase consideration paid as of December 31, 2013			3
Purchase consideration to be paid (including earn out payments' estimates)			6
TOTAL PURCHASE PRICE			**9**
GOODWILL (PROVISIONAL AMOUNT AS OF DECEMBER 31, 2013)			**8**

(b) Main disposals

No disposal had significant impact in the Group 2013 consolidated financial statements.

(c) Other main change in the scope of consolidation

Tech Finance & Co. SCA ("Tech Finance"), an independent, stand-alone special purpose vehicle which has been incorporated in Luxemburg on June 2013 to organize the refinancing of Technicolor, is fully consolidated based on SIC 12 criteria. Under the future IFRS 10, applicable from 2014, the analysis conducted on power, return and the ability to use the power to affect returns of Tech Finance will also leads to consolidate this special purpose vehicle. Tech Finance assets and liabilities are only those related to the Debt refinancing (see note 22).

4.2 Changes in 2012

(a) Main business acquisition

Following the January 20, 2012 and February 3, 2012 rulings by the *Tribunal de Commerce* in Nanterre, France, Technicolor acquired postproduction activities, certain operating assets and took over 54 employees from the Quinta Industries group, especially from ADJ (Les Auditoriums de Joinville), SIS (Société Industrielle de Sonorisation), Scanlab and Duboi.

The goodwill is mainly attributable to the anticipated future synergies and to the skills of the people transferred within the Group.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2012 is not significant.

The impacts of these transactions are detailed below:

(in million euros)	Acquirees' carrying amount before acquisition	Fair value adjustments	Fair value
Net assets acquired			
Property, plant and equipment	2	-	2
Retirement obligation and other liabilities	-	(1)	(1)
TOTAL NET ASSETS ACQUIRED	**2**	**(1)**	**1**
TOTAL PURCHASE CONSIDERATION PAID			**2**
GOODWILL (PROVISIONAL AMOUNT AS OF DECEMBER 31, 2012)			**1**

(b) Main disposals

On July 2, 2012, Technicolor sold its Broadcast Services activity to Ericsson, the world leader in communication technologies and services for a purchase price of €19 million and a potential earn-out based on 2015 revenues of the Broadcast Services activity of up to €9 million.

(in million euros)	**Broadcast business**
Net assets disposed of	
Goodwill	20
Tangible assets	18
Intangible assets	2
Inventories	1
Trade receivables	18
Tax assets	1
Other assets	6
Provisions	(4)
Trade payables	(13)
Other liabilities	(31)
TOTAL NET LIABILITIES/(ASSETS) DISPOSED OF	**(18)**
Disposal consideration	
Cash consideration received	19
Working capital adjustment	(1)
TOTAL DISPOSAL PRICE	**18**
Costs linked to the disposal	(1)
CTA recycled in the statement of operations	(3)
LOSS ON SHARES DISPOSED OF	**(4)**

(c) Other main change in the scope of consolidation

At the end of May 2012, Thomson Angers SAS filed for insolvency (*"cessation de paiement"*) with the Nanterre Commercial Court in France (the "Court") and has petitioned the Court to open rehabilitation proceedings (*"redressement judiciaire"*) for Thomson Angers SAS, which was approved by the Court on June 1, 2012 for a duration of 6 months.

An independent legal administrator (*"administrateur judiciaire"*) was named on June 1, 2012. As a consequence, Technicolor lost the control of Thomson Angers at this date and stopped the consolidation of this entity from June 1, 2012. In June 2012 Technicolor paid to Thomson Angers €2 million in order to finance the activity during the observation period and incurred some other losses for €2 million.

As no offer was presented the Court ordered on October 11, 2012 the liquidation of Thomson Angers SAS. On October 16, 2012, Thomson's Angers' liquidator sued Technicolor and on November 16, 2012 an agreement was signed by which the Group is committed to finance the Social Plan for €10 million, employees supports costs for €3 million and funding additional liabilities for €3 million.

These amounts were recognized as expenses and classified in the "Other income (expense)" caption of the consolidated statement of operations, except for the €13 million payable to employees and booked as restructuring expenses.

NOTE 5 INFORMATION BY OPERATING SEGMENTS AND BY GEOGRAPHIC AREAS

The Group's Executive Committee (considered as the Chief Operating Decision Maker in the meaning of the standard) makes its operating decisions and assesses performances on the basis of three types of activities. These are therefore the reportable operating segments under IFRS 8: Technology, Connected Home (previously Digital Delivery) and Entertainment Services. All the remaining activities (including unallocated Corporate functions) are grouped in a segment "Other" as a reconciling item.

- **Technology:**

Technology segment is organized around the following businesses:

- Research & Innovation;
- Licensing;
- M-GO.

Research & Innovation includes the Group's fundamental research activities. The Licensing business is responsible for protecting and monetizing the Group's Intellectual Property portfolio and generates most of the Technology revenues. The M-GO business includes the Group's platforms and applications aiming at simplifying and enriching the end-user experience for consuming digital content.

- **Connected Home (previously Digital Delivery):**

The segment now includes only Connected Home business as the Broadcast Services and IPTV activities were sold in 2012 and VoIP activity was sold beginning 2013.

Connected Home 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 like set-top boxes, gateways, managed wireless tablets, and other connected devices, as well as software for multi-device communication and applications for the smart home (including home automation).

- **Entertainment Services:**

Entertainment Services is organized around the following businesses:

- Creative Services that contain:
  - Digital Postproduction, Distribution Services and Digital Cinema as well as legacy activities (mostly Film services), and
  - Digital Production;
- DVD Services;
- IZ-ON Media (ex-PRN).

- **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;
- after-sales service operations and commitments related to former Consumer Electronic operations, mainly pension and legal costs.

The following comments are applicable to the two tables below:

- the Technology segment generates substantially all of its revenue from royalties. Entertainment Services and Connected Home generate their revenue from the sale of goods and services;
- the caption "EBITDA adjusted" corresponds to the profit (loss) from continuing operations before tax and net finance income (expense), net of other income (expense), depreciation and amortization (including impact of provision for risks, litigation and warranties);
- the caption "Profit (loss) from continuing operations before tax and net finance income (expense) " does not include intercompany items;
- the captions "Amortization of customer relationships" and "Other depreciation and amortization" only relate to continuing operations;
- the caption "Other non-cash income (expenses) " includes mainly the net variation of provisions without cash impact;
- the caption "Other segment assets" includes advances to suppliers and to customers and excludes cash and cash equivalents;
- the caption "Total segment assets" includes all operating assets used by a segment and consists principally of receivables, inventories, property, plant and equipment, intangible assets and goodwill, net of depreciation and provisions. Segment assets do not include income tax assets and cash;
- the caption "Unallocated assets" includes mainly financial assets, current accounts with associates and joint ventures, income tax assets, cash and cash equivalents and assets classified as held for sale;

- the caption "Unallocated liabilities" includes mainly financial and income tax liabilities and liabilities classified as held for sale;
- the caption "Capital expenditures" excludes the net change in payables to suppliers of fixed assets (amounting to €(15) million and €(25) million as of December 31, 2013 and 2012, respectively);
- 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 (with the exception of provisions including those related to employee benefits, income tax, payables on acquisition of companies and payables to suppliers of PPE and intangible assets);
- all the statement of operations and statement of financial position items disclosed in the tables below have been measured in accordance with IFRS;
- as of December 31, 2013, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment represent more than 10% of the Group's consolidated revenues (respectively €462 and €355 million). As of December 31, 2012, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment represent more than 10% of the Group's consolidated revenues (respectively €479 and €483 million).

5.1 Information by business segment

(in million euros)	Technology	Connected Home	Entertainment Services	Other	Consolidation Adjustments	Total
			Year ended December 31, 2013			
Statement of operations items						
Revenues	485	1,346	1,618	1	-	3,450
Intersegment sales	5	2	1	2	(10)	-
EBITDA adjusted	**355**	**41**	**230**	**(89)**	**-**	**537**
Profit (loss) from continuing operations before tax and net finance income (expense)	**342**	**(16)**	**24**	**(126)**	**-**	**224**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(13)	-	-	(13)
Amortization of contract advances and up-front prepaid discounts	-	-	(29)	-	-	(29)
Other depreciation and amortization	(10)	(42)	(98)	(3)	-	(153)
Net impairment losses on non-current operating assets [1]	-	(5)	(26)	-	-	(31)
Other non-cash income (expenses)	(6)	(11)	(44)	(38)	-	(99)
Statement of financial position items						
Assets						
Operating segment assets	130	368	809	11	-	1,318
Goodwill	-	50	400	-	-	450
Other segment assets	217	79	100	12	-	408
Total segment assets	**347**	**497**	**1,309**	**23**	**-**	**2,176**
Investments in associates	-	2	-	11	-	13
Unallocated assets						773
TOTAL CONSOLIDATED ASSETS						**2,962**
Liabilities						
Segment liabilities	232	460	520	471	-	1,683
Unallocated liabilities						1,160
TOTAL CONSOLIDATED LIABILITIES (WITHOUT EQUITY)						**2,843**
Other information						
Capital expenditures	(14)	(37)	(48)	(1)	-	(100)
Capital employed	138	50	492	(56)	-	624

(1) See details in note 8.

(in million euros)	Technology	Connected Home*	Entertainment Services	Other	Consolidation Adjustments	Total
			Year ended December 31, 2012			
Statement of operations items						
Revenues	515	1,334	1,730	1	-	3,580
Intersegment sales	4	2	4	2	(12)	-
EBITDA adjusted	**400**	**14**	**199**	**(101)**	**-**	**512**
Profit (loss) from continuing operations before tax and net finance income (expense) (1)	**403**	**(55)**	**12**	**(96)**	**-**	**264**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	(6)	(13)	-	-	(19)
Amortization of contract advances and up-front prepaid discounts	-	-	(37)	-	-	(37)
Other depreciation and amortization	(7)	(31)	(120)	(4)	-	(162)
Net impairment losses on non-current operating assets (2)	3	(8)	(5)	-	-	(10)
Other non-cash income (expenses)	5	(24)	(20)	19	-	(20)
Statement of financial position items						
Assets						
Operating segment assets	92	384	931	14	-	1,421
Goodwill	-	50	428	-	-	478
Other segment assets	188	93	107	18	-	406
Total segment assets	**280**	**527**	**1,466**	**32**	**-**	**2,305**
Investments in associates	-	2	3	13	-	18
Unallocated assets						914
TOTAL CONSOLIDATED ASSETS						**3,237**
Liabilities						
Segment liabilities	180	455	551	523	-	1,709
Unallocated liabilities						1,287
TOTAL CONSOLIDATED LIABILITIES (WITHOUT EQUITY)						**2,996**
Other information						
Capital expenditures	(18)	(49)	(59)	(2)	-	(128)
Capital employed	119	121	587	(89)	-	738

* *Previously Digital Delivery.*

(1) *Operating losses of Angers until June 1, 2012 are presented within the Connected Home (previously Digital Delivery) segment. 2012 Thomson Angers' liquidation losses incurred by the Group are presented within the Other segment to reflect the way Technicolor management follows and manages this liquidation process.*

(2) *See details in note 8.*

5.2 Information about geographical areas

(in million euros)	France	U.K.	Rest of Europe	U.S.	Rest of Americas	Asia/Pacific	Total
December 31, 2013							
Revenues [1]	876	138	323	1,380	527	206	3,450
Segment assets	531	116	122	1,064	229	114	2,176
Non-current assets [2]	188	82	29	736	109	67	1,211
December 31, 2012							
Revenues [1]	899	165	380	1,435	471	230	3,580
Segment assets	503	125	133	1,173	268	103	2,305
Non-current assets [2]	196	92	34	845	116	71	1,354

(1) Revenues are classified according to the location of the entity that invoices the customer.
(2) Non-current assets exclude financial instruments, deferred tax assets, equity investments, non-current loans and collateral cash and security deposits.

NOTE 6 SELLING AND ADMINISTRATIVE EXPENSES AND OTHER INCOME (EXPENSE)

(in million euros)	2013	2012
Selling and marketing expenses	(113)	(120)
General and administrative expenses	(228)	(277)
SELLING AND ADMINISTRATIVE EXPENSES [2]	**(341)**	**(397)**
OTHER INCOME (EXPENSE) [1]	**(16)**	**2**

(1) The line "Other income (expense)" includes the main following elements:
(a) For 2013:
- *a loss of €8 million due to the liquidation of Creative Services activities in Italy which evidences the non-recoverability of current accounts. This booking was made on the assumption that the entity will be closed under the "Concordato" process;*

(b) For 2012:
- *a curtailment gain due to the elimination of the U.S. life insurance benefits for retirees (included in the U.S. post-retirement medical plan) for €41 million (see note 25);*
- *a loss of €7 million related to the deconsolidation of Thomson Angers, additional to the €13 million booked as restructuring expenses (see note 4);*
- *a provision related to a litigation for €25 million.*

(2) In 2013, €9 million of selling and marketing expenses have been classified into cost of sales as it better reflects the direct cost nature of these expenses. Had such comparable 2012 expenses been classified the same way, selling and marketing expenses would have amounted to €112 million instead of €120 million and selling and administrative expenses would have amounted to €389 million instead of €397 million.

NOTE 7 RESEARCH AND DEVELOPMENT EXPENSES

(in million euros)	2013	2012
Research and development expenses, gross	(157)	(179)
Capitalized development projects	31	49
Amortization of research and development intangible assets	(35)	(21)
Subsidies [1]	18	19
RESEARCH AND DEVELOPMENT EXPENSES, NET	**(143)**	**(132)**

(1) Include mainly research tax credit granted by the French State.

NOTE 8 NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS

(in million euros)	Technology	Connected Home*	Entertainment Services	Other	Total
2013					
Impairment loss on goodwill [4]	-	-	(15)	-	(15)
Impairment losses on intangible assets [1]	-	(4)	(8)	-	(12)
Impairment losses on tangible assets	-	(1)	(3)	-	(4)
IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS	**-**	**(5)**	**(26)**	**-**	**(31)**
Impairment reversal on intangible assets	-	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [3]	**-**	**(5)**	**(26)**	**-**	**(31)**
2012					
Impairment losses on intangible assets [1]	-	(2)	(4)	-	(6)
Impairment losses on tangible assets [2]	-	(6)	(1)	-	(7)
IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [3]	**-**	**(8)**	**(5)**	**-**	**(13)**
Impairment reversal on intangible assets	3	-	-	-	3
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [3]	**3**	**(8)**	**(5)**	**-**	**(10)**

** Previously Digital Delivery*
(1) In 2013, mainly related to IZ-ON Media. In 2012, mainly impairment of PRN trademark for €4 million. See note 13.
(2) In 2012 includes €(6) million of impairment losses related to Broadcast Services business recognized as part of the held for sale valuation process. For details, see notes 11 and 12.
(3) In 2013, in addition to these impairments €3 million have been written-off as part of a restructuring plan (€6 million in 2012). For details, see note 26. Total net impairment of assets amounts therefore to €34 million and €16 million in 2013 and 2012, respectively.
(4) Related to IZ-ON Media (see note 13.3).

NOTE 9 NET FINANCE INCOME (EXPENSE)

(in million euros)	2013	2012
Interest income	5	4
Interest expense	(117)	(149)
Interest expense, net [1]	**(112)**	**(145)**
Financial component of pension plan expense	(12)	(13)
Exchange gain (loss)	2	(6)
Acceleration of amortization of the effective interest rate on the debt [2]	(76)	(20)
Change in fair value on financial instrument (loss)	-	(1)
Other [3]	(90)	(12)
Other financial income (expense), net	**(176)**	**(52)**
NET FINANCE INCOME (EXPENSE)	**(288)**	**(197)**

(1) In 2013 and 2012 the average effective rate was 9.2% and 11.80% respectively (see note 23.2 for more details). Interest expense includes €22 million (€32 million in 2012) due to the difference between the effective interest rate and the nominal rate of the debt.

(2) In 2013, the early repayment of the Reinstated Debt triggered a reversal of €76 million of the IFRS gain resulting from the debt restructuring of May 26, 2010 (the debt was recognized initially at its fair value).
In 2012, the proceeds from the capital increases and the disposal of the Broadcast business, were largely used to repay debt (in accordance with the terms of the credit agreements to which the Group is a party – see note 22.3(g)). This early debt repayments triggered a partial reversal of the IFRS gain resulting from the debt restructuring on May 26, 2010. In accordance with IAS 39 (AG8), "Other financial expense" includes a €17 million charge due to this change in the repayment schedule. Likewise, the Group prepaid debt in March 2012, based on its 2011 excess cash flow (as defined per the credit agreements), resulting in a loss of €3 million.

(3) In 2013 related mainly to amounts paid for the tender offer of the Reinstated Debt and the issuance of the New Debt (mainly tender premium and other fees) for €81 million. It also includes bank fees and financial discount expenses for €6 million (€9 million in 2012).

NOTE 10 INCOME TAX

Income tax expense is summarized below:

(in million euros)	2013	2012
Current income tax		
France	(21)	(28)
Foreign	(25)	(23)
Total current income tax	**(46)**	**(51)**
Deferred income tax		
France	-	-
Foreign	5	2
Total deferred income tax	**5**	**2**
TOTAL INCOME TAX (EXPENSE) ON CONTINUING OPERATIONS	**(41)**	**(49)**

In 2013, the Group total income tax expense on continuing operations, including both current and deferred taxes, amounted to €41 million compared to an expense of €49 million in 2012.

The current income tax charge was notably the result of current taxes due in France, Mexico, Brazil, the UK, Poland 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 (see Note 3.4), withholding taxes on income earned by our licensing activities and the local tax "CVAE" .

In 2013, as a consequence of the new rules, and taking into account updated forecasts within the French tax group and consumption of the year, French deferred tax assets remained stable compared to the deferred tax assets recognized as at previous year-end. The remaining deferred tax assets at closing date correspond to a usage by 2027, which represents the estimated Licensing activity's predictable taxable income period based on existing and future licensing programs.

As per the Group's current interpretation of the U.S. Tax rules, namely Section Code 382, the May 26, 2010 share capital increase of Technicolor SA and NRS issuance under the *Sauvegarde* Plan leads to an "ownership change" of the U.S. Group of subsidiaries. Such "ownership change" severely restricts the use of tax losses carried forward of the U.S. subsidiaries. The Group is lobbying against such a severe application of the Section 382.

10.1 Reconciliation of the expected and effective tax expense

The following table shows reconciliation of the expected tax expense – using the French corporate tax rate of 38% in 2013 and 36.1% in 2012 – and the reported tax expense. The 38% tax rate is payable by companies with revenues over €250 million. In 2013, this tax rate resulted from the introduction of an exceptional 10.7% contribution (5% in 2011 and in 2012) payable until 2014.

The reconciling items are described below:

(in million euros)	2013	2012
Profit (loss) from continuing operations	**(111)**	**13**
Income tax	(41)	(49)
Share of profit (loss) from associates	(6)	(5)
Pre-tax accounting income on continuing operations	**(64)**	**67**
	38%	*36.1%*
Expected tax (expense) income	**24**	**(24)**
Effect of unused tax losses and tax offsets not recognized as deferred tax assets [1]	(91)	(51)
Effect of different tax rates applied [2]	25	25
Effect of change in applicable tax rate	2	(2)
Effect of permanent differences [3]	5	18
Withholding taxes not recovered [4]	(6)	(8)
Tax credits	-	4
Other, net [5]	-	(11)
Effective tax expense on continuing operations	**(41)**	**(49)**

(1) In 2013 and in 2012, it relates mainly to the depreciation of the deferred tax assets of the U.S. entities.
(2) In 2013, the mother company benefited from a reduced rate taxation, resulting in a tax benefit of €14 million related to the licensing revenue (€17 million in 2012).
(3) In 2012 it is explained by permanent differences related to assets disposals.
(4) Withholding tax not recovered is related to withholding tax paid on licensing revenues but not refunded through current income tax in France and in the U.S.
(5) In 2013 this amount comprises €6 million related to "CVAE" of French entities (2012: €7 million) offset by prior year adjustments for the whole Group.

10.2 Deferred tax assets and liabilities balances

(in million euros)	Deferred tax assets	Deferred tax liabilities	Total, net deferred tax assets
At January 1, 2012	**394**	**(167)**	**227**
Changes impacting 2012 continuing profit	(7)	9	2
Other movement	1	-	1
Year ended December 31, 2012	**388**	**(158)**	**230**
Changes impacting 2013 continuing profit	(19)	24	5
Other movement	(5)	4	(1)
YEAR ENDED DECEMBER 31, 2013	**364**	**(130)**	**234**

10.3 Expiration of the tax losses carried forward

(in million euros)	
2014	2
2015	2
2016	8
2017	17
2018	15
2019 and thereafter	4,068
TOTAL	**4,112**

10.4 Tax position by major temporary differences and unused tax losses and credits

(in million euros)	2013	2012
Tax effect of tax losses carried forward	**1,445**	**1,387**
Tax effect of temporary differences related to:		
Property, plant and equipment	26	24
Goodwill	5	3
Intangible assets	(64)	(79)
Investments and other non-current assets	(45)	(19)
Inventories	5	5
Receivables and other current assets	12	8
Borrowings	117	88
Retirement benefit obligations	61	69
Restructuring provisions	13	15
Other provisions	24	23
Other liabilities current and non current	73	77
Total deferred tax on temporary differences	**227**	**214**
Deferred tax assets/(liabilities) before netting	**1,672**	**1,601**
Valuation allowances on deferred tax assets	(1,438)	(1,371)
NET DEFERRED TAX ASSETS/(LIABILITIES)	**234**	**230**

NOTE 11 DISCONTINUED OPERATIONS AND HELD FOR SALE OPERATIONS

11.1 Scope of the discontinued operations

For the year 2013, there has been no change in discontinued perimeter compared to 2012.

11.2 Results of discontinued operations

As of December 31, 2013 and 2012, the results of the discontinued operations are as follows:

(in million euros)	Year ended December 31, 2013	Year ended December 31, 2012
Revenues	-	-
Cost of sales	-	-
Gross Margin	**-**	**-**
Operating income and other income [1]	19	(36)
Profit (Loss) from operations before tax and finance cost	**19**	**(36)**
Net interest income (expense)	-	-
Other financial income (expense)	-	1
Income tax	-	-
PROFIT (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**19**	**(35)**

(1) In 2013, mainly related to Grass Valley Broadcast business sold to Francisco Partners in 2010. The 2010 transaction with Francisco Partners comprised a U.S.$80 million promissory note (€61 million as of June 2013) issued to Technicolor with a six-year maturity, which was initially valued at its fair value. On July 16, 2013, Technicolor and Francisco Partners signed an agreement for an immediate payment of the promissory note to Technicolor and the settlement of several outstanding liabilities and contingencies.

In 2012, mainly corresponds to a fine from the European Commission related to Thomson's former Cathode Ray Tubes (CRT) business. On December 5, 2012, the European Commission has fined a cartel in the CRT industry including Technicolor (Thomson at the time of the alleged acts), Samsung, Philips, LG, Panasonic and Toshiba. The European Commission's main reproach is that these electronic manufacturers had an understanding to fix prices between 1999 and 2005. Technicolor was notified by the European Commission of its decision to impose a fine of €38.6 million. This amount is included in "Net loss from discontinued operations" caption of the consolidated statement of operations as it relates to a business discontinued by the Group in 2005.

11.3 Net cash used in discontinued operations

(in million euros)	Year ended December 31,	
	2013	2012
Profit (Loss) from discontinued operations	**19**	**(35)**
Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations		
Depreciation and Amortization	(8)	-
Net changes in provisions	(9)	(3)
(Profit)/ Loss on asset sales	-	(4)
Changes in working capital and other assets and liabilities [1]	(41)	36
NET OPERATING CASH USED IN DISCONTINUED OPERATIONS (I)	**(39)**	**(6)**
Net cash impact from sale of investments [2]	27	(5)
NET INVESTING CASH USED IN DISCONTINUED OPERATIONS (II)	**27**	**(5)**
NET FINANCING CASH USED IN DISCONTINUED OPERATIONS (III)	**-**	**-**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**(12)**	**(11)**

(1) Corresponds mainly to the payment of a fine from the European Commission's fine for €38.6 million accrued in 2012.
(2) See note 31.

11.4 Losses on impairment of held for sale businesses

IFRS 5.15 requires that a disposal group classified as held for sale be measured at the lower of its carrying amount and fair value less costs to sell.

In 2012 the Group booked an impairment loss of €6 million related to Broadcast Services business (not classified as discontinued).

11.5 Assets and liabilities held for sale

The assets and liabilities attributable to the operations not yet sold are classified as held for sale in the Group consolidated statements of financial position and presented separately from other assets and liabilities.

As of December 31, 2013, there is no activity classified as held for sale.

As of December 31, 2012, the VoIP activity was classified as held for sale. This business has been sold on January 21, 2013. As this activity was small compared to the Group's financial statements, it was therefore not classified as discontinued and is presented in the statement of operations of the Connected Home segment (see note 5).

The major classes of assets and liabilities comprising the businesses classified as held for sale are as follows:

(in million euros)	December 31, 2013	December 31, 2012
Inventories	-	2
Accounts receivable and other receivables	-	2
TOTAL - ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**4**
Accounts payable and other liabilities	-	3
TOTAL - LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**3**

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

(in million euros)	Land	Buildings	Machinery & Equipment	Other Tangible Assets [1]	Total
At December 31, 2011					
Cost	7	73	931	255	1,266
Accumulated depreciation	-	(39)	(704)	(122)	(865)
YEAR-ENDED DECEMBER 31, 2011, NET	**7**	**34**	**227**	**133**	**401**
2012					
Opening net amount	7	34	227	133	401
Exchange differences	-	-	(3)	(2)	(5)
Additions	-	-	15	54	69
Acquisition of subsidiaries [3]	-	-	2	-	2
Disposals	-	-	-	(1)	(1)
Disposal of subsidiaries [4]	(2)	-	(1)	(1)	(4)
Depreciation charge	-	(2)	(82)	(19)	(103)
Impairment loss [2]	-	-	(3)	(3)	(6)
Other [5]	-	(1)	42	(44)	(3)
Year-ended December 31, 2012, net	**5**	**31**	**197**	**117**	**350**
At December 31, 2012					
Cost	5	73	1,068	266	1,412
Accumulated depreciation	-	(42)	(871)	(149)	(1,062)
YEAR-ENDED DECEMBER 31, 2012, NET	**5**	**31**	**197**	**117**	**350**
2013					
Opening net amount	5	31	197	117	350
Exchange differences	-	-	(10)	(6)	(16)
Additions	-	-	8	53	61
Acquisition of subsidiaries [3]	-	-	1	-	1
Disposals	-	-	(2)	-	(2)
Depreciation charge	-	(3)	(72)	(18)	(93)
Impairment loss [2]	-	-	(3)	(4)	(7)
Other [5]	-	-	38	(39)	(1)
Year-ended December 31, 2013, net	**5**	**28**	**157**	**103**	**293**
At December 31, 2013					
Cost	5	73	996	265	1,339
Accumulated depreciation	-	(45)	(839)	(162)	(1,046)
YEAR-ENDED DECEMBER 31, 2013, NET	**5**	**28**	**157**	**103**	**293**

(1) Includes tangible assets in progress.
(2) In 2013 corresponds mainly to impairment losses linked to the shutting down of Creative Services activities in France and Italy. It also includes an impairment of €3 million in the frame of a restructuring plan which is not included in the impairment losses on non-current operating assets disclosed in note 8.
In 2012, corresponds mainly to impairment losses linked to the end of the photochemical film printing operations. These impairments were mainly booked in the frame of restructuring plans for €5 million that are not included in the impairment losses on non-current operating assets disclosed in note 8.
(3) In 2013 related mainly to the acquisition Village Roadshow Ltd. In 2012 related mainly to the acquisition of Quinta business.
(4) In 2012, this reflects mainly the impact of the deconsolidation of Thomson Angers.
(5) Corresponds mainly to the transfer of tangible assets in progress to machinery and equipment.

NOTE 13 GOODWILL AND OTHER INTANGIBLE ASSETS

(in million euros)	Patents and trademarks	Customer relationships	Other intangibles [1]	Total intangible assets	Goodwill
At December 31, 2011					
Cost	608	485	279	1,372	
Accumulated amortization and impairment	(315)	(386)	(212)	(913)	
YEAR-ENDED DECEMBER 31, 2011, NET	**293**	**99**	**67**	**459**	**481**
2012					
Opening net amount	293	99	67	459	481
Exchange differences	(4)	(1)	(1)	(6)	(5)
Additions	5	-	54	59	2
Acquisition of subsidiary	-	-	1	1	1
Disposal	-	-	(1)	(1)	-
Amortization charge	(27)	(19)	(30)	(76)	-
Impairment loss [2]	(4)	-	(2)	(6)	-
Reversal of impairment loss	3	-	-	3	-
Other	(1)	-	1	-	(1)
Year-ended December 31, 2012, net	**265**	**79**	**89**	**433**	**478**
At December 31, 2012					
Cost	597	300	266	1,163	
Accumulated amortization and impairment	(332)	(221)	(177)	(730)	
YEAR-ENDED DECEMBER 31, 2012, NET	**265**	**79**	**89**	**433**	**478**
2013					
Opening net amount	265	79	89	433	478
Exchange differences	(9)	(5)	(3)	(17)	(23)
Additions	-	-	41	41	1
Acquisition of subsidiary	-	-	1	1	9
Disposals	-	-	-	-	-
Amortization charge	(18)	(13)	(42)	(73)	-
Impairment loss [3]	-	(6)	(6)	(12)	(15)
Other	-	-	2	2	-
Year-ended December 31, 2013, net	**238**	**55**	**82**	**375**	**450**
At December 31, 2013					
Cost	577	283	298	1,158	
Accumulated amortization and impairment	(339)	(228)	(216)	(783)	
YEAR-ENDED DECEMBER 31, 2013, NET	**238**	**55**	**82**	**375**	**450**

(1) Includes capitalized development projects, acquired or internally developed software and acquired technologies on a stand-alone basis or as part of a business combination.
(2) Impairment loss regarding PRN trademark (see note 13.1).
(3) Impairment loss regarding customer relationships is detailed below in note 13.2. The impairment on goodwill is detailed below in note 13.3.

13.1 Trademarks

As of December 31, 2013, trademarks total €198 million and consist mainly of Technicolor®, RCA®, THOMSON® and MPC®.

Trademarks are considered to have indefinite useful lives. Consequently, they are tested annually for impairment. For the purpose of this test, trademarks are tested on a stand-alone basis by calculating their fair value. The value of Technicolor® trademark has been mainly assessed based on a royalty relief method. Under this approach, the value of the trademark is estimated at the present value of the after-tax royalties that the Group avoids to pay to a third-party. This method is commonly used to estimate the fair value of trademarks. The values of the other trademarks have been assessed based on the value in use.

	Technicolor®	RCA®	Total
Method used to determine the recoverable amount	Royalty relief method and discounted cash flows	Discounted cash flows	
Description of key assumptions	Budget and cash flow projections, trademark royalty rate	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	0%	0%	
Post-tax discount rate applied as of December 31, 2013	8.9% (1)	8%	
Net amount of trademarks	**163**	**29**	**192**
Other trademarks			**6**
TOTAL NET AMOUNT OF TRADEMARKS			**198**

(1) Weighted average discount rate of the businesses using the trademark.

- For Technicolor® trademark, its recoverable value is in line with its net book value. Therefore, a 0.5% increase in the post-tax discount rate assumption would bring the recoverable value lower than book value by €10 million; likewise, a 3% fall in cash flow would bring the recoverable value lower than book value by €6 million;
- For RCA® trademark, no reasonably expected change in assumptions would result in any impairment;
- PRN Trademark was written off for €4 million in 2012 following the decision to rebrand PRN into IZ-ON Media.

13.2 Customer relationships

Customer relationships are amortizable assets. Consequently, 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, 2012, management didn't identify any triggering event that may result in a loss of value of such assets.

As of December 31, 2013, some of the customer relationships of Entertainment Services have been tested for impairment due to the existence of triggering event (certain agreements with IZ-ON Media's customers have not been renewed in 2013). Accordingly the Group fully impaired the IZ-ON Media's customer relationship and recognized a €6 million impairment charge.

13.3 Goodwill

Impairment tests of goodwill are carried out based on groups of Cash-Generating Units (hereafter called "Goodwill Reporting Units" (GRU)):

- in the Entertainment Services segment, 4 GRU are considered: DVD Services, Creation Services (regrouping Digital Postproduction, Media Distribution Services and Digital Cinema as well as Film services), Digital Production and IZ-ON Media;
- the Connected Home segment is considered as a single GRU;
- the Technology segment is considered as a single GRU.

The following table provides the allocation of the significant amounts of goodwill and trademarks to each significant goodwill reporting unit based on the organization effective as of December 31, 2013.

(in million euros)	Entertainment Services				Connected Home	Technology	Total
	DVD Services	Creation Services	Digital Production	IZ-ON Media			
As of December 2013							
Goodwill before impairment of the period	342	30	28	15	50	-	465
Impairment of the period	-	-	-	(15)	-	-	(15)
NET AMOUNT OF GOODWILL	**342**	**30**	**28**	**-**	**50**	**-**	**450**
Technicolor trademark			163				163
Net amount of trademark other than Technicolor [1]	-	-	2	-	-	33	35

(in million euros)	Entertainment Services				Connected Home	Technology	Total
	DVD Services	Creation Services	Digital Production	IZ-ON Media			
As of December 2012							
NET AMOUNT OF GOODWILL	**353**	**30**	**29**	**16**	**50**	**-**	**478**
Technicolor trademark			171				171
Net amount of trademark other than Technicolor [1]	-	-	2	-	-	33	35

(1) Includes:
- *Moving Picture Company® (MPC) trademark in the Digital Production goodwill reporting unit;*
- *THOMSON® trademark and the license to use the RCA® trademark in the Technology goodwill reporting unit.*

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	Creative Services	Digital Production	IZ-ON Media	
Basis used to determine the recoverable amount	Fair Value (1)	Fair Value (1)	Value in Use	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	5 years
Growth rate used to extrapolate cash flow projections beyond projection period					
■ As of December 31, 2013	*	*	2%	2%	2%
■ As of December 31, 2012	*	*	2%	2%	2%
Post-tax discount rate applied					
■ As of December 31, 2013 (2)	8%	8.5%	8%	10%	10%
■ As of December 31, 2012	8%	8.5%	8.5%	9%	11%

(1) In the absence of a binding sale agreement at closing date, of an active market and of comparable recent transactions for any of our goodwill reporting units, we used discounted cash flow projections 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 businesses 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 businesses the Group evolves in.

(2) The corresponding pre-tax discount rates are within a range from 11.8% to 14.8%.

** Certain activities within the DVD Services and Creative Services are considered to have a finite life, determined on the expected timing for the obsolescence of the underlying technology of these activities. Accordingly, no terminal value has been applied for these activities. A growth rate of 2% has been applied to the remaining activities within DVD Services and Creative Services.*

The Group recorded as of December 31, 2013 an impairment charge on goodwill of €15 million. The impairment test of IZ-ON Media and the related change in the contracts renewal assumptions has led the Group to determine that the expected future cash flow generated by IZ-ON Media are not sufficient to recover its carrying value. As a consequence the Group written off IZ-ON Media's goodwill.

Sensitivity of recoverable amounts

At December 31, 2013, among the main goodwill reporting units listed above:

- for DVD Services, a 1.68% increase in the post-tax discount rate assumption would bring the recoverable value in line with the book value; likewise, a 9.5% fall in cash flow would bring the recoverable value in line with 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;
- for Post Production and Theatrical Services, no reasonably expected change in assumptions would result in any impairment;
- for Digital Production, no reasonably expected change in assumptions would result in any impairment;
- for Connected Home, no reasonably expected change in assumptions would result in any impairment.

NOTE 14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(in million euros)	2013	2012
Beginning of the year	**18**	**14**
Acquisition [1]	-	5
Share of (loss)/ profit before impairment on associates and joint ventures	(6)	(5)
Other equity movements	1	4
END OF THE YEAR	**13**	**18**

(1) In 2012, acquisition is mainly linked to an investment in Indoor Direct, LLC, owned at 50%.

Details of investments in associates and joint ventures are summarized below:

(in million euros)	% Interest	Group's share of associates' and joint ventures net assets		Group's share of associates' and joint ventures profit (loss)	
	2013	2013	2012	2013	2012
SV Holdco, LLC	18.3%	8	9	(1)	(1)
TechFund Capital Europe	19.8%	2	4	3	-
Main investment in associates		**10**	**13**	**2**	**(1)**
Indoor Direct, LLC	50%	-	2	(8)	(4)
Beijing Thomson CITIC Digital Technology Co., Ltd.	50%	2	2	-	-
Others	N/A	1	1	-	-
Main investment in joint ventures		**3**	**5**	**(8)**	**(4)**
TOTAL		**13**	**18**	**(6)**	**(5)**

All investments are private companies, therefore no quoted market prices are available for its shares.

Neither associate or joint venture is individually material to the Group.

NOTE 15 INVENTORIES

(in million euros)	2013	2012
Raw materials	31	44
Work in progress	9	12
Finished goods and purchased goods for resale	75	68
Gross value	**115**	**124**
Less: valuation allowance	(11)	(12)
TOTAL	**104**	**112**

NOTE 16 TRADE ACCOUNTS AND NOTES RECEIVABLE

(in million euros)	2013	2012
Trade accounts and notes receivable	577	562
Less: valuation allowance	(32)	(36)
TOTAL [1]	**545**	**526**

(1) *Including €38 million which are past due as of December 31, 2013 (€36 million as of December 31, 2012) 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 (€545 million as of December 31, 2013 compared to €526 million as of December 31, 2012).

NOTE 17 OTHER CURRENT AND NON-CURRENT ASSETS

(in million euros)	2013	2012
Other non-current assets	35	66
Other current assets [1]	341	340
TOTAL OTHER ASSETS	**376**	**406**
(1) Detail of other current assets		
Value added tax receivable*	38	33
Research tax credit and subsidies	37	32
Prepaid expenses	36	35
Other current assets**	230	240
Total Other current assets	**341**	**340**

* *The value added tax receivable corresponds to the consolidated value added tax position generated in the normal course of the Technicolor group's business.*
** *As of December 31, 2013 and 2012 other current assets include €165 million and €136 million of accrued royalty income, respectively.*

NOTE 18 CASH, CASH EQUIVALENTS, CASH COLLATERAL AND SECURITY DEPOSITS

(in million euros)	2013	2012
Cash	187	126
Cash equivalents	120	271
TOTAL	**307**	**397**
CASH COLLATERAL AND SECURITY DEPOSITS [1]	**40**	**44**

(1) *Cash to secure credit facilities and other obligations of the Group, out of which the current portion amounts to €25 million as of December 31, 2013 (€29 million as of December 31, 2012). 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.*

The average interest rate on short-term bank deposits was 1.50% in 2013 (1.04% in 2012); these deposits generally have a maturity of less than 1 month.

NOTE 19 SHAREHOLDERS' EQUITY

19.1 Common stock, additional paid-in capital and notes redeemable in shares (NRS)

Share capital

The change to the shares and the share capital since January 1, 2012 is as follows:

(in €, except number of shares)	Number of shares	Per value	Euros
Share Capital as of January 1, 2012	**223,759,083**	**1**	**223,759,083**
Share capital Increase after reserved capital increase to Vector Capital [1]	47,471,506	1	47,471,506
Share capital Increase after capital increase with preferential subscription rights [2]	61,643,316	1	61,643,316
Share capital increase after NRS II and NRS IIC redemption [3]	2,669,936	1	2,669,936
Share Capital as of December 31, 2012	**335,543,841**	**1**	**335,543,841**
Share capital increased by issuance of new shares [4]	165,551	1	165,551
SHARE CAPITAL AS OF DECEMBER 31, 2013	**335,709,392**	**1**	**335,709,392**

(1) On June 20, 2012, Technicolor's shareholders approved the resolutions relating to the transaction proposed by Vector Capital Management, LP (previously Vector Capital Corporation) ("Vector Capital") in its offer dated May 25 and amended on June 13. The transaction, agreed by the General Shareholders' Meeting, took place in July and August 2012. Technicolor issued 47,471,506 shares through a reserved capital increase to Vector TCH (Lux) 1, S.à r.l. (previously Petalite Investments S.à r.l.), an investment vehicle controlled by Vector Capital, at a price of €2.00 per share (the "Reserved Capital Increase") and representing a gross proceeds of €94,943,012. The settlement of this capital increase occurred on July 16, 2012.

(2) Technicolor issued 61,643,316 shares in a capital increase with preferential subscription rights at a price of €1.56 per share (the "Rights Issue") and representing a gross proceeds of €96,163,574. The settlement of this capital incr
ease occurred on August 14, 2012.

(3) On May 26, 2010, €638 million of NRS were issued by way of set-off debts of senior creditors. The NRS I were redeemed in December 2010 (except for 5,328,181 NRS I for which redemption was deferred until December 31, 2011 at the option of the holders). The NRS II and NRS IIC were redeemed on December 2011 into a fixed number of shares (except for 10,191,567 holders of "NRS tranche II" and 6,189,002 holders of "NRS tranche IIC" who requested to defer redemption until December 31, 2012). Because all the interest is capitalized and repaid by a fixed number of shares, the NRS were classified in their entirety as equity.
For the NRS "Tranche II and IIC": 16,380,569 notes redeemable in shares corresponding to €16,380,569 were redeemed with 2,669,936 newly issued shares of the Company (ratio of conversion increased from 0.159 to 0.163 because of the 2012 capital increases' dilution impact).

(4) On February 28, 2011 and June 8, 2011, the Board of Directors approved the principles of a Long-Term Incentive Plan (MIP) that led to the issuance of 165,551 new shares on June 17, 2013 (see note 27).

19.2 Treasury shares

(in million euros)	2013	2012
Number of Treasury shares at opening	**605,687**	**605,687**
Treasury shares delivered	(120,084)	-
Number of Treasury shares at closing	**485,603**	**605,687**

On June 13, 2013, as part of the Mid Term Incentive Plan (note 27.1) 120,084 free shares were delivered to employees.

19.3 Subordinated perpetual notes

On September 26, 2005, Technicolor issued deeply subordinated notes in a nominal amount of €500 million. Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes are recorded under IFRS in shareholder's equity for the net value received of €492 million (issue price less offering discount and fees). The notes can be redeemed at Technicolor's option at par on September 25, 2015 and at each interest payment date thereafter. The notes have an annual fixed coupon of 5.75% and a yield to the call date of 5.85%. If not redeemed the interest rate starting September 25, 2015 is the 3-month EURIBOR deposit rate plus 3.625%. On any interest payment date, payment of interest is optional only if Technicolor did not declare and pay a dividend at the most recent General Meeting of its shareholders or before the due date of interest and it has not bought back shares in the previous six months.

The notes have a specific provision whereby if Technicolor's senior rating is reduced by one full notch by either Moody's or S&P – such that after the reduction the rating is below investment grade – in anticipation of or as a result of a change of control. Technicolor can redeem the notes at no penalty; however should Technicolor decide not to redeem the notes, an additional margin of 5% is added to the interest rate of the coupon. A change of control is defined as having occurred when any person or persons acting in concert own or acquire more than 50% of the capital or more than 50% of the voting rights. Even though Technicolor's senior credit ratings (S&P: B and Moody's: B3) are currently below investment grade (S&P: BBB- and Moody's: Baa3), this provision does not apply because no change of control has occurred. The above mentioned provision does not constitute a derivative because it falls outside the scope of the definition under IAS 39 (the "change of control" event represents a non financial event excluded from the definition of a derivative under IAS 39).

The coupon adjustment clause after 10 years does not in itself imply any particular intention on the part of Technicolor at that time. Because the notes are perpetual and Technicolor has no obligation to pay either the notes or a dividend, the notes are classified in shareholders' equity.

The terms and conditions of the notes specify also that, if any judgment is issued by any competent court for the judicial liquidation *(liquidation judiciaire)* of Technicolor, or following an order of *redressement judiciaire*, the sale of the whole of the business of Technicolor or in the event of the voluntary dissolution of Technicolor or if Technicolor is liquidated for any other reason, then the notes will become immediately due and payable at their principal amount together with accrued interest to the date of redemption. In that case, because of their subordinated nature, the right of the subordinated notes would be paid to the extent that all other creditors of Technicolor ranking in priority to the subordinated note holders have been reimbursed.

Pursuant to the *Sauvegarde* Plan the payment in 2010 of the interest claims of the TSS holders against the Company in cash for an amount of €25 million definitely extinguished these interest claims.

19.4 Dividends and distributions

The Group did not pay any dividend in 2013 or 2012. Under the internal rules of the Board adopted in connection with the Sauvegarde Plan, any decision to propose a dividend needs to be approved at least by 2/3 of the Board Members.

19.5 Non-controlling interests

In 2013, Dreamworks, partner of Technicolor in MediaNaviCo LLC (doing business as M-GO), subscribed to an increase in capital for $2 million (€1.5 million at 2013 average rate), thus diluting the Group percentage of ownership in this company.

In 2012, there was no significant change in non-controlling interests.

19.6 Net Equity Hedging Reserve

Gains and losses on hedging instruments accounted for as cash flow hedges are recognized in other comprehensive income directly in equity.

During 2013, of the result on hedging instruments recognized in OCI at December 31, 2012, a gain of €2 million was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At December 31, 2013, a loss of €1 million on hedging instruments was recognized in OCI.

During 2012, of the result on hedging instruments recognized in OCI at December 31, 2011, €4.2 million in loss was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At December 31, 2012, a gain of €0.5 million on hedging instruments was recognized in OCI.

NOTE 20 FINANCIAL RISK MANAGEMENT

Technicolor faces a wide variety of financial risks including market risk (due to fluctuations in exchange rates, interest rates, and prices of financial instruments), liquidity risk and credit risk.

Technicolor's financial market risks and liquidity risk are managed centrally by its Group Treasury Department in France. One regional Treasury Department in Ontario, California, United States reports to the Group treasury. The Treasury Department is part of the Group Finance Department and reports to the Chief Financial Officer. Total staffing of Treasury Department is 9 persons.

Management of financial risks by the Group treasury is done in accordance with Group policies and procedures which cover, among other aspects, responsibilities, authorizations, limits, permitted instruments and reporting. All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, to the Executive Committee and to the Audit Committee *via* various reports showing the Company's exposures to these risks with details of the transactions undertaken to reduce these risks.

To reduce interest rate and currency exchange rate risk, the Group enters into hedging transactions using derivative instruments.

Because of the different nature of the Group's U.S. dollar exposure related to its licensing activity (mainly a U.S. dollar sales exposure) compared to the U.S. dollar exposures of its other segments, the Group may hedge the U.S. dollar licensing exposure separately. Apart from this exception the Group tries to net offsetting exposures and to hedge only the net exposure with banks.

With regard to derivative instruments, Technicolor's policy is not to use derivatives for any purpose other than for hedging its commercial and financial exposures. This policy does not permit the Group or its subsidiaries to take speculative market positions.

Credit risk on commercial clients is managed centrally or in some cases managed by each segment 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 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.

The Group's financial risk management, and its liquidity risk, were impacted by the debt restructuring and *Sauvegarde* Plan in 2010 but since then the Group's financial condition has improved. In particular in the framework of its July 2013 debt refinancing the Group was able to raise €838 million in the financial markets and put in place a new €100 million committed credit facility.

See notes 22 and 23 for more complete information on the Group's borrowing situation and financial risks.

NOTE 21 DERIVATIVE FINANCIAL INSTRUMENTS

21.1 Disclosures related to derivatives qualifying for hedge accounting treatment

As described in note 20 the Group uses derivatives to reduce market risk. Technicolor uses principally forward foreign currency operations to hedge foreign exchange risk and interest rate caps to hedge interest rate risk.

(a) Cash Flow hedges

Forward foreign currency operations hedging forecast exposures of commercial purchases and sales in foreign currencies are designated as cash flow hedges. Generally such hedges are for periods of 6 months or less. The amounts related to these hedges that is recognized in other comprehensive income (OCI) as well as the amounts reclassified from OCI to profit or loss for the period are given in note 19.6.

The Group put in place interest rate caps in 2010 for a part of its debt at variable interest rate; they were classified as cash flow hedges.

In 2013 a total of €39 million in forecasted transactions for which hedge accounting had been applied did not occur and as a result the hedges were cancelled resulting in a gain of €0.3 million.

(b) 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, 2013 there was a gain of €1 million on the outstanding hedging instruments and a loss of €1 million on the hedged items.

(c) 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 2013 and 2012 this impact was a loss of €0.3 million and a loss of €0.2 million, respectively, booked in "Other financial income (expense), net".

The ineffective portion of the interest rate caps is recognized in profit and loss. In 2013 the impact was nil and in 2012 a loss of €0.5 million, both were booked in "Other financial income (expense), net".

21.2 Fair value of derivatives

The fair value of all derivative financial instruments is shown in the table below. The fair value of forward exchange contracts and currency swaps is computed by discounting the difference between the forward contract rate and the market forward rate and multiplying it by the nominal amount. The fair value of caps is determined by independent financial institutions and verified using standard option pricing methods.

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, which, in each case, contain cross default provisions.

At December 31, 2013 Technicolor was in compliance with the obligations concerning derivatives under the European Market Infrastructure Regulation ("EMIR").

The Group executes operations on the over the counter derivatives markets on a short-term basis.

(in million euros)	December 31, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow and fair value hedges	0.3	0.4	0.4	-
Total current	**0.3**	**0.4**	**0.4**	**-**
TOTAL	**0.3**	**0.4**	**0.4**	**-**

Credit risk on these financial derivative assets arises from the possibility that counterparties may not be able to meet their financial obligations to Technicolor. The risk is minimized by the foreign exchange policy to trade very short-term operations. The maximum risk is the marked-to-market carrying values shown in the table above, that is, €0.3 million at December 31, 2013 and €0.4 million at December 31, 2012.

NOTE 22 BORROWINGS

Technicolor restructured its debt in 2010, and the resulting credit agreement term loans and private placement notes, the "Reinstated Debt", was refinanced in 2013 with the issuance of new term loans (the "New Debt") that was closed on July 11, 2013. A special purpose vehicle incorporated in Luxemburg named Tech Finance & Co. SCA ("Tech Finance") has been set up for this refinancing and is consolidated by Technicolor. On July 11, 2013 Tech Finance launched offers to purchase any and all of the Reinstated Debt (the "Offers to Purchase"). As a result of the Offers to Purchase, Tech Finance acquired 61% of the total participations under the credit agreement loans and over 99% of the private placement notes for, respectively at nominal value, €358 million, $689 million and £14 million (€905 million at a rate of U.S.$1.30/€ and £0.85/€ on the date of operation). The €905 million of participations and notes represent an IFRS amount of €829 million net of the IFRS adjustment of €76 million that was recognized when the Reinstated Debt was initially accounted for at its fair value in 2010. In Technicolor group consolidated accounts this purchase is accounted as a reimbursement as the €905 million of participations and notes are eliminated in the consolidation process of Technicolor.

Pursuant to the July 2013 refinancing, Tech Finance entered into a new term loan facility and borrowed $830 million and €200 million at nominal value (the "New Debt" amounting to €838 million at a rate of U.S.$1.30/€). The Reinstated Debt not tendered in the Offers to Purchase, amounted to €192 million and $116 million at nominal value (approximately €282 million at a rate of U.S.$1.30/€).

With regard to the residual reinstated debt of €282 million (€266 million at December 31, 2013), Technicolor refinanced a portion of this debt in February 2014 *via* a cashless exchange into the new debt and plans to reimburse the balance before the end of April (see note 35).

The tables below present information concerning Technicolor's debt at December 31, 2013 compared to previous year.

22.1 Analysis by nature

(in million euros)	December 31, 2013	December 31, 2012
Debt due to financial institutions	1,000	1,108
Bank overdrafts	1	1
Other financial debt	10	5
Accrued interest	11	1
TOTAL	**1,022** [(1)]	**1,115** [(1)]
Total non-current	*936*	*1,019*
Total current	*86*	*96*

(1) The nominal value is €1,091 million at December 31, 2013 and €1,236 million as of December 31, 2012 (see note 22.3).

22.2 Summary of the debt

Debt as of December 31, 2013 consisted principally of the New Debt in an amount of €750 million and the Reinstated Debt in an amount of €239 million. The details, before hedging operations, are given in the table below:

(in million euros)	Currency	Nominal Amount	IFRS Amount [1]	Type of rate	Nominal rate [2]	Effective rate [2]	Repayment Type	Final maturity
Term Loans	USD	594	563	Floating [3]	7.25%	8.50%	Amortizing	July 10, 2020
Term Loans	EUR	198	187	Floating [4]	7.50%	8.76%	Amortizing	July 10, 2020
New Debt		**792**	**750**		**7.31%**	**8.57%**		
Term Loans A1	EUR	41	38	Floating [5]	6.75%	13.06%	Amortizing	Mar. 31, 2016
Term Loans A2	USD	19	17	Floating [5]	6.75%	13.44%	Amortizing	Mar. 31, 2016
Term Loans B1	EUR	144	129	Floating [6]	7.75%	11.49%	Bullet	May 26, 2017
Term Loans B2	USD	62	55	Floating [6]	7.75%	11.73%	Bullet	May 26, 2017
Reinstated Debt		**266**	**239**		**7.52%**	**11.94%**		
Subtotal		**1,058**	**989**					
Other Debt		33	33	Various	3.71%	3.71%		
TOTAL		**1,091**	**1,022**		**7.25%**	**9.20%**		

(1) In Technicolor's IFRS statement of financial position the Reinstated Debt was initially recognized at fair value and then subsequently measured at amortized cost.
(2) Rates as of December 31, 2013.
(3) 3 month LIBOR with a floor of 1.25% + 600bp.
(4) 3 month EURIBOR with a floor of 1.25%+ 625bp.
(5) 3 month EURIBOR or LIBOR with a floor of 2% + 475bp with the margin stepping up or down if certain leverage ratios are hit.
(6) 3 month EURIBOR or LIBOR with a floor of 2% + 575bp with the margin stepping up or down if certain leverage ratios are hit.

22.3 Main features of the Group's borrowings

(a) Maturity

The table below gives the contractual maturity schedule of the Group's debt. The amounts are the nominal amounts and thus differ from the amounts in the consolidated statement of financial position which for the New Debt and the Reinstated Debt were initially recognized at fair value less transactions costs then subsequently revalued at amortized cost.

(in million euros)	December 31, 2013	December 31, 2012
Less than 1 month	32	13
Between 1 and 6 months	22	37
Between 6 months and less than 1 year	32	46
Total current debt	**86**	**96**
Between 1 and 2 years	66	97
Between 2 and 3 years	53	103
Between 3 and 4 years	247	55
Between 4 and 5 years	42	885 [1]
Over 5 years	597	-
Total non-current debt	**1,005**	**1,140**
Total nominal debt	**1,091**	**1,236**
IFRS Adjustment [2]	**(69)**	**(121)**
DEBT UNDER IFRS	**1,022**	**1,115**

(1) Entire amount due May 26, 2017.
(2) In Technicolor's consolidated statement of financial position the New Debt and the Reinstated Debt were initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.

(b) Interest rate characteristics

The table below presents the periods for which the interest rates on Technicolor's debt are fixed for its debt with maturity greater than one year, the debt for which the interest rate is fixed for remaining periods of under one year being considered to be at floating rate. The Group has adopted this definition of floating rates in order to have a simple and consistent way of analyzing the interest rate risk on its debt. For example, fixed rate non-current debt maturing in 3 months, 3 months fixed rate term debt and long-term floating rate debt which is reset every 3 months, all have the same interest rate risk profile and under the Group's definition are treated in the same manner as floating rate debt. Under this definition it is necessary to set a threshold such that interest rates fixed for remaining periods beyond the threshold are considered at fixed rate. A threshold of 1 year seems pertinent in as much as it is also the threshold between current and non-current debt. This treatment should make it easier to understand, from the financial information presented in these notes, the underlying interest rate risk of the Group. This treatment has no impact on the accounting treatment of the Group's debt.

The table below shows the periods for which the interest rate on the Group's debt is fixed. The amounts shown are the contractual nominal amounts and therefore do not correspond to the amounts in the consolidated statement of financial position which were initially at fair value less transaction costs then subsequently revalued at amortized cost.

(in million euros)	Amounts at December 31, 2013 with interest rate fixed for the following periods			
	Floating rate debt (interest fixed for less than 1 year)	**1 year to 5 years**	**Greater than 5 years**	**Total**
Total nominal debt	1,083	4	4	1,091
IFRS Adjustment [1]				(69)
DEBT UNDER IFRS				**1,022**

(1) *In Technicolor's consolidated statement of financial position the New Debt and the Reinstated Debt were initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.*

(c) Effective interest rates

The effective interest rates on the Group's consolidated debt are as follows:

	December 31, 2013	December 31, 2012
All borrowings	9.2%	11.80%

(d) Carrying amounts and fair value of borrowings (see note 23.6)

(e) Analysis of borrowing by currency

(in million euros)	December 31, 2013	December 31, 2012
Euro	382	522
U.S. dollar	640	576
Other currencies	-	17
TOTAL DEBT	**1,022**	**1,115**

(f) Undrawn credit lines

(in million euros)	December 31, 2013	December 31, 2012
Undrawn, committed lines expiring in more than one year	241	195

The Group has two receivables-backed committed credit facilities, for a total amount of €141 million both of which mature in 2016. Neither was drawn at December 31, 2013. The availability of these credit lines varies depending on the amount of receivables. In addition, in the framework of the Group's refinancing, Technicolor put in place a new €100 million revolving credit facility (the "RCF") at the level of its 100% owned subsidiary Thomson Licensing, which matures in 2018. This line was also undrawn at December 31, 2013.

(g) Financial covenants and other limitations

In the framework of the July 2013 refinancing, Technicolor raised New Debt in the amount of €838 million and amended the terms and conditions of the Reinstated Debt (consisting of the Credit Agreement and the Note Purchase Agreement). In particular all of the financial restrictions and other limitations of the Reinstated Debt were aligned to those of the New Debt described below. The financial covenants of the Reinstated Debt were eliminated.

The New Debt contains a single affirmative financial covenant which requires that the total gross nominal debt be not more than 3.50 times EBITDA on a trailing twelve month basis ("new leverage covenant") on June 30 and December 31 of each financial year.

The RCF contains a single affirmative financial covenant that requires that total net nominal debt be not more than 2.25 times EBITDA on a trailing twelve month basis ("RCF leverage covenant"). This covenant is only applicable if there is a drawing under the RCF on June 30 or December 31 of each financial year.

The total gross and net debt of these two covenants are calculated on the basis of the entire Group perimeter.

For the purposes of the covenants, EBITDA means the IFRS amounts for the entire Group of "Consolidated profit before tax and net finance costs" before "Other income (expense)" and excluding the impact (to the extent otherwise included in consolidated profit) of:

- depreciation, amortization and impairment of assets;
- transaction costs (related to the refinancing);
- restructuring costs;
- fair value adjustments;
- changes in provisions;
- any gain or loss against book value arising on the disposal (not made in the ordinary course of trading) or revaluation of any asset; and
- extraordinary and exceptional items.

At December 31, 2013, the calculation of these financial covenants was as follows:

New leverage covenant

Total gross debt of the Group at December 31, 2013 must be no more than 3.50 times the EBITDA of the Group for the twelve months ending December 31, 2013. For the calculation of the gross debt, the nominal debt of the Group is used and the debt in foreign currencies is valued at the closing exchange rate at December 31, 2013.

Gross Debt	1,091 € million
EBITDA	538 € million
Gross Ratio Debt/EBITDA	2.03:1.00

Since 2.03 is less than the maximum allowed level of 3.50, the Group meets this financial covenant.

RCF leverage covenant

Since the Group had no drawings outstanding under the RCF at December 31, 2013 this covenant does not apply.

Other Restrictions of New Debt and Reinstated Debt

In addition to certain information provision covenants, the agreements governing the New Debt and the Reinstated Debt include certain negative covenants that restrict the ability of the Company and certain of its subsidiaries to undertake various actions. These negative covenants restrict the ability of the Company and certain of its subsidiaries, subject in each case to certain exceptions and limitations, to (among other things):

- create or grant security interests that secure financial indebtedness of the Group on any of its present or future assets;
- incur additional financial indebtedness:
  - in excess of €50 million for capital leases,
  - in excess of the greater €250 million or 50% of EBITDA for credit facility debt,
  - for subsidiaries other than Thomson Licensing, in excess of €50 million (excluding credit facilities and capital leases),
  - for Technicolor SA if the ratio of EBITDA to fixed charges is above a certain ratio,
  - for Thomson Licensing: no additional indebtedness allowed except for drawings on the RCF excluding certain permitted financial indebtedness including, among others, the refinancing of the Reinstated Debt;
- enter into interest rate or currency hedging agreements other than for non-speculative purposes;
- enter into material transactions or arrangements with affiliates for an amount in excess of €20 million unless on an arms-length basis and if greater than €40 million approved by the Board of Directors;
- make restricted payments, if certain ratios are not met, in a cumulative amount over the life of the New Debt greater than €125 million, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- make investments in joint ventures not controlled by the Group except to the extent the Group's consolidated leverage ratio is under a threshold which rises over time and subject to a cumulative €100 million basket over the life of the New Debt;
- amalgamate, merge or consolidate with or into any other person except if this other person is controlled by the Group.

The investments made by the Group (see note 31 (b) for further information) in 2013 were in full compliance with the restrictions described above.

Other Restrictions of the RCF

In addition to certain information provision covenants, the agreement governing the RCF includes certain negative covenants that restrict the ability of Thomson Licensing and Technicolor SA to undertake various actions (subject in each case to certain exceptions and limitations, among other things):

- to substantially change the general nature of the business of Thomson Licensing or of the Technicolor group taken as whole;
- for Thomson Licensing to make distributions.

Events of Default

The Reinstated Debt, New Debt and the RCF also contain certain events of default, the occurrence of which provides creditors with the ability to immediately demand payment of all or a portion of the outstanding amounts. These events of default apply in whole or in part to:

- Technicolor SA, Thomson Licensing, Technicolor International and Tech Finance as party to the Reinstated Debt, the RCF, the New Debt or related intragroup borrowings and lendings.

Collectively these Technicolor entities and Tech Finance are referred to as the "Debt Parties".

The events of default pursuant to these debt instruments include, among other things, and subject to certain exceptions and grace periods:

- non-payment of any amount due under the debt instruments or any permitted hedging agreements;
- failure by the Debt Parties or any of the guarantors to comply with its material obligations and undertakings, including the financial covenants, of the debt instrument(s) to which it is party;
- certain events of insolvency;
- any auditor's report qualification made to any Debt Party's ability to continue as a going concern or the accuracy of the information given;
- failure by any Debt Party or any guarantor to comply with the material obligations under the intercreditor agreements of the Reinstated Debt and of the New Debt;
- non-payment of any financial indebtedness of any Group Member in excess of €25 million;
- default under any other financial indebtedness of any Group Member in excess of €25 million that gives the relevant creditor or creditors the right to accelerate the date for payment of such indebtedness;
- creditors' proceedings for any assets in excess of €25 million that are not discharged within 60 days;
- any security enforcement of Debt Parties or certain other material subsidiaries or group of subsidiaries in excess of €25 million that is not set aside within a maximum of 60 days;

- change of control; and
- any event which has a material adverse effect on Technicolor SA or the guarantors taken as a whole under the Reinstated Debt documentation or on Technicolor SA or Thomson Licensing under the RCF.

Change of control provisions

Under the terms of the Reinstated Debt, the New Debt and the RCF, the outstanding principal amounts under these instruments will become immediately due and payable upon an occurrence of a change of control in the Company.

Mandatory Prepayments under the Reinstated Debt

The mandatory prepayment conditions of the Reinstated Debt were not amended in the 2013 refinancing. The Company is required to prepay the outstanding Reinstated Debt 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 Reinstated Debt, on the understanding that this undertaking does not apply to the disposal of certain assets, the proceeds of which will be used during the year to finance capital expenditures;
- *equity issuances:* at least 80% of the net proceeds received in respect of any new equity issuances will be applied to repay the outstanding Reinstated Debt;
- *excess cashflow:* means 80% of:
  - the Group's cashflow which comprises (i) the aggregate of net cash from operating and investing activities, plus (ii) the aggregate of cash paid for acquisitions and marketable securities, interest paid, and loans granted to third parties, less (iii) the aggregate of cash proceeds from sales of marketable securities, net disposal proceeds, net insurance proceeds, interest received, loans reimbursed by third parties and net income of subsidiaries or joint ventures which cannot distribute such income to the Company due to legal or contractual prohibitions,
  - less total funding costs, which comprise the aggregate of interest paid during the year plus all scheduled repayments of debt (including the Reinstated Debt) and all voluntary or mandatory prepayments of the Reinstated Debt during the year,
  - all subject to certain adjustments relating to the making available of trapped cash.

    The Company's excess cashflow (which is defined above) will be applied to prepay the Reinstated Debt;
- *change of control:* upon the occurrence of a change of control in the Company (see "Change of Control Provisions" above), all advances under the Credit Agreement and the outstanding principal amount of the Notes, together with any other outstanding amounts under the Reinstated Debt, will become immediately due and payable; and
- *other:* net proceeds in respect of any payment or claim under any insurance policy or issuance of subordinated debt in connection with any refinancing, shall in each case be applied to the repayment of the Reinstated Debt.

As described in note 19, two capital increases occurred in July and August 2012, for a total amount of €179 million. In addition the Group completed on July 2, 2012 the disposal of its Broadcast Services activity for a net cash consideration of €17 million, taking into account costs of disposal.

In accordance with the terms of the Group's credit agreements, 80% of the net proceeds of these capital increases and 100% of the net disposal proceeds were used to repay the Reinstated Debt. These repayments, without penalty, took place during the third quarter of 2012. The repayments reduced debt by €145 million (€162 million on a nominal basis) and resulted in a financial charge of €17 million representing the partial cancellation of the gain recognized when the Reinstated Debt was determined initially at its fair value in 2010.

Mandatory Prepayments under the New Debt

The Company is required to prepay the outstanding New Debt in certain circumstances, including the following:

- *asset disposal:* 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 New Debt unless the proceeds are reinvested in assets useful for its business within 365 days;
- *excess cashflow:* means:
  - the Group's cashflow which comprises the aggregate of net cash from operating and investing activities, minus (i) committed amounts under binding contracts to be paid for investments or capital expenditures in the next twelve months, plus (ii) the amount deducted from cashflow in (i) for the previous year, less (iii) cash proceeds from sales of marketable securities, plus (iv) cash payments for purchases of marketable securities, minus (v) net proceeds from asset dispositions and from casualty events required to prepay the New Debt, minus (vi) interest received, plus (vii) interest paid, plus (viii) loans granted to/minus loans reimbursed by third parties and minus (ix) any profit in cash flow in a subsidiary or joint venture which cannot be distributed,

- less total funding costs, which comprise the aggregate of interest paid during the year plus all scheduled repayments of debt (including the Reinstated Debt and New Debt) and all voluntary or mandatory prepayments of the Reinstated Debt and New Debt during the year.

  In respect of 2013 and subsequent financial years, a percentage of the Company's excess cashflow (which is defined above) will be applied to prepay the New Debt. The applicable percentage depends on the leverage ratio of the Group:

Leverage Ratio %	
> 1,50	75 %
= ou < 1,50	50 %
= ou < 0,75	25 %

- *change of control:* upon the occurrence of a change of control in the Company (see "Change of Control Provisions" above), all term loans under the New Debt will become immediately due and payable;
- *other:* net proceeds in respect of any payment related to a Casualty Event, shall in each case be applied to the repayment of the New Debt subject to certain minimum thresholds.

Voluntary Prepayments

Under the terms of the Reinstated Debt, the Company is, at its election, able to prepay all or part of its advances under the Credit Agreement and any principal amount of the Notes, including any make whole payment, under the Note Purchase Agreement.

Under the terms of the New Debt, the Company is at its election able to prepay all or part of its outstanding term loans provided however that all voluntary prepayments on or prior to the first anniversary of the closing will be accompanied by a fee equal to 2.00% of the amount of such prepayment and during the period after the first anniversary until the date that is 24 months after the closing, will be accompanied by a fee equal to 1.00% of such prepayment.

Summary of repayments

The table below summarizes the types of payment:

(in million euros)	2013	2012
Start of period (cumulative)	**326**	**81**
Normal scheduled principal repayments	57	58
Payments following 2011 excess cashflow	-	25
Mandatory prepayments from disposals	-	17
Mandatory prepayments from capital increases	-	145
Voluntary prepayments in the framework of the refinancing of the Reinstated Debt	67	-
End of period (cumulative)	**450**	**326**

(h) Fair value of the Reinstated Debt and of the New Debt

In accordance with IAS 39 paragraph 43, the Reinstated Debt was determined initially at its fair value on May 26, 2010. The difference between the fair value of the Reinstated Debt and the nominal value was booked as a financial non cash gain of €229 million in the 2010 consolidated Statement of Operations.

As a result, the fair value of the debt was estimated at €1,364 million at the May 26, 2010 exchange rate. Accordingly, the weighted average effective rate of the Reinstated Debt (excluding DPN) was originally determined to be 11.89% and is currently 11.94%.

In October 2011 and July 2013 the Group renegotiated certain clauses of its Reinstated Debt documentation and the related fees of approximately €5 million and €3 million respectively were recorded as a reduction of debt. These fees are being charged to interest over the remaining life of the Reinstated Debt using the effective interest rate method.

Following the tender offer which closed on July 11, 2013 and the reimbursement of €905 million of the Reinstated Debt, €76 million of IFRS discount on the Reinstated Debt was reversed in "other financial cost". All costs and fees of the refinancing which was related to the Reinstated Debt were also booked into "other financial costs".

In accordance with IAS 39, the IFRS value of the New Debt was determined to be the nominal amount of the New Debt reduced by transaction costs amounting to €47 million. These costs will be charged to interest over the remaining life of the New Debt using the effective interest rate method. The current weighted average effective interest rate of the New Debt is 8.57%.

The fair value of the Group's debt at December 31, 2013 can be found in note 23.6.

NOTE 23 FINANCIAL INSTRUMENTS AND MARKET RELATED EXPOSURES

23.1 Foreign exchange risk

A significant part of the net revenues of the Group, as well as a portion of its operating income (loss) are in subsidiaries that use U.S. dollars as their functional currency. This reflects the strong presence of Technicolor in the United States, particularly with the Entertainment Services and Connected Home segments. As a result, fluctuations in the U.S. dollar/euro exchange rate have a significant translation impact on the Group's revenues and to a lesser extent on profit/(loss) from continuing operations before tax and net finance costs. In 2013, exchange rate fluctuations of all currencies had a negative translation impact of €122 million on revenue and a negative impact of €4 million on profit/(loss) from continuing operations before tax and net finance costs. These impacts were in part due to the 3% decrease in the 2013 average U.S. dollar/euro exchange rate compared to the 2012 average rate. The Group estimates that this sensitivity has not significantly changed since the end of 2013.

To the extent that the Group incurs costs in one currency and has sales in another there is foreign currency transaction risk and the Group's 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 euros; however, certain expenses are denominated in other currencies. In particular, some of the sales in U.S. dollar and euro have related expenses in Mexican peso and Polish zloty respectively, due to production facilities in Mexico and Poland. Moreover, the Group also has sales in Europe in euros where a portion of the expenses, related to the purchase of products from Asian suppliers, is in U.S. dollar. The Group's UK subsidiaries also have transactional exposures to both the U.S. dollar and the euro. Currency transaction risk also impacts revenues but the impact is significantly less than the translation impact on revenues because about 75% of the sales of the Group's subsidiaries are in their domestic currencies.

The Group's foreign currency risk on translation and transactional exposures and on investments in foreign subsidiaries as well as the associated hedging policies are described in more detail below.

Even though 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 assure 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 its financial condition or results of operations.

For more information on the sensitivity of the Group's key financial parameters to fluctuations of the U.S. dollar/euro exchange rate, see note 23.1 (f) below "Sensitivity to Currency Movements".

(a) Translation risks

The assets, liabilities, revenues and expenses of the Group's operating entities are denominated in various currencies, the majority being in U.S. dollar and the euro. 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.

If the euro increases in value against a currency, the value in euro of assets, liabilities, revenues and expenses originally recorded in such other currency will decrease. Conversely, if the euro decreases in value against a currency, the value in euro of assets, liabilities, revenues and expenses originally recorded in such other currency will increase. Thus, 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.

(b) Transaction risks

Technicolor's foreign exchange risk exposure mainly arises on purchase and sale transactions by its subsidiaries in currencies other than their functional currencies. 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. The Group's policy is for its subsidiaries to report regularly their projected foreign currency needs and receipts to the Group Treasury Department, 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 hedged with banks using foreign currency forward contracts and occasionally foreign currency options. These hedges are recorded as cash flow hedges under IFRS, as described further under "Derivatives" in note 2 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, and in particular the Group's Licensing activities, 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.

(c) Financial exposure

The Group's general policy is for subsidiaries to borrow and invest excess cash in the same currency as their functional currency thereby eliminating the exposure of its financial assets and liabilities to foreign exchange rate fluctuations. In certain emerging countries with currencies which may depreciate, the Group may, however, elect to maintain deposits in U.S. dollar or euro rather than the subsidiaries' functional currency. These operations are performed through the Group Treasury Department to the extent practicable. In order to balance the currencies that the Group Treasury Department borrows (both internally and externally) with currencies that it lends to affiliates, it may enter into currency swaps. For more information regarding the use of currency swaps, see note 23 (e) "Foreign Currency Risks" .

(d) 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, 2013 no hedges of this type were outstanding.

(e) Foreign currency operations

In accordance with the Group's policies on financial risk management as described in note 20, the Group enters into foreign currency operations to hedge its exposures as described above. The swap points on currency hedges that qualify as hedges under IAS 39 are excluded from the hedging relationship and taken directly to the financial result: these amounts were nil in 2013 and in 2012.

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 which are lent to the Group's U.S. subsidiaries 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 are accounted for as interest and were nil in 2013 and in 2012.

The future cash flows at the contracted rate of the Group's foreign currency operations are shown below. The maturities of all of these foreign exchange operations is under one year and the related cash flows and impact on the profit and loss of the Group of the foreign exchange operations outstanding at December 31, 2013 will occur in 2014.

	2013	2012
Forward exchange contracts (including currency swaps)		
Euro	144	128
Singapore dollar	17	-
U.S. dollar	40	-
Polish zloty	8	5
Other currencies	32	-
Total forward currency purchases	**241**	**133**
Euro	(40)	(5)
Pound sterling	(8)	(12)
Japanese yen	(4)	(10)
U.S. dollar	(177)	(106)
Other currencies	(12)	-
Total forward currency sales	**(241)**	**(133)**
Deferred hedging gains / (losses) related to forecast transactions	**(1)**	**1**

(f) Sensitivity to currency movements

Because of the Group's significant activities in the U.S. and in other countries whose currencies are linked to the U.S. dollar, the Group's main currency exposure is the fluctuation of the U.S. dollar against the 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 for continuing operations was net revenue of U.S.$523 million in 2013 (net revenue of U.S.$600 million in 2012). These U.S. dollar exposures may be hedged separately in some cases in accordance with the general policy of the Group (see note 20).

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 sales, on Profit from continuing operations before tax and net finance costs, on the currency translation adjustment component of equity and on net debt. 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.

Sales impact: the transaction impact on sales is calculated by applying a 10% increase in the U.S. dollar/euro exchange rate to the external U.S. dollar sales of affiliates with the euro as functional currency and to the external euro sales of affiliates with the U.S. dollar or currencies pegged to the U.S. dollar (such as the Hong Kong dollar) as functional currency. The translation impact is calculated by applying a 10% increase in the U.S. dollar/euro exchange rate to the sales of affiliates with the U.S. dollar or a currency pegged to the U.S. dollar as functional currency.

Profit impact: the transaction impact on profit is calculated 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 and then applying a factor estimated by the Group to approximate the actual impact on profits. This factor is applied because often changes in exchange rates lead to changes in competitive pricing. The factor varies depending on the business. The translation impact is calculated 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.

For both the sales and profit the impacts are calculated before hedging.

Equity impact: this is 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 or currencies pegged to the U.S. dollar. This variation is booked in the cumulative translation adjustment component of equity.

Net debt impact: this is calculated by applying a 10% increase in the U.S. dollar/euro exchange rate to the net debt of the Group at December 31, 2013 that is denominated in U.S. dollar or currencies pegged to the U.S. dollar.

2013 *(in million euros)*	**Transaction**	**Translation**	**Total**
Sales	66	142	208
Profit from continuing operations before tax and net finance costs	38	(8)	30
Equity Impact (cumulative translation adjustment)			5
Impact on net debt			55

2012 *(in million euros)*	**Transaction**	**Translation**	**Total**
Sales	99	157	256
Profit from continuing operations before tax and net finance costs	48	(9)	39
Equity Impact (cumulative translation adjustment)			21
Impact on net debt			53

23.2 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.

In accordance with Group policies and procedures, the Treasury Department manages the financings, and hedges interest rate risk exposure in accordance with target ratios of fixed to floating debt, as well as maximum risk targets, which are set periodically as a function of market conditions. To hedge this exposure, the Group may enter into interest rate swaps, forward rate agreements and caps.

Interest rate risk is measured by consolidating the Group's deposit and debt positions and performing sensitivity analyses.

At the nominal interest rates of the New Debt and the Reinstated Debt and without taking into account hedging, cash interest charges for a full year (at the December 31, 2013 exchange rate) would be €78 million on the amount of the New Debt and Reinstated Debt of approximately €1.1 billion (nominal amount rather than the IFRS amount in the consolidated statement of financial position) compared to total gross cash interest charges for 2013 of €84 million. In 2012 total gross cash interest charges were €117 million. Note 23.2(d) below shows the sensitivity of the Group's interest charges to interest rate movements.

(a) Interest rate operations

In accordance with the Group's policies on financial risk management as described in note 20, the Group enters into interest rate hedging operations.

In April 2010 in anticipation of the finalization of the new Reinstated Debt, the Group purchased caps. These caps for nominal amounts of $480 million and €270 million protect the Group if 3 month LIBOR or 3 month EURIBOR respectively goes above 3%. If the reference rate goes above the cap rate the bank counterparty will pay the difference between the market rate and 3% to Technicolor. The caps mature in June 2014.

See note 21 for further information about the Group's derivative operations.

(b) Cash flows on interest rate operations

Because the Group has only interest rate caps outstanding and because of their nature whereby there are flows only if interest rates rise above a certain level it is not possible to determine future cash flows related to interest rate hedging transactions.

(c) Effective interest rates

The average effective interest rates on the Group's consolidated debt are as follows:

	2013	2012
Average interest rate on borrowings	10.41%	11.80%
Average interest rate after interest rate hedging	10.41%	11.80%
Average interest rate after currency swaps and interest rate hedging	10.41%	11.80%

The average effective interest rate in 2013 on the Group's consolidated deposits was 1.50% (1.04% in 2012).

(d) 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 2013 and 2012 at floating rates taking into account interest rate hedging operations is as shown below. The Group considers all debt with interest rates fixed for remaining periods of less than one year to be at floating rate (see note 22.3(b) above for more information about the Group's classification between fixed and floating rate).

(in million euros)	2013	2012
Average debt	1,091	1,231
Percentage at floating rate*	78%	60%

* *See the Group's definition of floating rate in 22.3 (b). Includes €742 million (consolidated statement of financial position value after IFRS adjustment) of floating rate debt that has a 2% floor; this debt is partially hedged via interest rate caps with a cap rate of 3%. The combination of the floor and cap creates debt that is at fixed rate when the reference EURIBOR or LIBOR rate is 2% or less, then is at variable rate when the reference rate is above 2% and less than 3% and then again is at fixed rate when the reference rate is 3% or above. These caps expire in June 2014.*

The Group's average deposits in 2013 amounted to €317 million, 100% at floating rate.

The tables below present the Group's interest rate sensitive assets and liabilities by maturity with a breakout by fixed or floating rate at each year end. The amounts at December 31, 2013 and 2012 are the contractual amounts and thus differ from the amounts in the consolidated statement of financial position which for the Reinstated Debt were initially recognized at fair value then subsequently revalued at amortized cost.

2013	Cash and deposits (a)		Borrowings (b)		Net exposure before hedging (c) = (b) – (a)		Interest rate hedging [1] (d)		Net exposure after hedging (e) = (c) + (d)	
(in million euros)	Fixed rate [2]	Floating rate	Fixed rate [2]	Floating rate	Fixed rate [2]	Floating rate	Fixed rate [2]	Floating rate	Fixed rate [2]	Floating rate
Less than 1 year	-	307	-	86	-	(221)	-	-	-	(221)
1 to 2 years	-	-	-	66	-	66	-	-	-	66
2 to 3 years	-	-	-	53	-	53	-	-	-	53
3 to 4 years	-	-	2	245	2	245	-	-	2	245
4 to 5 years [3]	-	-	2	40	2	40	-	-	2	40
More than 5 years [4]	-	-	4	593	4	593	-	-	4	593
TOTAL	**-**	**307**	**8**	**1,083**	**8**	**776**	**-**	**-**	**8**	**776**
IFRS Adjustment [5]	-	-	-	(69)	-	(69)	-	-	-	(69)
DEBT UNDER IFRS	**-**	**307**	**8**	**1,014**	**8**	**707**	**-**	**-**	**8**	**707**

(1) The caps will only be in the money when interest rates move above 3%. Until then, they do not have any impact on the split between fixed and floating and therefore have not been included in the table.
(2) Interest rates fixed for remaining periods of greater than 1 year; otherwise considered floating rate.
(3) Main principal amount due May 26, 2017.
(4) Main principal amount due July 10, 2020
(5) In Technicolor's consolidated statement of financial position, the Reinstated Debt was initially recognized at fair value and then subsequently measured at amortized cost.

2012	Cash and deposits (a)		Borrowings (b)		Net exposure before hedging (c) = (b) – (a)		Interest rate hedging [1] (d)		Net exposure after hedging (e) = (c) + (d)	
(in million euros)	Fixed rate [2]	Floating rate	Fixed rate [2]	Floating rate	Fixed rate [2]	Floating rate	Fixed rate [2]	Floating rate	Fixed rate [2]	Floating rate
Less than 1 year	-	397	-	96	-	(301)	-	-	-	(301)
1 to 2 years	-	-	37	60	37	60	-	-	37	60
2 to 3 years	-	-	40	63	40	63	-	-	40	63
3 to 4 years	-	-	23	32	23	32	-	-	23	32
4 to 5 years [3]	-	-	344	541	344	541	-	-	344	541
More than 5 years	-	-	-	-	-	-	-	-	-	-
TOTAL	**-**	**397**	**444**	**792**	**444**	**395**	**-**	**-**	**444**	**395**
IFRS Adjustment [4]	-	-	(37)	(84)	(37)	(84)	-	-	(37)	(84)
DEBT UNDER IFRS	**-**	**397**	**407**	**708**	**407**	**311**	**-**	**-**	**407**	**311**

(1) The caps will only be in the money when interest rates move above 3%. Until then, they do not have any impact on the split between fixed and floating and therefore have not been included in the table.
(2) Interest rates fixed for remaining periods of greater than 1 year; otherwise considered floating rate.
(3) Entire principal amount due May 26, 2017.
(4) In Technicolor's consolidated statement of financial position, the Reinstated Debt was initially recognized at fair value and then subsequently measured at amortized cost.

The Group's debt and deposits are primarily in U.S. dollar and in euro and thus fluctuations of EURIBOR and LIBOR will impact the Group's interest income and expense. 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, taking into account interest rate hedging operations.

The Group's New Debt and Reinstated Debt consist of variable rate term loans based on EURIBOR or LIBOR with a floor of 1.25% and 2% respectively. The documentation of the Reinstated Debt required that 2/3rds of the term loans be hedged against interest rate risk until at least May 2013 and the Group put in place interest rate caps to satisfy this requirement. The tables below show the impact after interest rate hedging of the variation of 1% in interest rates with different assumptions regarding different EURIBOR and LIBOR levels in the financial markets.

For each of the scenarios, the impacts are calculated by multiplying the Group's floating rate net debt at contractual amounts (which at December 31, 2013 and 2012 differ from the amounts in the consolidated statement of financial position which for the New Debt and the Reinstated Debt were initially at fair value and subsequently revalued at amortized cost) and after interest rate hedging in euros and in U.S. dollar by 1%. A positive impact is an increase in income (decrease in expense) and a negative impact is a decrease in income (increase in expense).

The impact on equity before taxes in the tables at December 31, 2013 and 2012 is an approximation and does not take into account adjustments necessary to determine the impact under IFRS using the effective interest rate method nor does it take into account the impact of the change in market value of the caps.

Maximum impact over one year on the net exposure as of December 31, 2013 (after hedging) 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%	2	2
Impact of interest rate variation of -1%	(2)	(2)

* *At December 31, 2013, 3 month EURIBOR and 3 month LIBOR were 0.287% and 0.246% respectively.*

Maximum impact over one year on the net exposure as of December 31, 2012 (after hedging) 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, 2012, 3 month EURIBOR and 3 month LIBOR were 0.187% and 0.306% respectively.*

23.3 Liquidity risk and management of financing and 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 net worth 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 net worth, debt, subordinated debt and committed credit lines. For further information about the details of the Group's net worth and debt please refer to notes 19 and 22, respectively.

Technicolor's access to financial markets was significantly impacted by the deterioration of its financial situation in 2008-2009 and the *Sauvegarde* proceeding but the debt restructuring in 2010, the capital increases in 2012 and the improvement in its financial results allowed the Group to improve its access to the financial markets and refinance its debt in 2013.

As a result the Group has been able to:

- reduce the level of net debt and increase net equity;
- maintain sufficient cash flow to cover liquidity needs and financial needs such as principal and interest repayments;
- put in place secured credit lines in order to assure access to liquidity; and
- extend debt maturities with a significant portion being long-term.

The Group put in place in April 2010 two 3-year committed receivables backed credit facilities for a total amount of €195 million (converted at the December 31, 2012 exchange rates). In 2012 one of the facilities, for €95 million was extended to 2016. In 2013 the other facility matured and was replaced by a new 3 year committed receivables backed facility in the amount of €50 million and a new 5 year facility in the amount of €100 million which shares in the security package of the New Debt.

For more information about the restrictions in the Group's Reinstated Debt see note 22.

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, 2013 and December 31, 2012, respectively.

	At December 31, 2013						
(in million euros)	**2014**	**2015**	**2016**	**2017**	**2018**	**There after**	**Total**
Floating rate term loans – principal	63	64	53	246	40	591	1,057
Fixed rate other debt – principal	1	-	-	1	2	5	9
Floating rate other debt – principal	22	2	-	-	-	1	25
TOTAL DEBT – PRINCIPAL PAYMENTS	**86**	**66**	**53**	**247**	**42**	**597**	**1,091**
IFRS Adjustment							**(69)**
Debt in IFRS							**1,022**
Floating rate term loans – interest	78	72	68	56	46	71	391
Fixed rate other debt – interest	-	-	-	-	-	-	-
Floating rate other debt – interest	1	-	-	-	-	-	1
TOTAL INTEREST PAYMENTS	**79**	**72**	**68**	**56**	**46**	**71**	**392**

	At December 31, 2012						
(in million euros)	**2013**	**2014**	**2015**	**2016**	**2017***	**There after**	**Total**
Fixed rate notes – principal	31	37	40	20	344	-	472
Floating rate term loans –principal	49	58	63	32	541	-	743
Fixed rate other debt – principal	-	-	-	3	-	-	3
Floating rate other debt – principal	16	2	-	-	-	-	18
TOTAL DEBT - PRINCIPAL PAYMENTS	**96**	**97**	**103**	**55**	**885**	**-**	**1,236**
IFRS Adjustment							**(121)**
Debt in IFRS							**1,115**
Fixed rate notes – interest	42	39	36	32	13	-	162
Floating rate term loans – interest	57	53	48	44	18	-	220
Fixed rate other debt – interest	-	-	-	-	-	-	-
Floating rate other debt – interest	1	-	-	-	-	-	1
TOTAL INTEREST PAYMENTS	**100**	**92**	**84**	**76**	**31**	**-**	**383**

* *Entire principal amount due May 26, 2017.*

The contractual cash flow obligations of the Group due to its current liabilities are considered to be equal to the amounts shown in the consolidated statement of financial position.

23.4 Equity instruments

At December 31, 2013 and 2012, Technicolor had no outstanding equity derivatives on its shares.

23.5 Financial counterparty risk

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.

The percentage of outstanding foreign exchange operations by counterparty credit rating is as follows:

Foreign exchange forwards: Counterparty's rating (according to Standard & Poor's)	2013	2012
A-1+	-	-
A-1	99%	84%
A-2	1%	16%
TOTAL	**100%**	**100%**

All significant cash deposits are maintained with rated financial institutions.

The table below gives the percentage of outstanding cash deposits by counterparty credit rating:

Cash deposit: Counterparty's rating (according to Standard & Poor's)	2013	2012
A-1+	13%	16%
A-1	78%	75%
A-2	8%	3%
A-3	1%	6%
Money Market funds	-	-
Non rated financial institutions	-	-
TOTAL	**100%**	**100%**

Credit risk arises from the possibility that counterparties may not be able to perform their financial obligations to Technicolor. The maximum credit risk exposure on the Group's cash and cash equivalents was €307 million at December 31, 2013. 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 by investing in diversified, highly liquid money market funds as shown in the table above.

23.6 Fair value of financial assets and liabilities

December 31, 2013	Accounting Categories					Fair Value			
(in million euros)	Fair value through P&L (incl. derivative instruments)	Available for sale assets	Payables and receivables	Debt at amortized cost	Consolidated statement of financial position value	Quoted Price	Internal model with observable parameters	Internal model with non-observable parameters	Fair Value
						Level 1	Level 2	Level 3	
Investments and available-for-sale financial assets	-	6	-	-	6	-	6	-	6
Derivative financial instruments (current and non-current assets)	-	-	-	-	-	-	-	-	-
Trade accounts and notes receivable	-	-	545	-	545	-	-	-	545
Borrowings	-	-	-	1,022	1,022				1,101
Derivative financial instruments (current and non-current liabilities)	-	-	-	-	-				-
Trade accounts and notes payable	-	-	450	-	450				450

December 31, 2012	Accounting Categories					Fair Value			
(in million euros)	Fair value through P&L (incl. derivative instruments)	Available for sale assets	Payables and receivables	Debt at amortized cost	Consolidated statement of financial position value	Quoted Price	Internal model with observable parameters	Internal model with non-observable parameters	Fair Value
						Level 1	Level 2	Level 3	
Investments and available-for-sale financial assets	-	7	-	-	7	-	7	-	7
Derivative financial instruments (current and non-current assets)	-	-	-	-	-	-	-	-	-
Trade accounts and notes receivable	-	-	526	-	526	-	-	-	526
Borrowings	-	-	-	1,115	1,115				1,247
Derivative financial instruments (current and non-current liabilities)	-	-	-	-	-				-
Trade accounts and notes payable	-	-	445	-	445				445

The fair value of the above assets and liabilities was determined as follows:

- *derivative financial instruments:* see note 21;
- *trade accounts and notes receivable and notes payable:* the fair value of all current assets and liabilities (trade accounts receivable and payable, short-term loans and debt, cash and bank overdrafts) is considered to be equivalent to their net book value due to their short-term maturities;
- *borrowings:* the fair value of the Reinstated Debt was estimated by using trading levels of the debt on or around December 31, 2013 and 2012, respectively. Although the Reinstated Debt is not traded on a public exchange, trading levels of private transactions are readily available *via* financial market information providers. For the small amount of non-current debt other than the Reinstated Debt and due to the fact that most of it is secured, the Group has used the book value as an approximation of the fair value. The fair value of current debt other than the current portion of the Reinstated Debt is assumed to be the book value due to the short-term maturity.

NOTE 24 FAIR VALUE MEASUREMENT

24.1 Fair value measurement of financial instruments

The carrying amount of cash and cash equivalents, accounts payables, and other current financial assets and liabilities approximate their fair value because of the short-term nature of these instruments. Accounts receivable also approximate their fair value because of the fact that any recoverability loss is reflected in an impairment loss.

24.2 Fair value measurement of non-financial assets

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.

In 2013, we recognized impairment charges of €4 million on our property, plant and equipment, mainly related to the shutting down of Creative Services activities in France and Italy which assets will cease to be used. Valuation of these assets is classified as Level 3 in the fair value hierarchy since their fair values were determined based on unobservable inputs. The impairment charge is determined based on the difference between the assets estimated fair value (being nil) and their carrying amount.

We did recognize impairment charges for goodwill and other intangible assets in 2013 (respectively €15 million and €12 million) mainly due to negative outlook for IZ-ON Media.

Machinery and equipment with a value of 1.3 million of Australian Dollars (€1 million), recognized upon the acquisition of Roadshow (see note 4.1) was not revalued at the reporting date. Management determined that the fair value was not materially different from the book value.

NOTE 25 RETIREMENT BENEFIT OBLIGATIONS

25.1 Summary of the benefits

(in million euros)	Pension plan benefits		Medical Post-retirement benefits		Total	
	2013	2012	2013	2012	2013	2012
Opening provision	**381**	**341**	**7**	**46**	**388**	**387**
Net Periodic Pension Cost	17	18	-	1	17	19
Benefits paid and contributions	(30)	(31)	-	(2)	(30)	(33)
Curtailment gain	(2)	(4)	-	(41)	(2)	(45)
Change in perimeter	-	(5)	-	-	-	(5)
Actuarial (gains) losses recognized in OCI	(13)	62	(1)	3	(14)	65
Currency translation differences	(3)	-	-	-	(3)	-
CLOSING PROVISION OF CONTINUED OPERATIONS	**350**	**381**	**6**	**7**	**356**	**388**
Of which present value of the DBO	*523*	*554*	*6*	*7*	*529*	*561*
Of which present value of the plan assets	*(173)*	*(173)*	-	-	*(173)*	*(173)*

(a) Defined contribution plans

For the defined contribution plans, the Group pays contributions to independently administered funds. These plans guarantee employee benefits that are directly related to contributions paid. The pension costs of these plans correspond to the contributions paid.

The total contributions paid by Technicolor amounted to €19 million in 2013 (2012: €19 million).

(b) 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. Few employees are covered by specific pension arrangements financed through an insurance company. The pension plans are no longer available to new entrants.

  The retirement age is 65 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 between 62 and 65 years old.

- **In the U.K.**, 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 between 60 and 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.

- **In other countries,** Technicolor mainly maintains non funded pension plans in Mexico, in Italy, in Canada and in Japan. The benefits are mainly based on employee's pensionable salary and length of service. These plans are either funded through independently administered pension funds or unfunded.

Medical Post-retirement benefits

In the U.S., Technicolor provided to certain employees a post-retirement medical plan. Under this plan, employees are eligible for medical benefits if they retire at age 55 or older with at least 10 years of service in most cases. The plan also includes life insurance benefits. Such plan was no longer available to newcomers since 2003.

In June 2012 and consistent with many U.S. companies, Technicolor has curtailed and eliminated retirees life insurance benefits in the U.S. These benefits were included in the U.S. post-retirement medical plan. The impact is a curtailment gain of U.S.$54 million (€41 million at December 31, 2012 average rate).

In 2013, the geographical breakdown of such net obligations was as follows:

(in million euros)	Germany	U.S.	U.K.	France	Others	Total
Present value of defined benefit obligation	276	118	108	16	11	529
Fair value of plan assets	(1)	(81)	(91)	-	-	(173)
RETIREMENT BENEFIT OBLIGATIONS	**275**	**37**	**17**	**16**	**11**	**356**
Cash flows	**(19)**	**(5)**	**(3)**	**(1)**	**(2)**	**(30)**
Average duration (in years)	**10**	**10**	**19**	**9**	*****	*****

* *Non applicable.*

The Group expects the overall 2014 benefits paid to be equal to €40 million for defined benefits plans, of which €25 million directly by the Company to the employees and €15 million by the plans.

In addition, the Group pays an average yearly funding contribution to the plan assets of €8 million (see note 25.4).

(c) 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.

25.2 Elements of the Statement of Operations and Other Comprehensive Income

(a) Statement of Operations

(in million euros)	Pension plan benefits		Medical post-retirement benefits		Total	
	2013	2012	2013	2012	2013	2012
Service cost:						
■ Current service cost	(5)	(6)	-	-	(5)	(6)
■ Past service cost and (gain)/ loss from settlements [1]	2	4	-	41	2	45
Net interest expense [2] [3]	(12)	(12)	-	(1)	(12)	(13)
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN PROFIT OR LOSS	**(15)**	**(14)**	**-**	**40**	**(15)**	**26**

(1) The effect of curtailment which occurred in the U.S. in 2012 was recognized in "Other income (expense)".
(2) The financial components are recognized in "Other financial income (expense)".
(3) Out of which:
- *interest cost on DBO and interest income on plan assets amount to €(19) million and €7 million for year ended December 31, 2013, respectively;*
- *interest cost on DBO and Expected return on plan assets amount to €(22) million and €10 million for year ended December 31, 2012, respectively.*

(b) Other Comprehensive Income (OCI)

The remeasurement of the net defined benefit liability included in "Other Comprehensive Income" is as follows:

(in million euros)	Pension plan benefits		Medical post-retirement benefits		Total	
	2013	2012	2013	2012	2013	2012
OPENING					**(111)**	**(46)**
Return on plan assets	6	6	-	-	6	6
Actuarial gains/(losses) arising :	-	-	-	-	-	-
■ from changes in demographic assumptions	-	-	-	-	-	-
■ from changes in financial assumptions [1]	8	(72)	1	(4)	9	(76)
■ from experience adjustments	(1)	4	-	1	(1)	5
Change in perimeter	-	-	-	-	-	-
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN OCI	**13**	**(62)**	**1**	**(3)**	**14**	**(65)**
CLOSING					**(97)**	**(111)**

(1) In 2013, the increase in discount rates (see note 25.5) led to actuarial gains amounting to €9 million when, in 2012, the effect of change in discount rates resulted in actuarial loss for €76 million (the weighted average discount rate decreased from 4.5% in 2011 to 3.4% in 2012).

25.3 Analysis of the change in benefit obligation and in plan assets

(in million euros)	Pension plan benefits		Medical post-retirement benefits		Total	
	2013	2012	2013	2012	2013	2012
Benefit obligation at opening	**(554)**	**(510)**	**(7)**	**(46)**	**(561)**	**(556)**
Current service cost	(5)	(6)	-	-	(5)	(6)
Interest cost	(19)	(22)	-	(1)	(19)	(23)
Remeasurement - actuarial (gains) and losses arising:						
■ from changes in demographic assumptions	-	-	-	-	-	-
■ from changes in financial assumptions	8	(73)	1	(4)	9	(77)
■ from experience adjustments	(1)	4	-	1	(1)	5
Past service cost, including losses/(gains) on curtailments [1]	2	7	-	41	2	48
Benefits paid	37	42	-	2	37	44
Currency translation adjustments	9	-	-	-	9	-
Change in perimeter [2]	-	5	-	-	-	5
Benefit obligation at closing [3]	**(523)**	**(553)**	**(6)**	**(7)**	**(529)**	**(560)**
Benefit obligation wholly or partly funded	*(215)*	*(222)*	-	-	*(215)*	*(222)*
Benefit obligation wholly unfunded	*(308)*	*(331)*	*(6)*	*(7)*	*(314)*	*(338)*
Change in plan assets fair value						
Fair value at opening	**173**	**166**	**-**	**-**	**173**	**166**
Interest income	7	10	-	-	7	10
Remeasurement gain/(loss)	6	6	-	-	6	6
Employer contribution	6	7	-	-	6	7
Plan participants contribution	-	-		-	-	-
Assets distributed on settlements	-	-	-	-	-	-
Benefits paid	(13)	(17)	-	-	(13)	(17)
Currency translation adjustments	(6)	-	-	-	(6)	-
Change in perimeter [2]	-	1	-	-	-	1
Fair value at closing [4]	**173**	**173**	**-**	**-**	**173**	**173**
Unrecognized prior service cost	-	(1)	-	-	-	(1)
RETIREMENT BENEFIT OBLIGATIONS	**(350)**	**(381)**	**(6)**	**(7)**	**(356)**	**(388)**

(1) In June 2012 and consistent with many U.S. companies, Technicolor has curtailed and eliminated retirees life insurance benefits in the United States of Americas. These benefits were included in the U.S. post-retirement medical plan. The impact is a curtailment gain of U.S.$54 million (€41 million at December 31, 2012 average rate).

(2) In 2012 changes in perimeter is due to disposal of the Broadcast businesses and liquidation of Thomson Angers.

(3) For NAFTA subsidiaries (which include U.S., Canada and Mexico):

- *pension benefits obligations amount to €126 million and €134 million, for the years ended December 31, 2013 and 2012, respectively;*
- *medical post-retirement benefit obligations amount to €6 million and €7 million for the years ended December 31, 2013 and 2012, respectively.*

For German subsidiaries, the pension benefit obligation and the net pension accrual amount to €275 million and €294 million for the years ended December 31, 2013 and 2012, respectively.

(4) For NAFTA subsidiaries (which include U.S., Canada and Mexico), plan assets amount to €81 million and €85 million for the years ended December 31, 2013 and 2012.

25.4 Plan assets

(a) Funding policy and strategy

When defined benefit plans are funded, mainly in the U.S. and the UK, the investment strategy of the benefit plans aims to match the investment portfolio to the membership profile.

In the U.K., defined benefit contributions are negotiated with the Trustees as per the triennal valuation. Trustees are advised by an external leading global provider of risk management services with regard to investment policy. The average yearly funding contribution is £3 million (€4 million at December 31, 2013 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 legal requirements of the U.S. law. Over the past years, funding contributions reduced significantly. The average yearly contribution is U.S.$5 million (€4 million at December 31, 2013 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 based on 50% equity instruments and 50% bonds and cash equivalents. Over the past several years, the return of the Plan has generally exceeded the benchmark.
- In the U.K. the funded status is above 80% and the target weight for return seeking assets is 78% as all obligations of active pensioners are covered by an annuity contract. The annualized performance of the Plan exceeds the benchmark on a 3-year basis.

(b) Disaggregation of the fair value by category

Technicolor's pension plans weighted-average asset allocations are as follows:

(in % and in million euros)	Plan assets allocation at December 31		Fair value of plan assets at December 31	
	2013	2012	2013	2012
Cash and cash equivalents	2%	2%	4	4
Equity investments	49%	48%	84	83
Debt securities	33%	34%	57	59
Properties	16%	16%	28	27
TOTAL	**100%**	**100%**	**173**	**173**

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 2013 actual return on plan assets amounts to €13 million (2012: €16 million).

25.5 Assumptions used in actuarial calculations

	Pension plan benefits		Medical post-retirement benefits	
	2013	2012	2013	2012
Weighted average discount rate	3.7%	3.4%	4.4%	3.6%
Weighted average long-term rate of compensation increase	2.1%	2.0%	2.1%	N/A

(a) Discount rate methodology

The projected benefit cash flows under the U.S. schemes are discounted using a yield curve determined 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:

	Euro zone	U.S.	UK
Pension	3.1%	4.3%	4.4%
Early retirement	0.8%	N/A	N/A
Medical	N/A	4.6%	N/A

(b) Changes from previous period in the methods and assumptions

IAS 19R retrospective impact on year 2012 comparative statement would have been an increase of €3 million on net periodic cost of €19 million presented last year and a decrease of €1 million of retirement benefit provision due to prior service cost (counterpart equity). Because such amounts are immaterial to comparative 2012 consolidated financial statement presented, year 2012 has not been restated.

25.6 Sensitivity analysis

The sensitivity analyses below 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.

The sensitivity to change in healthcare costs and change in discount rate are described below:

- if the discount rate is 0.25% higher, the obligation would decrease by €15 million;
- if the discount rate is 0.25% lower, the obligation would increase by €16 million;
- if the healthcare costs are 1% higher, the obligation would increase by less than €1 million;
- if the healthcare costs are 1% lower, the obligation would decrease by less than €1 million.

The sensitivity analysis presented may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

NOTE 26 PROVISIONS FOR RESTRUCTURING AND OTHER CHARGES

26.1 Restructuring provisions

(in million euros)	2013	2012
Opening provisions	**46**	**81**
Current year expense [2]	69	31
Release of provision [2]	(1)	(3)
Usage during the period [1]	(49)	(56)
Currency translation adjustment	(1)	-
Other movements	(5)	(7)
CLOSING PROVISIONS	**59**	**46**
Of which current	*59*	*45*
Of which non-current	*-*	*1*

(1) In 2012, of which €(22) million related to the restructuring plans announced in December 2011.
(2) Restructuring expenses, net of release, have been posted as follows in the consolidated statement of operations:

(in million euros)	2013	2012
Profit (loss) from continuing operations		
*Termination costs**	*(65)*	*(23)*
*Impairment of assets (part of a restructuring plan)***	*(3)*	*(6)*
Continuing restructuring expenses	**(68)**	**(29)**
Profit (loss) from discontinued operations		
Related to activities discontinued	*-*	*1*
Discontinued restructuring expenses	**-**	**1**
Total restructuring expenses of the Group	**(68)**	**(28)**

* *Termination costs are related to both employees and facilities. In December 2013, the Group has announced a number of cost reduction action plans that should lead to streamline support functions. In 2012, this amount includes €(13) million related to Thomson Angers's Social Plan.*
** *These restructuring costs are reclassified against assets prior to disposals and appeared therefore in the line "other movements" within the restructuring provision variation.*

26.2 Other provisions

(in million euros)	Warranty	Risk and litigation related to businesses disposed of	Other provisions related to continuing businesses [1]	Total
As of January 1, 2012	**18**	**69**	**54**	**141**
Current period additional provision	8	8	31	47
Release of provision	(4)	(5)	(9)	(18)
Usage during the period	(4)	(5)	(10)	(19)
Currency translation adjustments and other	-	-	3	3
As of December 31, 2012	**18**	**67**	**69**	**154**
Current period additional provision	8	5	29	42
Release of provision	(6)	(13)	(4)	(23)
Usage during the period	(3)	(2)	(7)	(12)
Currency translation adjustments and other [2]	(1)	(2)	(25)	(28)
AS OF DECEMBER 31, 2013	**16**	**55**	**62**	**133**
Of which current	*16*	*-*	*35*	*51*
Of which non-current	*-*	*55*	*27*	*82*

(1) Include mainly provision for risk and litigation.
(2) Related mainly to provisions reclassified in liabilities consequently to the signing of agreements.

As of December 31, 2013, total provisions related to litigation only amount to €27 million (€55 million as of December 31, 2012).

NOTE 27 SHARE-BASED COMPENSATION PLANS

27.1 Plans granted by Technicolor

- On October 24, 2013, the Board of Directors of the Group decided to launch a Free Share Plan. According to this plan, Technicolor will grant its eligible employees 125 Technicolor newly issued shares for free. The vesting period is 4 years. The grant of free shares is subject to the presence in the Group at the end of the vesting period. 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, 2013, 1,604,000 free shares have been granted to employees.
- On May 23, 2013, the Board of Directors approved the principles of a Management Incentive Plan (MIP 2015). As part of this plan, stock options have been awarded to around 90 key senior executives subject to presence conditions and to the achievement of performance targets that relate to the Group consolidated Free Cash Flow:
  - in 2015, if the Group consolidated Free Cash Flow for 2014 is equal to or above €100 million, 50% of the options shall vest. If the Group consolidated Free Cash Flow for 2014 is below €100 million, the options shall not vest at that date,
  - in 2016, if the Group consolidated Free Cash Flow for 2015 is equal to or above €100 million, 25% of the options shall vest. In the event that the Performance Target for 2014 has not been satisfied, 75% of the Options shall vest instead. If the Group consolidated Free Cash Flow for 2015 is below €100 million, the options shall not vest at that date,
  - in 2017, if the Group consolidated Free Cash Flow for 2016 is equal to or above €100 million, 25% of the Options shall vest. In the event that the Performance Target for either 2014 or 2015 has not been satisfied, all Options that have not previously vested shall vest instead. If the Group consolidated Free Cash Flow for 2016 is below €100 million, the options shall not vest at that date.

  The Board authorized a potential stock options plan of 26,843,987 options, of which a total of 16,598,000 options have been granted as of December 31, 2013;
- In February 2011, the Board of Directors approved the principles of a Long-Term Incentive Plan (LTIP) that has been implemented during the first semester of 2011. As part of this plan, free performance shares may be awarded in 2012, 2013 and 2014 to some senior executives subject to and proportionally to fulfillment of specified performance conditions based both on market performance criteria and on Technicolor performance achieved respectively on December 31, 2011, 2012 and 2013 as approved by the Board of Directors. For free performance shares that would be awarded based on 2011, 2012 and 2013 performance, final vesting is still conditional to senior executives staying in the Company.
- On June 17, 2010, the Board approved a Mid-term Incentive Plan (MIP) granting non-market performance units made up of a combination of cash and, depending on Management level, either stock options or free shares. Subject to the presence condition at vesting dates and fulfillment of specified non-market performance conditions on December 31, 2012 as approved by the Board of Directors, the rights under the plan shall vest either partially or in full for each beneficiary in the proportions set by the Board of Directors. For non-french tax domiciled beneficiaries, free shares will be acquired and exercisable on June 17, 2014. Beneficiaries need to be continuously employed for the plan's entire vesting period.

As of December 31, 2013 the total number of outstanding stock options amounted to a maximum of 17,045,139 options and 2,490,634 free shares granted to employees and Directors and of 173,767 options granted to employees and Directors that are not in the scope of IFRS 2 because of IFRS 1 exemptions. The details of these options are disclosed hereafter.

In accordance with the transition provisions of IFRS 2 "Share-based Payments", IFRS 2 has been applied to all grants made after November 7, 2002 that were unvested as of January 1, 2005. As a result, only the following stock option plans are accounted for under IFRS 2, with the other plans being disclosed later in this section:

	Type of plan	Grant date	Number of options initially granted	Number of options outstanding	Initial number of beneficiaries	Vesting date	Contractual option life	Exercise price [2]	Estimated fair values of the options granted
Plan 3	Subscription options	Sept. 22, 2004	359,990	108,888	574	50% as of Sept. 22, 2007 50% as of Sept. 22, 2008	10 years	€131.38	€65.3
Plan 4	Purchase options	April 19, 2005	71,940	32,684	93	50% as of April 19, 2008 50% as of April 19, 2009	10 years	€170.99	€73.2
Plan 5	Purchase options	Dec. 8, 2005	199,317	49,455	390	50% as of Dec. 8, 2008 50% as of Dec. 8, 2009	10 years	€145.60	€62.5
Plan 6	Subscription options	Sept. 21, 2006	273,974	78,153	485	50% as of Sept. 21, 2008 50% as of Sept. 21, 2009	8 years	€102.53	€32.2
Plan 7	Subscription options	Dec. 14, 2007	130,710	51,987	482	50% as of Dec. 14, 2009 50% as of Dec. 14, 2010	8 years	€85.64	€20.8
MIP* Free Share	Existing Free Shares	June 17, 2010	492,020 [1]	244,332	64	April 30, 2013 for France June 17, 2014 for other countries	-	-	€5.5
MIP* Options	Subscription options	June 17, 2010	1,216,700 [1]	887,972	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.52	€2.32
LTI Free Share	Free Shares (existing or to be issued)	April 28, 2011 and June 30, 2011	1,637,152 [1]	642,302	63	June 2013 (50%) and March 2014 (50%)	-	-	€5.2 on average
MIP 2015 Options**	Subscription options	May 23, 2013 and June 17, 2013	16,398,000	15,636,000	94	May 2015 (50%), May 2016 (25%), May 2017 (25%)	5 years	€3.31	€1.10
MIP 2015 Options**	Subscription options	October 24, 2013	200,000	200,000	1	May 2015 (50%), May 2016 (25%), May 2017 (25%)	5 years	€4.07	€1.45
Free Share Plan	Free shares (to be issued)	November 12, 2013	1,604,000	1,604,000	12,832	November 2017	-	-	€3.87

* *Mid-Term Incentive Plan (MIP) (see description above).*
** *Management Incentive Plan (MIP 2015) (see description above).*
(1) Maximum potential number.
(2) Exercise prices and number of options were modified following the 2012 capital increases.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows for 2013 and 2012:

	Number of share options	Weighted Average Exercise Price *(in €)*
Outstanding as of December 31, 2011 (with an average remaining contractual life of 6 years – excluding free shares)	**3,221,626**	**19.4** (ranging from 0 to 208.2)
*Out of which **exercisable***	*376,666*	*148.6*
Adjustment following capital increases in July and August 2012	17,000	37.7
Forfeited	(358,125)	8.6
Outstanding as of December 31, 2012 (with an average remaining contractual life of 5 years – excluding free shares)	**2,880,501**	**17.4** (ranging from 0 to 171)
Out of which exercisable	*354,496*	*115.4*
Granted	17,440,000	3.68
Forfeited	(784,728)	6.03
OUTSTANDING AS OF DECEMBER 31, 2013 (with an average remaining contractual life of 4 years – excluding free shares)	**19,535,773**	**5.6** (ranging from 0 to 171)
Out of which exercisable	*321,167*	*111.6*

Significant assumptions used

The estimated fair values of the stock options granted were calculated using the Black-Scholes option pricing model.

The inputs into the model were as follows:

(in % and in €)	Stock options plan granted in		
	October 2013	**June 2013**	**2010**
Weighted average share price at measurement date	4.06	3.2	5.5
Weighted average exercise price	4.07	3.31	4.68
Expected volatility	40%	40%	52%
Expected option life*	5 years	5 years	5 years
Risk free rate	0.77%	0.62%	1.85%
Expected dividend yield	0%	0%	0%
Fair value of option at measurement date	1.5	1.1	2.3

* *Which is shorter than the contractual option life as it represents the period of time 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 stock 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 LTI, 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%.

27.2 Plans granted by MediaNaviCo

Technicolor's subsidiary MediaNaviCo granted "Value Options Plan" to employees and a "Profit Interest Plan" for two MediaNaviCo executives. Both plans are similar to share appreciation rights and fall within the scope of IFRS 2. They are both cash settled share-based transactions.

- For the "Value Options Plan" granted in December 2011, the employees will vest a lump sum payment upon a change in control of MediaNaviCo or an Initial Public Offering (IPO) equal to the amount, if any, by which the final per share value of MediaNaviCo exceeds the exercise price of the options.
- For the "Profit Interest Plan":
  - the two executives have each been granted "incentives units" corresponding to 1.57% (T1) of MediaNaviCo gains and profits (equivalent to fair market value at liquidity event date minus fair market value at grant date) after the grant date of T1 (granted in September 2011),
  - following the departure of one executive in 2012, only one executive was granted "incentive units" corresponding to 0.44% (T2) of MediaNaviCo gains and profits after grant date of T2 (granted on January 1, 2013),
  - following the departure of one executive in 2012, only one executive will be granted "incentive units" corresponding to 0.34% (T3) of MediaNaviCo gains and profits after grant date of T3 (to be granted on January 1, 2014).

These "incentives units" will vest 25% per year for 4 years from the grant date. They can be exercised each year starting January 1, 2019 or earlier in case of a change in control of MediaNaviCo or an IPO.

The estimated fair values of the options granted to the employees and to the two executives were calculated using a binomial option pricing model.

The inputs into the model were as follows:

	Profit Interest Plan Options	Value Options
Expected volatility	60%	60%
Expected vesting period (in years)	4	Between 3.5 and 4.5 depending on the grant date
Risk free rate	2.1%	2.1%
Repo rate	3%	3%
Turnover rate over the vesting period	0%	Between 0% and 15%
Exercise price *(in €)*	N/A	0.45
Fair value of option at measurement date *(in €)*	0.26	0.26

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used is based on the volatility rates used by MediaNaviCo's peers to value their stock options plans.

As the plans are cash settled, the counterpart of the expense in the consolidated statement of financial position is a liability that has to be remeasured at fair value at each reporting date, by applying an option pricing model.

	Profit Interest Plan Options	Value Options
NUMBER OF OPTIONS GRANTED AS OF DECEMBER 31, 2012	**3,337,968**	**8,713,414**
New options granted (with an average fair value of €0.30 at grant date)	943,543	4,858,000
Forfeited	-	(4,317,000)
NUMBER OF OPTIONS OUTSTANDING AS OF DECEMBER 31, 2013	**4,281,511**	**9,254,414**

The impact of this plan on Technicolor's result is less than €1 million in 2013 and in 2012.

27.3 Compensation expenses charged to income

The compensation expenses charged to income for the services received during the period amount to €6 million and €5 million for the years ended December 31, 2013 and 2012, respectively. The counterpart of this expense has been credited fully to equity in 2013 and 2012.

27.4 Elements concerning the plans to which IFRS 2 has not been applied*

** Granted before November 7, 2002 and/or vested as of January 1, 2005.*

The equity instruments not restated under IFRS 2 in accordance with IFRS 1 includes BASAs *(Bons d'Achat et de Souscription d'Actions)* granted on September 15, 2004 and acquired by the Group's employees who were eligible to participate in the plan. The residual equity instruments not restated under IFRS 2 and for which the option life has not expired are the stock options granted in 2004 in replacement of stock option rights granted prior to November 7, 2002 (part of Plan 3).

The details of stock options (excluding BASAs) not accounted for under IFRS 2 because of IFRS 1 exceptions are as follows:

	Number of options	Weighted Average Exercise Price *(in €)*
Outstanding as of December 31, 2011 (with an average remaining contractual life of 3 years)	**206,828**	**160**
Out of which exercisable	*206,828*	*160*
Adjustment following capital increases of July and August 2012	2,508	131.38
Forfeited	(4,530)	131.38
Outstanding as of December 31, 2012 (with an average remaining contractual life of 2 years)	**204,806**	**131.38**
Out of which exercisable	*204,806*	*131.38*
Forfeited	(31,039)	131.38
OUTSTANDING AS OF DECEMBER 31, 2013 (with an average remaining contractual life of 1 year)	173,767	131.38
Out of which exercisable	*173,767*	*131.38*

NOTE 28 OTHER CURRENT AND NON-CURRENT LIABILITIES

(in million euros)	2013	2012
TOTAL OTHER NON-CURRENT LIABILITIES	**136**	**96**
Taxes payable	42	33
Current royalties	119	98
Payables for PPE and intangible assets	13	18
Other [1]	238	265
TOTAL OTHER CURRENT LIABILITIES	**412**	**414**

(1) In 2012 includes the €38.6 million fine from the European Commission related to Thomson's former Cathode Ray Tubes (CRT) business payable in 2013.

NOTE 29 EARNINGS (LOSS) PER SHARE

Diluted earnings (loss) per share

The calculation of the diluted earnings (loss) "Group share" per share from continuing operations "Group share" attributable to the ordinary equity holders of the parent presented is as follows:

	2013	2012
NUMERATOR:		
Adjusted profit (loss) "Group share" from continuing operations attributable to ordinary shareholders *(in million euros)*	(106)	15
DENOMINATOR*:		
Weighted shares *(in tousands)*	335,094	277,191
Of which		
NRS IIC [(1)]	-	1,006
Stock options	-	300

* *Weighted average number of share for basic earnings is 335,094 thousands shares in 2013 and 275,885 thousands shares in 2012. For computation of the diluted earnings (loss) per share, weighted number of NRS IIC and stock options is added in 2012. For year 2013, because there is a loss from continuing operation attributable to ordinary equity holders the unconverted shares from assumed conversions of stock options have not been included in calculating the diluted per-share amount.*
According to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted in 2012 to take into account the share capital increase with preferential subscription rights that occurred on August 14, 2012.
Due to Technicolor share price all other stock option plans except free share plans have no dilution impact. Some of these plans could have dilution impact in the future depending on the stock price evolution (see details of these plans in note 27).

(1) In 2012, this weighted amount of shares includes 1,009 thousands new shares issued on December 30, 2012.

The calculation of the diluted earnings (loss) "Group share" per share from discontinued operations attributable to the ordinary equity holders of Technicolor is as follows:

	2013	2012
NUMERATOR:		
Adjusted profit (loss) "Group share" from discontinued operations attributable to ordinary shareholders *(in million euros)*	19	(35)
DENOMINATOR:		
Weighted shares *(in tousands)*	335,094	277,191

NOTE 30 INFORMATION ON EMPLOYEES

The geographical breakdown of the number of employees of the Group at the end of the year is as follows:

	2013	2012
Europe	3,894	4,135
North America	5,468	5,930
Asia [1]	2,063	1,960
Other countries [2]	2,575	2,614
TOTAL NUMBER OF EMPLOYEES	**14,000**	**14,639**
Number of employees in entities accounted for under the equity method	417	413
(1) Of which India	*1,409*	*1,238*
(2) Of which Mexico	*1,562*	*1,618*

There were no employees reported under the discontinued perimeter as of December 31, 2013 and 2012.

The total "Employee benefits expenses" (including only people employed in the consolidated entities) is detailed as follows:

(in million euros)	2013	2012
Wages and salaries	630	710
Social security costs	86	103
Compensation expenses linked to share options granted to Directors and employees [1]	6	5
Pension costs - defined benefit plans [2]	15	(26)
Termination benefits and other long-term benefits [3]	47	19
TOTAL EMPLOYEE BENEFITS EXPENSES (EXCLUDING DEFINED CONTRIBUTION PLANS) [4]	**784**	**811**
Pension costs - defined contribution plans	19	19

(1) See note 27.
(2) The positive impact of pension costs in 2012 is linked to a curtailment gain (see note 25).
(3) These costs were presented in restructuring expenses within continuing operations in the consolidated statement of operations (see note 26).
(4) The defined contribution expenses paid within a legal and mandatory social regime are included in Employee benefits expenses shown above.

NOTE 31 SPECIFIC OPERATIONS IMPACTING THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash impact of debt restructuring

(in million euros)	Note	2013	2012
Fees paid for debt in 2013 and capital restructuring in 2012 [1]	(9)	(131)	(1)
Reimbursement of borrowings to bank holders	(22)	(124)	(245)
TOTAL CASH IMPACT OF DEBT RESTRUCTURING		**(255)**	**(246)**

(1) The fees paid directly linked to the debt restructuring have been classified into financing cash flows as they relate to the refinancing debt.

(b) Acquisition of subsidiaries, associates and investments

(in million euros)	2013	2012
Business acquisition from Roadshow	(3)	-
Business acquisition from Quinta	-	(2)
Acquisition of 50% interests in Indoor Direct, LLC	(3)	(6)
Business acquisition from Laser Pacific	-	(1)
Technicolor Digital Cinema LLC (deferred payment)	(1)	(1)
Other	(1)	-
ACQUISITION OF INVESTMENTS, NET OF CASH POSITION OF COMPANIES ACQUIRED	**(8)**	**(10)**

(c) Disposal of subsidiaries and activities

(in million euros)	2013	2012
Continuing activities		
Broadcast	-	17
Net sale of investment in Novaled	4	-
Other disposal and cash of companies disposed of	2	-
Proceeds from sale of investments, net of cash	**6**	**17**
Discontinued activities		
Grass Valley activities [1]	27	(4)
Other disposal and cash of companies disposed of	-	(1)
Net investing cash used in discontinued operations	**27**	**(5)**
TOTAL CASH IMPACT OF DISPOSALS	**33**	**12**

(1) Corresponds to the payment of commitments given in the disposals agreements, and to the proceed received from Francisco Partner following the agreement on the Promissory Note (see note 11).

(d) Changes in working capital and other assets and liabilities

In 2012, Technicolor sold to a financial institution its Research tax credit (CIR) for €17 million in cash. This sale led to the derecognition of the €22 million receivable with the following counterpart:

- a cash receipt of €17 million;
- a €3 million receivable towards the financial institution, corresponding to the residual cash to be received when the French tax authorities reimburse the CIR in 2015; and
- a €2 million expense over the period.

The Group keeps a residual continuing involvement in the derecognized receivable due to the fiscal risk.

In 2013, the CIR will be recovered through a reduction of the income tax due and therefore no CIR receivable has been sold to a financial institution and derecognized.

On top of this transaction, the Group enters into reversed factoring agreements for an amount of €8 million receivables as of December 31, 2013 and for €3 million receivables as of December 31, 2012.

NOTE 32 CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The following table provides information regarding the aggregate maturities of contractual obligations and commercial commitments as of December 31, 2013 for which the Group is either obliged or conditionally obliged to make future cash payments (contractual obligations related to the debt restructuring agreement is detailed in note 22). 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.

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 below as they do not increase the Group's commitments in relation to the initial commitments undertaken by the entities concerned.

In the normal course of its activity, 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 below. Guarantees provided by entities of the Group for securing debt, capital leases, operating leases or any other obligations or commitments of other entities of the Group are not included as the related obligations are already included in the table below.

Unconditional and conditional future payments		Amount of commitments by maturity			
(in million euros)	2013	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Unconditional future payments					
On-balance sheet obligations:					
Financial debt excluding finance leases [1]	1,091	86	119	289	597
Finance leases [2]	-	-	-	-	-
Payables on acquisition and disposal of companies	7	2	5	-	-
Off-balance sheet obligations:					
Operating leases [3]	282	71	103	55	53
Other unconditional future payments [4]	31	9	12	6	4
TOTAL UNCONDITIONAL FUTURE PAYMENTS*	**1,411**	**168**	**239**	**350**	**654**
Conditional future payments					
Off-balance sheet obligations:					
Guarantees given [5]	106	42	2	-	62
Other conditional future payments [6]	3	1	2	-	-
TOTAL CONDITIONAL FUTURE PAYMENTS*	**109**	**43**	**4**	**-**	**62**

* *"Total Unconditional future payments" and "Total Conditional future payments" as of December 31, 2012 amounted respectively to €1,624 million and €55 million on continuing entities. The purchase obligation is no more included as no minimum volumes is engaged in the purchase contracts.*

(1) *Financial debt is reported here at its nominal value for its principal amount and accrued interest (IFRS value reported in the consolidated statement of financial position is €1,022 million, see note 22). Future interest expenses and the impact of interest rate swaps are not reported in this table. Currency swaps, hedging operations and foreign exchange options are described below in a separate table.*

(2) *There is no significant finance lease in the Group.*

(3) *Operating leases are described below in this note.*

(4) *Other unconditional future payments relate mainly to the maintenance costs associated with the lease.*

(5) *These guarantees comprise:*
- *guarantees given for disposal of assets for €1 million;*
- *guarantees for customs duties and legal court proceedings for €0.6 million, comprising mainly duty deferment guarantees required by the customs administrations to benefit from customs duty deferments. Imported goods are normally taxed when they enter the territory. In the case of regular import flows, customs may grant an economic regime, under which a cumulated duty payment is made after a determined one-month credit period. The carrying value of this guarantee is to cover the duties to be paid during the credit period;*
- *guarantees given to tax offices for €25 million related to ongoing tax litigations;*
- *a parental guarantee provided by Technicolor SA to secure the Section 75 debt;*
- *various operational guarantees granted to customs administrations in order to be exempt from duties goods transiting through customs warehouses for re-exportation, and transit guarantees in order that taxes are paid on goods only at their final destination in the import country. The maturity of these bank guarantees match the one-month renewable term of the agreements.*

(6) *Conditional obligations mainly include contingent earn-out payments for €3 million related to past acquisitions.*
Additional information:
- *guarantees and commitments received amount to €148 million as of December 31, 2013. 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. Contractual obligations and commercial commitments taken by discontinued entities, unconditional and conditional, amount to €11 million as of December 31, 2013.*

Commitments related to financial instruments

Commitments related to financial instruments held by the Group generate both future cash payments and receipts. Therefore they have not been disclosed in the table above.

These commitments are disclosed in the following table as follows:

- 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)	2013
Currency swaps	233
TOTAL COMMITMENTS GIVEN	**233**
Currency swaps	(233)
TOTAL COMMITMENTS RECEIVED	**(233)**

Operating leases

At December 31, 2013, commitments related to future minimum and non-cancellable lease payments are detailed below:

(in million euros)	Minimum future lease payments [1]	Future lease payments commitments received [2]	Net value of future lease commitments
2014	71	(3)	68
2015	58	(2)	56
2016	45	(1)	44
2017	33	(1)	32
2018	22	(1)	21
After 5 years	53	-	53
TOTAL	**282**	**(8)**	**274**

(1) Minimum operating lease payments shown are not discounted.
(2) Includes mainly operating lease payments to be made by:
- *ASSYSTEM, Inc. Research, CCA INTERNATIONAL, OUIDO and Cirpack for the subleasing of a part of the headquarter in France.*
- *Proservia for the subleasing of a part of the Rennes building in France.*

The above table includes the leases accrued as restructuring reserve for €3 million as of December 31, 2013.

The main operating leases relate to the headquarters in Issy-les-Moulineaux and Indianapolis:

- 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.

The net operating lease expense in 2013 was €83 million (€85 million in rental expense and €2 million in rental income).

Guarantees granted by subsidiaries and security interests granted to secure the Reinstated Debt

A security package consisting of share pledges, pledges of certain receivables under material customer contracts, pledges of material intra-group loans and pledges of material cash-pooling accounts was put in place to secure the obligations of the borrower's and each guarantor's obligations under the Credit Agreement and Note Purchase Agreement. These assets will remain pledged until the final payment of all the amounts due by the Group to its creditors.

To secure its obligations under the Reinstated Debt, certain subsidiaries of the Company have agreed, severally and not jointly, irrevocably and unconditionally to guarantee the Company's and each other guarantor's obligations of payment and performance under the Reinstated Debt.

All material Group Members as defined in the Credit Agreement are required to provide such guarantee. In addition, the guarantors coverage must represent at least 90% of Covenant Group EBITDA and/or 70% of consolidated assets and/or 50% of consolidated revenues.

New material Group Members and additional guarantors must accede as guarantors in order to maintain the guarantor coverage on the basis of the annual audited accounts for the year ended December 31, 2010 and each financial year-end thereafter.

As of the closing date of the Reinstated Debt, the guarantors under the Credit Agreement and the Note Purchase Agreement comprised 18 entities mainly located in U.K., France and USA. In 2011, 8 additional subsidiaries have granted guarantees to secure the Reinstated Debt.

Shares of subsidiaries pledged

Technicolor SA and the main guarantors, which include Technicolor International SAS (formerly Thomson Multimedia Sales International SAS), Technicolor Delivery Technologies SAS, Technicolor Inc. and Technicolor USA, Inc. (formerly Thomson Inc.) have pledged the shares of 36 of their subsidiaries to secure part of the Reinstated Debt.

Cash pooling accounts pledged

Pursuant to six different Cash Pooling Pledge Agreements, the cash pooling accounts of Technicolor SA and Technicolor USA, Inc. were pledged. The Cash Pooling Agreements relate to the domestic and international centralization of Group Treasury, a bilateral target balancing agreement, an automatic dollar transfer agreement, a North American target balancing agreement for multiple legal entities and a domestic UK cash concentration daily sweep arrangement.

Intragroup loans pledged

Pursuant to an Intragroup Loans Receivables Pledge Agreement, Intragroup loans receivables were pledged from Technicolor Trademark Management, Technicolor Europe Ltd., Technicolor Videocassette Holdings (UK) Limited and Technicolor Entertainment Services Spain, SA.

NOTE 33 CONTINGENCIES

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:

Banco Finantia Case

In connection with the *Sauvegarde* Plan, the *Mandataires Judiciaires* in charge of the *Sauvegarde* Plan contested the claim in an amount of €9.9 million of Banco Finantia (a Portuguese bank) due to a creditor declaration outside of the legal time limit. Banco Finantia had acquired its claim from the French branch of Bank of America, which held the claim at the opening of the *Sauvegarde* proceeding, and which did not declare its claim prior to the transfer to Banco Finantia. Banco Finantia declared its claim on the last day of the four-month deadline applicable to foreign creditors under Article R. 622-24 of the French Commercial Code. The Company and its *Mandataires Judi*ciaires consider that, as this claim was held by a French creditor on the date the *Sauvegarde* proceeding was opened (the French branch of Bank of America), it should have been declared within the two-month deadline applicable to French creditors rather than the four-month deadline applicable to foreign creditors.

On February 14, 2011, the Juge-Commissaire rendered a decision in favor of Banco Finantia, holding that Banco Finantia benefited from the four-month deadline for the purposes of filing a claim. The Company has appealed against this decision.

On May 10, 2012, the Versailles Court of Appeals rejected the Company's claims. The Court of Appeals decision was confirmed by the French Supreme Court *(Cour de cassation)* on October 15, 2013.

Italian tax litigation – Videocolor transfer prices

The Company's former Italian subsidiary, Videocolor S.p.A. (Videocolor), was subjected to a tax verification process in connection with its exporting of picture tubes to Technicolor USA, Inc. (formerly Thomson Inc.) from 1993 to 1998. In its report transmitted to the Italian Direct Taxes Local Office (the "Tax Office") in December 1999, the Guardia di Finanza decided to modify the valuation method of the tubes exported to Technicolor USA, Inc. and, as a consequence, increased the taxable income of Videocolor in the amount of €31 million for the fiscal years 1993 through 1998.

In May 2003, Videocolor elected to benefit, in respect of fiscal years 1993 and 1994 only, from a tax amnesty law enacted by the Italian Parliament in 2003. In application thereof, Videocolor paid a total amount of €1 million using available tax losses, thereby ending all disputes with respect to fiscal years 1993 and 1994.

With regard to fiscal year 1995, the Tax Office gave notice in 2001 of an assessment resulting in additional taxes amounting to €4 million and tax penalties amounting to €4 million (before interest). Videocolor successfully appealed this assessment in October 2001 but, following an appeal from the tax authorities, the judgment was partially overturned in June 2006, with the Court of Appeals confirming an assessment in the amount of €2 million, not including penalties. In January 2008, Videocolor filed an appeal with the Supreme Court based on the argument that the assessment did not comply with Organization for Economic Co-operation and Development ("OECD") transfer pricing principles. In addition, in 2009 Videocolor filed a revocation appeal with the Court of Appeals in order to obtain the correction a material mistake contained in the first instance court decision that resulted in the assessment being unduly increased by around €1 million. In June 2008, the Court of Appeals rejected this appeal, and Videocolor challenged this decision before the Supreme Court in October 2009.

In 2002, the Tax Office gave notices of two assessments with regard to fiscal years 1996 and 1997 resulting in additional taxes amounting to €3 million and €2 million, respectively and tax penalties amounting to €3 million and €2 million, respectively. Videocolor challenged the assessments before the tax court in order to nullify these assessments. In October 2004, the tax court rejected most of the assessments notified by the Italian Tax authorities. The Tax Office appealed this decision in December 2005. In December 2007, the Court decided in favor of Videocolor, confirming the previous judgment. In July 2008, the Tax Office challenged these rulings to the Supreme Court.

In December 2003, the Tax Office gave notice of an assessment with respect to fiscal year 1998, resulting in additional taxes amounting to €0.1 million and penalties amounting to €0.1 million. Videocolor appealed against this assessment in March 2004. After a number of court decisions, the Court of Appeals in September 2012 cancelled most of the assessment. This litigation is now closed.

On January 15, 2014, appeal hearings took place before the Supreme Tax Court in connection with four of the litigations: assessments relating to fiscal years 1995, 1996 and 1997, and revocation appeal in connection with fiscal year 1995. The decisions are expected in the second quarter of 2014.

Allegations of Anti-dumping of televisions manufactured by Technicolor in Thailand

Technicolor is defending cases against Customs authorities in four European countries in relation to imports into the European Union by Technicolor subsidiaries of televisions manufactured by Technicolor in Thailand. These proceedings relate to different periods according to the different rules in each country, beginning at the earliest in 1997 and ending at the latest in August 2002. In accordance with the relevant procedures, Technicolor received various re-assessment notices in May 2004, January 2005 and February 2005 relating to antidumping duties, excluding interest and any penalties applicable in various countries of the European Union, including the United Kingdom, Germany, France, and Italy for an aggregate amount of approximately €22 million.

Based on an unfavourable decision of the Italian Supreme Court issued in September 2012, the Italian Customs Authorities have requested the payment of a €7.6 million reassessment by installments. Technicolor considers the Supreme Court decision to be unlawful in view of European Community law and introduced on November 8, 2013 an indemnity action before the Italian courts against the Italian State, involving the European Court of Justice by way of a preliminary question, if deemed necessary.

The French Customs Authority accepted to submit in August 2005 Technicolor's duty refund claim based on Article 239 of the European Community's Customs Code to the European Commission. In May 2007, the European Commission notified Technicolor of its rejection of this claim, but accepted Technicolor's good faith. In July 2007, Technicolor filed an appeal at the Court of First Instance of the European Court of Justice, which rejected Technicolor's position in September 2009. In November 2009, Technicolor lodged an appeal at the European Court of Justice which also rejected Technicolor's position in June 2010. Technicolor is continuing the legal proceedings at the national courts in France and Germany while, in the United Kingdom, Technicolor paid in July 2013 €986,595 in full and final settlement of the reassessment, which closes the case in the United Kingdom. In June 2011, the French court accepted Technicolor's request to transfer the case to the European Court of Justice, which responded in March 2012 but sent the case back to the French courts. In January 2013, the French Court issued a decision unfavorable to Technicolor, declaring it liable to pay €9.5 million including VAT. Technicolor lodged an appeal against this decision on February 18, 2013 and the court hearing took place on January 17, 2014. The decision is expected in March 2014.

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 €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. The Polish Tax Authorities also launched an audit for tax year 2007 and issued a preliminary assessment for approximately €378,153 without interest and Technicolor will challenge this preliminary assessment.

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. One VAT assessment amounting to €1.3 million, relates to a subsidy granted to a former subsidiary 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 a VAT assessment with respect to 2010 tax year on the same grounds: €1.1 million relating to the subsidy and €7.5 million relating to the deductibility of the "holding" VAT.

The Company is challenging these assessments.

Taoyuan County Form RCA Employees' Solicitude Association (the "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 TCETVT and General Electric International, Inc. ("GEI"). The Association is alleging that 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 claims damages of NTD 2.7 billion (approximately €66 million at the December 31, 2013 exchange rate) to compensate the members of the Association for the alleged injury suffered by the former plant employees who worked and lived at the Facility from its inception until its closure in 1992.

In March 2005, the Association's complaint was dismissed by the Taipei District Court based on the Association's failure to comply with certain procedural aspects of Taiwan's class action statutes. Shortly thereafter, the Association appealed the dismissal, which was reversed by the Taiwan Supreme Court. In 2006, the case was remanded to the Taipei District Court for further proceedings as to procedural compliance by the Association. The parties have filed a number of briefs addressing procedural and substantive issues and the court has held several hearings. The Association has also attempted to add Thomson Consumer Electronics (Bermuda), Ltd., Technicolor USA, Inc., Technicolor SA, and General Electric Company ("GE") as defendants. Technicolor is defending the case, and it is unclear how the addition of defendants will impact the progress of the case. It is Technicolor's position that GE has indemnity obligations to Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric. GE denies the existence of any such obligations to Technicolor.

Cathode Ray Tubes ("CRT") Investigations and Lawsuits

Class action lawsuits asserting private antitrust claims alleging anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses) were filed in early 2008 in the United States (one group brought by indirect purchasers and one group brought by direct purchasers) that originally named Technicolor SA and others as defendants, although Technicolor SA was dropped as a named defendant when amended complaints were filed in the spring of 2009. The Group sold the CPT business in 2005 and never had activity in the CDT business. In November 2011, Technicolor USA, Inc. and Technicolor SA executed tolling agreements with the indirect purchaser plaintiffs and the direct purchaser plaintiffs tolling the statute of limitations to bring actions against Technicolor. In August 2012, the indirect purchaser plaintiffs moved the Court to join Technicolor SA and Technicolor USA, Inc. to the pending class action. In October 2012, Technicolor SA, Technicolor USA, Inc., and the indirect purchaser plaintiffs executed an amendment to the tolling agreement which extended the original tolling agreement, prohibited indirect purchaser plaintiffs from bringing Technicolor into the present class action, and required Technicolor to provide certain sales documents.

In March 2013, Sharp Electronics filed suit against Technicolor SA and Technicolor USA, Inc. alleging anticompetitive behaviour in the CRT industry. Technicolor USA, Inc. and Technicolor SA have timely filed motions to dismiss. In September 2013, the Court issued an order dismissing Sharp's claims without prejudice for failure to plead facts in support of its claims with the requisite particularity, but granted Sharp leave to amend its complaint. In October 2013, Sharp filed an amended complaint against Technicolor SA and Technicolor USA, Inc. and Technicolor SA and Technicolor USA, Inc. timely filed motions to dismiss Sharp's amended complaint, which motions are now pending before the Court. In September 2013, Tech Data filed suit against Technicolor SA and Technicolor USA, Inc. alleging anticompetitive behaviour in the CRT industry, and Technicolor USA, Inc. and Technicolor SA will file timely motions to dismiss the Tech Data complaint when appropriate.

In November 2011, several direct purchaser plaintiffs filed complaints against other CRT-industry defendants and, in March 2013, sought leave to amend those complaints to add claims against Technicolor SA and Technicolor USA, Inc.; the Court denied the direct purchaser plaintiffs leave in September 2013. In November and December 2013, several new suits alleging the same anticompetitive behaviour were filed against Technicolor SA and Technicolor USA, Inc. by some of those same plaintiffs, including: BestBuy Co., Inc.; Costco Wholesale Corp.; Office Depot, Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; creditors of Tweeter Opco, LLC, and Tweeter Newco, LLC; Electrograph Systems, Inc.; P.C. Richard & Son Long Island Corp.; MARTA Coop. of Am., Inc.; ABC Appliance, Inc.; Target Corporation; and Interbound Corporation of America. Technicolor USA and Technicolor SA will file timely motions to dismiss these complaints when appropriate.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian Ministry of Justice indicating Brazilian authorities are initiating an investigation of possible cartel activity within the CRT industry in Brazil. Technicolor SA's response is due in February 2014.

On September 10, 2012, Technicolor SA received notice from the Mexican Federal Competition Commission indicating Mexican authorities had completed an investigation of possible cartel activity within the CRT industry in Mexico and on December 3, 2012, Technicolor SA has provided a response and evidence responding to the allegations.

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 1987, and TCETVT, as an affiliate of Technicolor SA, owned the facility from approximately 1988-1992 when it was sold to an entity outside the Technicolor Group. 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. It is the Company's position that GE has a contractual obligation to indemnify Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric.

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 guaranties 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.

Moreover, future events, such as changes in governments or in laws on safety, the environment, or health, or the discovery of new risks, could create additional costs which could adverse effects on the Groups' business, results of operations, or financial condition.

NOTE 34 RELATED PARTY TRANSACTIONS

The main transactions completed with, receivable from and payable to related parties are detailed as follows:

(in million euros)	2013	2012
Statement of financial position items		
Trade receivables		
■ SV Holdco	1	3
■ Other joint ventures	2	2
Trade payables		
■ ST Microelectronics [1]	2	3
■ Eastman Kodak Company [5]	1	-
Other assets		
■ Other joint ventures	1	-
Other liabilities		
■ Thomson Angers [3] [4]	1	4
■ Thalès [1]	4	-
Statement of operations items		
Revenues		
■ SV Holdco	8	9
■ Indoor Direct, LLC [2]	3	3
■ Other joint ventures	-	2
■ ST Microelectronics [1]	1	1
Expenses		
■ ST Microelectronics [1]	(33)	(23)
■ Thomson Angers [3] [4]	(1)	(20)
■ Eastman Kodak Company [5]	(15)	-
Contractual obligations and other commitments		
Commitments given		
■ Thomson Angers [3]	-	(2)

(1) Since March 2011, Mr. Lombard, Director of Technicolor, is Board Member of Thalès and Member of the Supervisory Board of ST Microelectronics. As a consequence, Thalès and ST Microelectronics are still related parties of Technicolor.

(2) Following the acquisition of 50% of Indoor Direct, LLC in 2012, Technicolor accounts for its investment in this joint venture using the equity method. Indoor Direct, LLC is therefore a new related party to Technicolor in 2012.

(3) Technicolor lost the control of Thomson Angers and stopped the consolidation of this entity from June 1, 2012. Thomson Angers is therefore a new related party to Technicolor in 2012.

(4) In 2012, this amount corresponded to restructuring costs for €13 million and other losses for €7 million related to the commitments taken by Technicolor SA towards its former subsidiary.

(5) Following the appointment of Mrs Quatela, President of Eastman Kodak Company, as Technicolor's Director during the General Shareholders' Meeting held on May 23, 2013, Eastman Kodak Company is a new related party to the Group.

Key Management Personnel Compensation

The 2013 and 2012 Directors' fees and compensation expenses (incl. Social security costs) amounted respectively to €0.7 million and €0.7 million. 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 2013 will be paid in 2014.

Compensation expenses allocated by the Group to Members of the Executive Committee (including those who left this function during 2013 and 2012), during 2013 and 2012 are shown in the table below:

(in million euros)	2013	2012
Short-term employee benefits [1]	15	14
Termination benefits	-	-
Share-based payment	2	2
TOTAL	**17**	**16**

(1) In addition, as of December 31, 2013 and December 31, 2012, the Group has an obligation of €3 million and €4 million respectively in case of retirement.

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 €7 million.

NOTE 35 SUBSEQUENT EVENTS

On February 5, 2014 Technicolor announced that it had refinanced part of its remaining senior secured debt maturing in 2016 and 2017 (€181 million) and that it would subsequently reimburse the rest of this debt (€85 million). As detailed in note 22 to the consolidated accounts, in July 2013 Technicolor had refinanced around €905 million of this senior secured debt by issuing new debt (term loans) in an amount of €838 million maturing in 2020 and €67 million of cash. The incremental term loans were subscribed on February 5, 2014 by certain lenders under the senior secured debt, on terms identical to the new debt issued in July 2013, in consideration for the assignment of their participations under the senior secured debt *via* a cashless exchange.

The February 5, 2014 refinancing transaction generates small interest savings and more importantly, it further improves the maturity profile of Technicolor's debt. In addition to this exchange, Technicolor expects to fully reimburse the remainder of its senior secured debt (€85 million) out of its cash by the end of April 2014, thus reducing its gross debt and lowering its interest costs, further simplifying its debt structure and increasing its financial flexibility.

NOTE 36 LIST OF MAIN CONSOLIDATED SUBSIDIARIES

The following is a list of the principal consolidated holding entities and subsidiaries:

	% share held by Technicolor	
Company - (Country)	**2013**	**2012**
1) Fully consolidated		
Technicolor SA (France) 1-5 rue Jeanne d'Arc, 92130 Issy-les-Moulineaux – France	Parent company	Parent company
MediaNaviCo LLC (U.S.)	85.6	89.1
Th. Multimedia Distrib. (Netherlands) BV (Pays-Bas)	100.0	100.0
Technicolor Disc Services International Ltd. (Hammersmith) (U.K.)	100.0	100.0
Technicolor Mexicana, S. de RL de CV (Mexico)	100.0	100.0
Technicolor Export de Mexico, S. de RL de CV (Mexico)	100.0	100.0
Technicolor Home Entertainment Services of America LLC (U.S.)	100.0	100.0
Comercializadora Thomson de Mexico, SA de CV (Mexico)	100.0	100.0
Thomson Sales Europe SA (France)	100.0	100.0
Technicolor Delivery Technologies SAS (France)	100.0	100.0
Technicolor USA Inc. (U.S.)	100.0	100.0
Thomson Telecom Mexico, SA de CV (Mexico)	100.0	100.0
Technicolor Delivery Technologies Australia Pty Limited (Australia)	100.0	100.0
Thomson Licensing LLC (U.S.)	100.0	100.0
Technicolor Brasil Midia E Entretenimento LTDA (Brazil)	100.0	100.0
Technicolor Asia Pacific Holdings Pte. Ltd. (Singapore)	100.0	100.0
Technicolor Asia Pacific Investments Pte Ltd. (Singapore)	100.0	100.0
Technicolor Inc. (U.S.)	100.0	100.0
Technicolor Home Entertainment Services Inc. (U.S.)	100.0	100.0
Technicolor Home Entertainment Services de Mexico, S. de RL de CV (Mexico)	100.0	100.0
Technicolor Videocassette of Michigan, Inc. (U.S.)	100.0	100.0
Technicolor Media Services UK Ltd. (U.K.)	100.0	100.0
Technicolor India Pvt Ltd. (India)	100.0	100.0
IZ-ON Media, LLC (U.S.)	100.0	100.0
Technicolor Creative Services USA Inc. (U.S.)	100.0	100.0
Technicolor Holdings of Canada Inc. (Canada)	100.0	100.0
Technicolor Canada, Inc. (Canada)	100.0	100.0
Technicolor Australia Investments Ltd. (U.K.)	100.0	100.0
Technicolor, Pty, Ltd. (Australia)	100.0	100.0
RCA Trademark Management SAS (France)	100.0	100.0
Technicolor Holdings Ltd. (U.K.)	100.0	100.0
Technivision Ltd. (U.K.)	100.0	100.0
Technicolor Videocassette Holdings (UK) Ltd. (U.K.)	100.0	100.0
Technicolor Video Services (UK) Ltd. (U.K.)	100.0	100.0
Technicolor Ltd. (U.K.)	100.0	100.0
Technicolor Distribution Services France SARL (France)	100.0	100.0
Technicolor SpA (Italy)	100.0	100.0
Technicolor Entertainment Services Spain SA (Spain)	100.0	100.0
Technicolor (Thailand) Ltd. (Thailand)	100.0	100.0
The Moving Picture Company Limited (U.K.)	100.0	100.0
Technicolor Europe Ltd. (U.K.)	100.0	100.0

	% share held by Technicolor	
Company - (Country)	**2013**	**2012**
Thomson multimedia Ltd. (Canada)	100.0	100.0
Thomson multimedia Digital Holding (BVI) Limited (China)	100.0	100.0
Technicolor China investment (BVI) Ltd. (China)	100.0	100.0
TCE Television Taiwan Ltd. (Taiwan)	100.0	100.0
Thomson Licensing SAS (France)	100.0	100.0
Technicolor International SAS (France)	100.0	100.0
Gallo 8 SAS (France)	100.0	100.0
Thomson multimedia Sales U.K. Ltd. (UK)	100.0	100.0
Technicolor Polska (Poland)	100.0	100.0
Sté Fr. d'Invest. et d'Arbitrage – Sofia SA (France)	100.0	100.0
Deutsche Thomson OHG (Germany)	100.0	100.0
Tech Finance SCA (Luxemburg)	0,0*	-
Technicolor Connected Home USA LLC (U.S.)	100.0	-
2) Accounted for under the equity method		
SV Holdco (U.S.)	18.3	18.3
TechFund Capital Europe (France)	19.8	20.0
Indoor Direct, LLC (U.S.)	50.0	50.0
Beijing Thomson CITIC Digital Technology Co., Ltd. (China)	50.0	50.0

* *See note 4.1.*

8.3 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the 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.

This report should be read in conjunction with, and is 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, 2013, on:

- the audit of the accompanying consolidated financial statements of Technicolor SA;
- 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, 2013 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 3.1 to the consolidated financial statements discloses the information on the Company's situation in relation to the going concern assumption applied to approve the consolidated financial statements. On the basis of our work performed, we have assessed the informations and assumptions used by your company to prepare the cash flow forecasts.

- Note 3 to the consolidated financial statements describes the situations where management of Technicolor SA 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 retirement benefit obligation and provisions for risks and litigation:
  - As described in note 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 13 provides appropriate disclosures thereon.
  - In relation to the deferred tax assets described in note 10, 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 10 provides appropriate disclosures thereon.
  - Note 25 describes the methods used to evaluate the retirement benefit obligations. These obligations have been evaluated by external actuaries. Our procedures have consisted in reviewing the information used, assessing the assumptions retained and ensuring that note 25 provides appropriate disclosure 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 33.

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.

Neuilly-sur-Seine, March 5, 2014

Deloitte et Associés

French original signed by

Alain Pons
Partner

Ariane Bucaille
Partner

Courbevoie, March 5, 2014

Mazars

French original signed by
Jean-Louis Simon
Partner

8.4 TECHNICOLOR SA PARENT COMPANY FINANCIAL STATEMENTS

8.4.1 STATEMENT OF OPERATIONS

		Year ended December 31	
(in million euros)	Note	2013	2012
Revenues	*(3)*	86	83
Other operating revenues		4	3
Total operating income		**90**	**86**
Wages and salaries		(55)	(58)
Other operating expenses		(58)	(70)
Depreciation, amortization and provisions		(11)	(7)
Loss from operations		**(34)**	**(49)**
Interest income		295	115
Interest expense		(192)	(179)
Dividends from subsidiaries		11	332
Other net financial gains/(losses)		(139)	(270)
Net finance expense	*(4)*	**(25)**	**(2)**
Net loss after financial loss		**(59)**	**(51)**
Capital gain (loss) on asset disposals and contributions		(63)	2,165
Other exceptional expenses		(16)	(66)
Exceptional profit (expense)	*(5)*	**(79)**	**2,099**
Income tax	*(6)*	69	56
NET INCOME (LOSS)		**(69)**	**2,104**

The accompanying notes on pages 257 to 277 are an integral part of these financial statements.

8.4.2 STATEMENT OF FINANCIAL POSITION

(in million euros)	Note	December 31, 2013	December 31, 2012
ASSETS			
Non-current assets			
Intangible assets		22	22
Depreciation, amortization and provisions		(14)	(13)
Net value of intangible assets	*(7)*	**8**	**9**
Property and Equipment		15	15
Depreciation, amortization and provisions		(7)	(5)
Net value of Property and Equipment	*(7)*	**8**	**10**
Shares in subsidiaries	*(8)*	7,932	7,436
Provisions on shares in subsidiaries		(6,787)	(6,895)
Other shares		2	1
Other financial assets		19	204
Net value of financial assets		**1,166**	**746**
Total non-current assets		**1,182**	**765**
Current assets			
Trade Receivables		37	34
Current accounts and loans with subsidiaries	*(9)*	4,226	3,513
Impairment of Group company current accounts and loans		(326)	(78)
Other current assets		55	41
Cash and cash equivalents		46	211
Total current assets	*(9)*	**4,038**	**3,721**
Prepayments and deferred charges	*(10)*	**28**	**15**
TOTAL ASSETS		**5,248**	**4,501**

The accompanying notes on pages 257 to 277 are an integral part of these financial statements.

(in million euros)	Note	December 31, 2013	December 31, 2012
EQUITY AND LIABILITIES			
Equity			
Common stock *(335,709,392 shares at December 31, 2013 at per value of €1.00)*	*(12)*	336	336
Additional paid-in capital	*(12)*	1,161	1,161
Other reserves		100	100
Retained earnings		(75)	(2,179)
Net profit for the year		(69)	2,104
Total shareholders' equity	*(12)*	**1,453**	**1,522**
Other equity instruments	*(12)*	500	500
Total shareholders' equity and equity instruments		**1,953**	**2,022**
Provisions for losses and contingencies	*(14)*	**53**	**48**
Financial liabilities			
Payables to other Group companies		2,062	1,035
Financial debts		1,122	1,226
Total financial liabilities	*(13)*	**3,184**	**2,261**
Current liabilities			
Trade payables		14	20
Other current liabilities		38	141
Total current liabilities	*(15)*	**52**	**161**
Deferred income		**6**	**9**
TOTAL EQUITY AND LIABILITIES		**5,248**	**4,501**

The accompanying notes on pages 257 to 277 are an integral part of these financial statements.

8.4.3 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in million euros)	Common Stock	Additional paid-in capital	Legal reserves	Other reserves	Retained earnings	Net income (loss) for the year	Total
At December 31, 2011	**224**	**1,072**	**-**	**100**	**(1,841)**	**(338)**	**(783)**
Changes in 2012							
Allocation of 2011 balance	-	-	-	-	(338)	338	-
July 16, 2012 increase in capital	47	48	-	-	-	-	95
August 14, 2012 increase in capital	62	34	-	-	-	-	96
Fees related to capital increases	-	(10)	-	-	-	-	(10)
NRS II and IIC redeemed into equity (December 27, 2012)	3	17	-	-	-	-	20
Net profit of the year	-	-	-	-	-	2,104	2,104
At December 31, 2012	**336**	**1,161**	**-**	**100**	**(2,179)**	**2,104**	**1,522**
Changes in 2013							
Allocation of 2012 balance	-	-	-	-	2,104	(2,104)	-
Net loss of the year	-	-	-	-	-	(69)	(69)
AT DECEMBER 31, 2013	**336**	**1,161**	**-**	**100**	**(75)**	**(69)**	**1,453**

The accompanying notes on pages 257 to 277 are an integral part of these financial statements.

8.5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION AND MAIN EVENTS

1.1 General information

The Technicolor Group is a technology-driven company supporting its Media & Entertainment customers in shaping their digital future.

Technicolor SA is the holding company of the Group and manages the cash of the Group's subsidiaries.

The financial statements were approved by the Board of Directors of Technicolor SA on February 19, 2014. 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 2014.

1.2 Main events of the year

Debt refinancing

On July 11, 2013, Technicolor signed with the holders of its private placement notes and credit agreement loans (the "Reinstated Debt") an amendment of certain terms of the Reinstated Debt and obtained the consent for the refinancing of the Reinstated Debt. The objectives of the refinancing were to allow Technicolor to borrow funds at a lower interest rate, extend its debt maturity profile and benefit from greater covenant flexibility (see note 13).

After this transaction, Technicolor SA recorded an expense of €107 million (see note 5) of costs and issuance fees. The features of the operation are detailed below:

Evolution of the Senior Debt as of July 11, 2013 and impacts on cash (except costs and fees related to refinancing) *(in million euros)*	**Existing debt as of July 11, 2013 and before refinancing**	**Purchase of tender notes and loans by Tech Finance held by Reinstated Debt creditors**	**Movements of Technicolor SA debts and loans on July 11, 2013**	**Debt after refinancing of July 11, 2013**
Notes held by Reinstated Debt creditors	462	(462)	-	-
Loans held by Reinstated Debt creditors	725	(443)	-	282
Notes and loans of Reinstated Debt purchased by Tech Finance	-	905	-	905
New Debt to Thomson Licensing SAS (funds lent by Tech Finance)	-	-	838	838
Technicolor SA debt	**1,187**	**-**	**838**	**2,025**
Loan granted to Technicolor International SAS (funds simultaneously lent to Tech Finance). See note 9		-	(905)	(905)
NET AMOUNT RESULTING FROM REFINANCING		**-**	**(67)**	**1,120**

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

Going concern

The parent company financial statements for the year ended December 31, 2013 were approved by the Board of Directors on February 19, 2014 on the basis of going concern.

The Board of Directors considered the Group's cash flow projections which support the operating performance and believes that the Group can meet its expected cash requirements and address potential financial consequences of ongoing litigation, until at least December 31, 2014.

Having considered the above, the Board of Directors determined that it was appropriate for these financial statements to be prepared on a going concern basis.

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 to the provisions contained in 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 valuation methods used in the 2013 financial statements are consistent with those followed last year.

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.

Functional and presentation currency

These financial statements are presented in euro, the functional currency of Technicolor SA. All financial information presented in euro has been rounded to the nearest million, unless otherwise stated.

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.

Translation of foreign currency transactions

(a) Holding activities

Foreign currency transactions are translated into euros at the exchange rate effective at the trade date. Receivables and payables in foreign currency are revalued at the rate of exchange prevailing at 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 translation differences occur on receivables or debt).

(b) Global cash management

Management of the Group's market and liquidity risks is centralized in its Group Treasury Department in France.

Market risk is managed by Group treasury, in accordance with Group procedures covering, among other aspects, responsibilities, authorizations, limits, authorized financial instruments and tracking tools. All financial market risks are monitored on a permanent basis. Periodic reports are made to the CFO, the Executive Committee and the Audit Committee providing details on the Group's exposure to different risks and the operations carried out to reduce such risks.

To reduce interest rate and exchange rate risk, the Group enters into hedging transactions by using derivative instruments. To limit liquidity risk, the Group has set up long-term financing facilities consisting of debt and equity instruments.

Because of the different natures of the Group's U.S. dollar exposure related to its licensing activity and other segments which buy components in Asia drawn up in U.S. dollar, the Group may hedge separately the U.S. dollar licensing exposure. Apart from these exceptions, the Group tries to net offsetting and to hedge only the net exposure with banks.

The Group does not use derivatives instruments for any purpose other than for hedging its commercial and financial exposures. This policy does not permit the Group or its subsidiaries to take speculative positions.

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.

Forward foreign currency contracts used to hedge trade receivables and trade payables in foreign currencies are valued at market price at the closing rate with gains and losses booked entirely into the statement of operations together with the result on the underlying hedged item.

Gains and losses on foreign exchange transactions are booked under "Other net financial gains/(losses) ".

The *Sauvegarde* proceeding did not have a direct impact on the Group's outstanding derivatives. However the 2009 events, including the *Sauvegarde* Plan, have impacted Group's management of financial risks as the Group has had a more limited access to the over-the-counter derivatives markets and is currently only able to execute operations on a short-term, cash collateralized basis.

Property and equipment

Since January 1, 2005, Technicolor has applied the rules and guidelines of the French Accounting organizations CRC and CNC concerning recognition of assets, particularly CRC Rule No. 2002-10 on amortization and depreciation of assets, recommending a sum-of-the-parts approach, and CRC Rule No. 2004-06 on the definition, recognition and valuation of assets.

(a) Intangible assets

Intangible assets consist mainly of capitalized IT development projects, the cost of software and use of 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.

Softwares 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.

(b) Property, Plant and Equipment

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.

(c) Financial assets

This item includes shares of companies which operating businesses are complementary to those of the Group and/or companies that the Group intends to keep. They are valued at cost of acquisition. If that cost is higher than the value in use, an impairment 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.

Trade receivables and other operating assets

Trade receivables and other current operating assets are valued at historical cost. An impairment charge is recorded when recoverable value is lower than book value.

Securities held for sale

Securities held for sale are valued at the lowest between purchase cost and market value.

Treasury shares

Treasury shares are recorded at purchase cost. An impairment 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 "exceptional profit/(expense)".

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 can be made of the amount of the obligation.

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.

(a) 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.

(b) 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: 3.1%;
- 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.

Income tax

Under French tax law, Technicolor SA is the head company of the tax integration group consisting in 15 companies.

The Company has tax losses to carry forward indefinitely, estimated at €2,437 million as of December 31, 2013 due mainly to the disposal of the Tubes activity in 2005.

Exceptional income (expense)

Exceptional items include income or charges of which the nature and amount are not recurring or exceptional.

NOTE 3 REVENUES

(in million euros)	2013	2012
France	53	51
European Union (except France)	6	7
Other countries	27	25
TOTAL REVENUES	**86**	**83**

In 2013, revenues consist mainly in intra-group re-invoicing (€81 million), royalties on trademarks (€2 million) and other external revenues (€3 million).

NOTE 4 NET FINANCE EXPENSE

(in million euros)	2013	2012
Depreciation on financial investments, treasury shares, current accounts and risk provisions regarding subsidiaries, net of reversal [1]	(139)	(266)
Reversal of depreciation on financial investments, current accounts and provisions for risks regarding shares sold or liquidated [2]	-	51
Dividends received [3]	11	332
Net gain/(losses) on foreign exchange	1	-
Net interest income/(expenses)	103	(64)
Other income/(expenses)	67	(11)
Subtotal	**43**	**42**
Transferred to exceptional result [4]	(68)	(44)
TOTAL NET FINANCE EXPENSE	**(25)**	**(2)**

(1) In 2013, impairment on financial investments (see paragraph 8.a(4)) and current accounts mainly applies to the subsidiaries Technicolor USA, Inc. (€236 million of impairment on current account) and Technicolor International SAS (€134 million of reversal of impairment on shares).
In 2012, impairment on financial investments and current accounts mainly applies to the subsidiaries Technicolor USA, Inc. (€151 million of impairment on shares and €16 million of impairment on current account) and Technicolor International SAS (€93 million of impairment on shares).

(2) In 2012 included the reversal of provisions on Japan subsidiary (liquidated) and on some other disposal of affiliates of Technicolor SA within Technicolor group. Such reversal was transferred to exceptional income to match with the loss on disposal of the affiliates concerned.

(3) In 2013 from RCA Trademark Management SAS (€11 million in 2012).
In 2012, mainly from Thomson Licensing SAS (€319 million).

(4) Corresponds to transfer of charges (i) on reversal of provisions on receivable related to Grass Valley Broadcast business sold to Francisco Partners in 2010 for €47 million, and (ii) on a reversal of depreciation of treasury shares for €21 million (part of Other income/(expenses)).

NOTE 5 EXCEPTIONAL PROFIT (EXPENSE)

(in million euros)	2013	2012
Capital gains on disposals of intangible and financial assets [1]	4	2,165
Gains/(losses) on business disposals	5	(2)
Costs of restructuring (accruals net of reversals and charges for the year) [2]	(16)	-
Other net exceptional charges [3]	(72)	(64)
TOTAL EXCEPTIONAL PROFIT (EXPENSE)	**(79)**	**2,099**

(1) In 2013, results from the sale of investment in Novaled.
In 2012, included mainly the gain on disposal of Thomson Licensing SAS to Technicolor International SAS. Until December 21, 2012, Technicolor SA was the direct holding of Thomson Licensing SAS, when the subsidiary was disposed of at its fair value to Technicolor International SAS, a 100% subsidiary of Technicolor SA. Thomson Licensing SAS is the patents holder of the Group and its fair value was appraised by an independent appraiser based on existing licensing programs and forecast.
The large gain on disposal which amounted to €2,157 million is explained by the fact that Thomson Licensing SAS shares were in Technicolor SA books at their historical value and have been sold at fair value to Technicolor International SAS.
(2) Corresponds mainly to a restructuring plan on transversal functions (€15 million).
(3) In 2013, it breaks down as follows:
- *Technicolor SA renegotiated certain clauses of its external debt at a cost of €107 million (net of a deferred charge of €25 million amortized on a 7-year period, of which €2 million incurred in 2013);*
- *the Company negotiated an agreement for an immediate payment of the disposal price of Grass Valley Broadcast business sold to Francisco Partners in December 2010. The gain resulting from that disposal benefited to some subsidiaries of Technicolor SA. This agreement led to a reversal of impairment (€47 million) for the mother company, since the provision for risks related to this disposal were recorded in its books;*
- *a €5 million provision was booked in 2013 to take into account future operating losses arising from the difference between the lease market price and the lease cost price of the headquarter located in Issy-les-Moulineaux, of which partial surface has been subleased. Also, a provision for risk was accrued for €2 million further to a tax reassessment closed in 2013.*

In 2012, it included a fine of €38.6 million from the European Commission regarding Cathode Ray and a net loss of €26 million related to the liquidation of Thomson Angers subsidiary (in the process of being liquidated at December 31, 2012). That loss included restructuring costs together with the financing of the subsidiary losses on the first semester of 2012.

NOTE 6 INCOME TAX

(a) Breakdown of booked income tax

Technicolor SA is the head company of the French tax consolidation. Therefore Technicolor SA is responsible to the French Tax Authorities for all corporate income tax matters. Technicolor SA is allowed to collect from other members of the tax consolidation the amount of corporate income tax they would have paid if they were taxable separately on a standalone basis.

(in million euros)	2013	2012
Current tax booked by French subsidiaries and passed on to the holding company [1]	79	74
Subsidiaries' research tax credit	19	20
Provision for tax-integrated companies in 2013 [2]	(11)	(14)
Unused foreign tax credits for 2013	(5)	(5)
Other [3]	(13)	(19)
TOTAL INCOME TAX	**69**	**56**

(1) Under French tax integration system, Technicolor owns a fiscal debt towards integrated French subsidiaries, in particular towards Thomson Licensing SAS (€66 million).
(2) Following December 2012 Tax regulation, French Group can only offset 50% of its taxable profit with its tax losses carried forward. In addition, the tax regulation limits to 85% the deductibility of net interest expenses. From 2013, interests paid to affiliate companies not subject to a local corporate tax that amount at least to 25% of the French corporate tax on these interest are no more deductible. The surtax increased from 5% in 2012 to 10.7% in 2013 and was extended up to 2014.
The provision for the income tax expense under tax integration for 2013 will be offset to the amount of €9 million against foreign tax credits in connection with Thomson Licensing SAS.
(3) Corresponds mainly to research tax credit to be repaid to subsidiaries.
The amount to be received for the tax credit conditional to employment (CICE) is not significant for 2013.

In 2013, Technicolor paid to the tax authority €12 million as part of the advance payments for corporate tax (of which €11 million charged against research tax credit) and for assimilated contributions.

In the absence of tax integration, the Company would show a nil net income tax expense.

(b) Variation of deferred or latent tax bases

Certain or potential tax items to carry forward are the following:

(in million euros)	December 31, 2012	Variation	December 31, 2013
Temporarily non-deductible expenses			
■ To be deducted the following year:			
Paid vacations	4	-	4
Restructuring costs	7	6	13
Other	22	(13)	9
■ To be deducted at a later date:			
Provisions for retirement	7	(2)	5
Provisions for subsidiary risks	-	-	-
Impairment on current accounts	23	247	270
Other	61	(40)	21
To be deducted			
■ Tax losses carried forward	2,404	33	2,437

NOTE 7 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(in million euros)	Intangible assets	Property and Equipment
At December 31, 2012		
Cost	22	15
Accumulated deprecation	(13)	(5)
NET	**9**	**10**
2013		
Opening net amount	9	10
Depreciation and amortization	(1)	(2)
Net	**8**	**8**
At December 31, 2013		
Cost	22	15
Accumulated deprecation	(14)	(7)
NET	**8**	**8**

NOTE 8 FINANCIAL ASSETS

(a) Variation of financial assets

(in million euros)	Shares in subsidiaries	Other financial assets [1]	Total financial assets
At December 31, 2012			
Cost	7,436	349	7,785
Accumulated depreciation and impairment	(6,895)	(144)	(7,039)
NET	**541**	**205**	**746**
2013			
Opening net amount	541	205	746
Acquisitions/recapitalizations [2]	500	-	500
Disposals	(3)	(89)	(92)
Reclassification	-	(164)*	(164)
Impairment provisions [3]	(27)	-	(27)
Reversals of impairment provisions [4]	134	69	203
NET	**1,145**	**21**	**1,166**
At December 31, 2013			
Cost	7,932	96	8,028
Accumulated depreciation and impairment	(6,787)	(75)	(6,862)
NET	**1,145**	**21**	**1,166**

* *In 2013, two current loans of €164 million with affiliates Technicolor Videocassette Holdings (UK) and Technicolor Europe Ltd., classified as long-term in 2012 ("Other financial assets" on the Assets side of the balance-sheet) were reclassified to short-term ("Current accounts and loans with subsidiaries") (See note 9).*

(1) *In 2013, includes €2 million of other shares held by the Company, €13 million of intercompany borrowings and €6 million of collateral and guarantees (see due dates for these receivables in note 8 (b) below).*

(2) *Corresponds to recapitalization of the subsidiary Technicolor International SAS.*

(3) *In 2013, impairment on shares in subsidiaries concerns mainly the subsidiaries Technicolor Trademark Management (€26 million).*

(4) *In 2013, reversal of impairment on financial investments concerns the subsidiary Technicolor International SAS.*

Accumulated impairment of Technicolor's treasury shares as of December 31, 2013 amounted to €75 million.

Accumulated impairment of current accounts and loans to subsidiaries amounted to €326 million as of December 31, 2013.

(b) Maturities of gross receivables included in other financial assets

(in € millions)	
2014	1
2015 and later	18
TOTAL	**19**

(c) Subsidiaries and investments at December 31, 2013

(in million euros, except number of shares)	% stake	Number of shares	Gross value	Net value	Equity before allocation of results	Revenues of the year	Net income	Gross advances, loans and current accounts
Holding companies								
Technicolor USA, Inc.*	100.00	1,005	3,700	-	(210)	1,468	(243)	808
Technicolor International SAS*	100.00	137,041,097	3,515	1,105	1,074	2,136	178	2,851
Industrial companies								
Thomson Angers SAS**	100.00	4,630,001	289	-	N/A	N/A	N/A	-
Thomson Television España SAU	100.00	9,928,478	128	-	(56)	-	-	56
Other companies								
Thomson Multimedia Distribution (Netherlands) BV	100.00	500	162	-	(19)	27	(12)	20
Technicolor Trademark Management SAS*	100.00	9,004,000	90	11	11	-	(26)	129
RCA Trademark Management SAS	100.00	1,668,025	25	25	36	21	9	-
Thomson Investment India Ltd.	51.00	51	4	2	2	-	-	-
TechFund Capital Europe FCPR	19.80	2,500	-	-	2	-	3	-
Thomson Sales Scandinavia AB	100.00	7,000	14	2	2	-	-	-
Miscellaneous	N/A	N/A	5	-	N/A	N/A	N/A	N/A
TOTAL	**N/A**	**N/A**	**7,932**	**1,145**	**N/A**	**N/A**	**N/A**	**N/A**

N/A: not applicable

* *When shares are those of a consolidated Technicolor sub-group, the figures correspond to those in the books of such sub-group.*
** *Thomson Angers is in the process of being liquidated.*

NOTE 9 CURRENT ASSETS

Net current assets with maturities of less than one year amount to €4,012 million.

Current assets are mainly related to current accounts of Group's subsidiaries.

Two current loans of €164 million with affiliates Technicolor Videocassette Holdings (UK) and Technicolor Europe Ltd., classified as long-term in 2012 ("Other financial assets" on the Assets side of the balance-sheet) were reclassified as short-term in 2013 ("Current accounts and loans with subsidiaries") (see note 8).

As of December 31, 2013, Technicolor SA granted its subsidiary Technicolor International SAS a loan amounting for €842 million, as part of its debt refinancing (see note 1.2). Initially, this loan was granted for €905 million as of July 11, 2013 (€838 million plus €67 million of its own cash) i) by Technicolor SA to Technicolor International SAS and ii) by Technicolor International SAS to Tech Finance in order to finance the acquisition by Tech Finance of the Reinstated Debt for €905 million. These loans have conditions similar to those of the Reinstated Debt with one exception: The loan granted by Technicolor SA to Technicolor International SAS is due on demand. Accordingly, when a Reinstated Debt principal amount becomes due and payable by Technicolor SA, the same amount in principal becomes due simultaneously by Tech Finance to Technicolor International SAS, and Technicolor SA is able to issue a principal payment demand for the same amount to Technicolor International SAS.

NOTE 10 PREPAYMENTS AND DEFERRED CHARGES

In 2013, this caption comprises mainly prepaid charges on treasury hedging instruments interest rate (caps, see note 13) and expenses incurred for the purpose of renegotiating some terms of the debt restructuring agreement.

NOTE 11 ACCRUED INCOME

Amount accrued for are in the following captions of the balance sheet:

(in million euros)	2013	2012
Loans	2	9
Accounts receivable (primarily with related entities)	5	7
Other operating receivables	29	31
TOTAL	**36**	**47**

NOTE 12 SHAREHOLDERS' EQUITY AND EQUITY INSTRUMENTS

(a) Capital and additional paid in capital

On December 31, 2013, the capital of Technicolor SA was €335,709,392 (335,709,392 shares with a per value €1). Changes in capital and additional paid in capital were as follows:

(in €, except number of shares)	Number of shares	Nominal value	Capital	Additional paid-in capital	Total
Share capital and additional paid in capital as of December 31, 2011	**223,759,083**	**1**	**223,759,083**	**1,072,067,135**	**1,295,826,218**
2012					
Share reserved capital increase to Vector Capital [1]	47,471,506	1	47,471,506	47,471,506	94,943,012
Share capital increase with preferential subscription rights [1]	61,643,316	1	61,643,316	34,520,258	96,163,574
Fees regarding increases in capital above				(10,103,209)	(10,103,209)
Share capital increase after NRS II, IIC redemption [2]	2,669,936	1	2,669,936	17,156,285	19,826,221
SHARE CAPITAL AND ADDITIONAL PAID IN CAPITAL AS OF DECEMBER 31, 2012	**335,543,841**	**1**	**335,543,841**	**1,161,111,975**	**1,496,655,816**
2013					
Share capital increased by issuance of new shares for LTIP purpose [3]	165,551	1	165,551	(165,551)	0
SHARE CAPITAL AND ADDITIONAL PAID IN CAPITAL AS OF DECEMBER 31, 2013	**335,709,392**	**1**	**335,709,392**	**1,160,946,424**	**1,496,655,816**

(1) On June 20, 2012, Technicolor's shareholders approved the resolutions relating to the transaction proposed by Vector Capital Management, LP (previously Vector Capital Corporation) ("Vector Capital") in its offer dated May 25 and amended on June 13. The transaction, agreed by the General Shareholders' Meeting, took place in July and August 2012:

- *on July 16, 2012, the Company issued 47,471,506 shares through a reserved capital increase to Vector TCH (Lux) 1, S.à r.l. (previously Petalite Investments S.à r.l.), an investment vehicle controlled by Vector Capital Management, at a price of €2.00 per share, leading to a capital increase of €47.5 million plus an additional paid in capital of €47.5 million;*
- *on August 14, 2012, the Company issued 61,643,316 shares in a capital increase with preferential subscription rights at a price of €1.56 per share, leading to a capital increase of €62 million plus an additional paid in capital of €34 million.*

(2) On December 27, 2012, NRS II and IIC, whose conversion had been postponed to December 31, 2012, including accrued interest, were redeemed into new shares leading to a capital increase of €3 million plus an additional paid in capital of €17 million (of which €3.4 million of interest).

(3) On February 28, 2011 and June 8, 2011, the Board of Directors approved the principles of a Long-Term Incentive Plan (MIP) that led to the issuance of 165,551 new shares on June 17, 2013 (see note 12.(c)).

b) Treasury shares

	2013	2012
Carrying amount *(in €)* [1]	**1,782,211**	**1,171,495**
Number of treasury shares	**485,603**	**605,687**
Of which:		
Allocated/sold in the year	*120,084*	-

(1) The gross value of treasury shares held at December 31, 2013 was €76,492,566, depreciated by €74,710,355.

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.

(c) Stock option plan

- On October 24, 2013, the Board of Directors of the Group decided to launch a Free Share Plan. According to this plan, Technicolor will grant its eligible employees 125 Technicolor newly issued shares for free. The vesting period is 4 years. The grant of free shares is subject to the presence in the Group at the end of the vesting period. 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, 2013, 1,604,000 free shares have been granted to employees.

- On May 23, 2013, the Board of Directors approved the principles of a Management Incentive Plan (MIP 2015). As part of this plan, stock options have been awarded to around 90 key senior executives subject to presence conditions and to the achievement of performance targets that relate to the Group consolidated Free Cash Flow:
  - in 2015, if the Group consolidated Free Cash Flow for 2014 is equal to or above €100 million, 50% of the options shall vest. If the Group consolidated Free Cash Flow for 2014 is below €100 million, the options shall not vest at that date,
  - in 2016, if the Group consolidated Free Cash Flow for 2015 is equal to or above €100 million, 25% of the options shall vest. In the event that the Performance Target for 2014 has not been satisfied, 75% of the Options shall vest instead. If the Group consolidated Free Cash Flow for 2015 is below €100 million, the options shall not vest at that date,
  - in 2017, if the Group consolidated Free Cash Flow for 2016 is equal to or above €100 million, 25% of the Options shall vest. In the event that the Performance Target for either 2014 or 2015 has not been satisfied, all Options that have not previously vested shall vest instead. If the Group consolidated Free Cash Flow for 2016 is below €100 million, the options shall not vest at that date.

  The Board authorized a potential stock options plan of 26,843,987 options, of which a total of 16,598,000 options have been granted as of December 31, 2013.

- In February 2011, the Board of Directors approved the principles of a Long-Term Incentive Plan (LTIP) that has been implemented during the first semester of 2011. As part of this plan, free performance shares may be awarded in 2012, 2013 and 2014 to some senior executives subject to and proportionally to fulfillment of specified performance conditions based both on market performance criteria and on Technicolor performance achieved respectively on December 31, 2011, 2012 and 2013 as approved by the Board of Directors. For free performance shares that would be awarded based on 2011, 2012 and 2013 performance, final vesting is still conditional to senior executives staying in the Company.

- On June 17, 2010, the Board approved a Mid-term Incentive Plan (MIP) granting non-market performance units made up of a combination of cash and, depending on Management level, either stock options or free shares. Subject to the presence condition at vesting dates and fulfillment of specified non-market performance conditions on December 31, 2012 as approved by the Board of Directors, the rights under the plan shall vest either partially or in full for each beneficiary in the proportions set by the Board of Directors.

  For non-french tax domiciled beneficiaries, free shares will be acquired and exercisable on June 17, 2014. Beneficiaries need to be continuously employed for the plan's entire vesting period.

As of December 31, 2013 the total number of outstanding stock options amounted to a maximum of 17,045,139 options and 2,490,634 free shares granted to employees and Directors

	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]
Plan 3	Subscription options	September 22, 2004	359,990	108,888	574	50% as of September 22, 2007 50% as of September 22, 2008	10 years	€131.38
Plan 4	Purchase options	April 19, 2005	71,940	32,684	93	50% as of April 19, 2008 50% as of April 19, 2009	10 years	€170.99
Plan 5	Purchase options	December 8, 2005	199,317	49,455	390	50% as of December 8, 2008 50% as of December 8, 2009	10 years	€145.60
Plan 6	Subscription options	September 21, 2006	273,974	78,153	485	50% as of September 21, 2008 50% as of September 21, 2009	8 years	€102.53
Plan 7	Subscription options	December 14, 2007	130,710	51,987	482	50% as of December 14, 2009 50% as of December 14, 2010	8 years	€85.64
MIP* Free Share	Free Shares (existing shares)	June 17, 2010	492,020 [1]	244,332	64	April 30, 2013 for France June 17, 2014 for other countries	-	-
MIP* options	Subscription options	June 17, 2010	1,216,700 [1]	887,972	18	April 30, 2013 for France and June 17, 2014 for other countries	8 years	€6.52
LTI Free Share	Free Shares (existing shares or shares to be created)	April 28, 2011 and June 30,2011	1,637,152 [1]	642,302	63	June 2013 (50%) and March 2014 (50%)	-	-
MIP 2015 Options**	Subscription options	May 23, 2013 and June 17, 2013	16,398,000	15,636,000	94	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	5 years	€3.31
MIP 2015 Options**	Subscription options	October 24, 2013	200,000	200,000	1	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	5 years	€4.07
Free Share Plan	Free shares (to be issued)	November 12, 2013	1,604,000	1,604,000	12,832	November 2017	-	-

* *Mid-Term Incentive Plan (MIP) (see description above).*
** *Management Incentive Plan (MIP 2015) (see description above).*
(1) Maximum potential number.
(2) Exercise prices and number of options were modified following the 2012 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, no option has been exercised at December 31, 2013.

(d) Other Equity

Deeply subordinated perpetual notes - TSS *(Titres Super Subordonnés)*

On September 26, 2005, Technicolor issued deeply subordinated perpetual notes in a nominal amount of €500 million. The characteristics of these notes are as follows:

- the notes are not repayable other than at Technicolor's initiative from September 2015 or as the result of specific contractually defined events;
- the payment of the coupon is subordinated to certain conditions such as the distribution of a dividend to shareholders or the repurchase or cancellation of treasury shares in the six months preceding the issue anniversary date. As a result, in accordance with French accounting principles, these notes are classified under the heading "Other Shareholders' Equity" in the balance sheet.

The notes carry an optional annual coupon of 5.75% up to the tenth year, then will switch to a rate of 3-month EURIBOR +3.625% thereafter. Interest payments not made on the payment date are definitively lost to the investor.

These notes were included in the debt restructuring process. In 2010, the payment of the interest claims of the TSS holders against the Company in cash for an amount of €25 million definitely extinguished these interest claims.

(e) Dividends and other distributions

The Board of Directors has decided not to propose the payment of a dividend. Under the internal rules of the Board adopted in connection with the *Sauvegarde* Plan, any decision to propose a dividend needs to be approved by at least a two-thirds majority of the Board of Directors.

(f) Loss of half of the share capital

As of December 31, 2013 shareholders' equity is positive and amounts to €1,453 million, prior to the impact of the €500 million TSS.

NOTE 13 FINANCIAL DEBTS

Technicolor SA restructured its debt in 2010, and the resulting credit agreement term loans and private placement notes, the "Reinstated Debt", was refinanced in 2013 with the issuance of new term loans (the "New Debt") that was closed on July 11, 2013. A special purpose vehicle incorporated in Luxemburg named Tech Finance & Co. SCA ("Tech Finance") has been set up for this refinancing. On July 11, 2013 Tech Finance launched offers to purchase any and all of the Reinstated Debt (the "Offers to Purchase"). As a result of the Offers to Purchase, Tech Finance acquired 61% of the total participations under the credit agreement loans and over 99% of the private placement notes for, respectively at nominal value, €358 million, $689 million and £14 million (€905 million at a rate of U.S.$1.30/€ and £0.85/€ on the date of operation). Tech Finance entered into a new term loan facility and borrowed $830 million and €200 million at nominal value (the "New Debt" amounting to €838 million at a rate of U.S.$1.30/€).

The New Debt borrowed by Tech Finance (€838 million as of July 11, 2013) was lent i) by Tech Finance to Thomson Licensing SAS and ii) by Thomson Licensing SAS to Technicolor SA under the same conditions as the New Debt with one exception: the loan granted by Thomson Licensing SAS to Technicolor SA is due on demand. Accordingly, when a principal amount becomes due and payable by Tech Finance under the New Debt, the same principal amount becomes due and payable at the same time by Thomson Licensing SAS to Tech Finance, and Thomson Licensing SAS is able to issue a principal payment demand for the same amount to Technicolor SA.

As a consequence, on July 11, 2013 after these operations, Technicolor SA's balance sheet includes the New Debt with Thomson Licensing SAS and also the same amount of Reinstated Debt which is now held by Tech Finance for €905 million and €282 million is still held by holders of the Reinstated Debt which did not accept the Offers to Purchase.

With regard to the residual Reinstated Debt of €282 million (€266 million at December 31, 2013), Technicolor refinanced a portion of this debt in February 2014 *via* a cashless exchange into the New Debt and plans to reimburse the balance before the end of April (see note 23).

(a) Summary of the debt

(in million euros)	Reference	December 31, 2013	December 31, 2012
Current debt (due less than one year)			
Fixed-term borrowing and bonds			
Financial debts covered by the refinancing transaction			
- Reinstated Debt not refinanced	(i)	23	80
- Reinstated Debt refinanced	(ii)	70	-
- New Debt [1]	(iii)	792	-
Sub-total Financial debts covered by the refinancing transaction	**(c)(d)**	**885**	**80**
Other external debts		1	-
Other debt to subsidiaries		1,100	838
Other debt to third parties		12	29
Sub-total Current debt		**1,998**	**947**
Non-current debt (due more than one year)			
Fixed-term borrowing and bonds			
Financial debts covered by the refinancing transaction			
- Reinstated Debt not refinanced	(i)	243	1,134
- Reinstated Debt refinanced	(iii)	772	-
Sub-total Financial debts covered by the refinancing transaction	**(c)(d)**	**1,015**	**1,134**
Other debt to subsidiaries		170	180
Other debt to third parties		1	-
Sub-total Non-current debt		**1,186**	**1,314**
TOTAL DEBT		**3,184**	**2,261**

(1) New Debt with Thomson Licensing SAS.

(b) Main features of Technicolor SA's debt

At December 31, 2013, the debt has the following features:

(i) Reinstated Debt not refinanced

(in million euros)	Amount in local currency	Currency	Amount [1]	Interest rate type	Interest rate	Final maturity
Fixed-term loan	NS	USD	NS	Fixed	9.35%	2017
Fixed-term loan	41	EUR	41	Floating	EURIBOR + 475bp [2]	2016
Fixed-term loan	26	USD	19	Floating	LIBOR + 475bp [2]	2016
Fixed-term loan	144	EUR	144	Floating	EURIBOR + 575bp [2]	2017
Fixed-term loan	86	USD	62	Floating	LIBOR + 575bp [2]	2017
			266			
Of which current debt			*23*			
Of which non-current debt			*243*			

NS: not significant.
(1) Exchange rate as of December 31, 2013.
(2) This margin steps down if certain leverage ratios are hit, EURIBOR and LIBOR rates used are subject to a minimum level of 2%.

The nominal average rate for loans in U.S. dollar and in euro is respectively 7.52% and 7.53%.

(ii) Reinstated Debt restructured refinanced with Tech Finance

(in million euros)	Amount in local currency	Currency	Amount [1]	Interest rate type	Interest rate	Final maturity
Fixed-term loan	94	USD	68	Fixed	9.35%	2016
Fixed-term loan	3	GBP	4	Fixed	9.55%	2016
Fixed-term loan	22	EUR	22	Fixed	9.00%	2016
Fixed-term loan	332	USD	241	Fixed	9.35%	2017
Fixed-term loan	11	GBP	13	Fixed	9.55%	2017
Fixed-term loan	78	EUR	78	Fixed	9.00%	2017
Fixed-term loan	53	EUR	53	Floating	EURIBOR + 475bp [2]	2016
Fixed-term loan	51	USD	37	Floating	LIBOR + 475bp [2]	2016
Fixed-term loan	191	EUR	191	Floating	EURIBOR + 575bp [2]	2017
Fixed-term loan	186	USD	135	Floating	EURIBOR + 575bp [2]	2017
			842			
Of which current debt			*70*			
Of which non-current debt			*772*			

(1) Exchange rate as of December 31, 2013.
(2) This margin steps down if certain leverage ratios are hit, EURIBOR and LIBOR rates used are subject to a minimum level of 2%.

This debt is balanced by a short-term loan granted to Technicolor International SAS for the same amount, see note 9.

(iii) New Debt with Thomson Licensing SAS

(in million euros)	Amount in local currency	Currency	Amount [1]	Interest rate type	Interest rate
Fixed-term loan	820	USD	594	Floating	LIBOR + 600bp [2]
Fixed-term loan	198	EUR	198	Floating	EURIBOR +625bp [2]
			792		
Of which current debt			*792*		

(1) Exchange rate as of December 31, 2013.
(2) This margin steps down if certain leverage ratios are hit, EURIBOR and LIBOR rates used are subject to a minimum level of 2%.

(c) Analysis by maturity of financial debts covered by the refinancing transaction

	2013		2012
(in million euros)	Reinstated Debt	New Debt	Reinstated Debt
Within one year	93	792*	80
1 to 2 years	101		95
2 to 3 years	51		103
3 to 4 years	863		53
4 to 5 years	-		883
More than 5 years	-		-
TOTAL DEBT	**1,108**	**792**	**1,214**
Of which current debt	*93*	*792*	*80*
Of which non-current debt	*1,015*	*-*	*1,134*

* *New Debt with Thomson Licensing SAS whose principal payments and interest paid by Technicolor SA are identical to principal payments and interest received as part of the loan granted to Technicolor International SAS (see note 9).*

(d) Analysis by currency of financial debts covered by the refinancing transaction

(in million euros)	2013	2012
Euro	728	568
U.S. dollar	1,156	628
Other currencies	16	18
TOTAL	**1,900**	**1,214**

(e) Financial covenants and other limitations

Regarding the Reinstated Debt, the interest cover covenant, the leverage covenant and the capital expenditure covenant have been amended, so that these financial covenants no longer apply.

Regarding the New Debt, Technicolor SA is required to meet covenants which among other things, limit its own ability and the ability of its subsidiaries to issue or guarantee debt, to pay any 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, as defined in the Agreement. Moreover, Technicolor SA has to meet a single affirmative financial covenant (consolidated leverage covenant), which requires that the total gross nominal debt be not more than 3.50 times EBITDA (ratio contractually defined which includes a certain number of adjustments), as defined in the Agreement.

At December 31, 2013, Technicolor SA met all its covenants.

(f) Interest rate caps

In April 2010, in anticipation of the restructuring of its debt, Technicolor SA purchased interest rate caps with a nominal value of $480 million and €270 million to protect the Group if 3-month LIBOR or EURIBOR exceeds 3%. If the reference rates exceed this cap rate, the bank counterparty will pay Technicolor SA the difference between the market interest rate and exercise rate of 3%. The caps mature in 2014. The fair value of these caps at December 31, 2013 was almost nil.

NOTE 14 PROVISIONS FOR LOSSES AND CONTINGENCIES

(in million euros)	As of December 31, 2012	Increases	Usage during the period	Reversals and reclassifications	As of December 31, 2013
Provisions for retirement benefit and jubilee	**7**	**-**	**-**	**(2)**	**5**
Other provisions for contingencies					
Subsidiaries and other risks	-	-	-	-	-
Restructuring measures relating to employees	7	16	(7)	-	16
Related to activities disposed of [1]	30	-	-	(8)	22
Other	4	8	(2)	-	10
Sub-total	**41**	**24**	**(9)**	**(8)**	**48**
TOTAL PROVISIONS FOR LOSSES AND CONTINGENCIES	**48**	**24**	**(9)**	**(10)**	**53**

(1) Provision relating to the disposal of businesses, especially the Tubes activity.

NOTE 15 CURRENT LIABILITIES

"Current liabilities" mainly consist of debts with a maturity of less than one year. There are also in this caption tax and social security liabilities, trade payables and fixed assets payables.

Trade payables split by payment terms are as follows:

As of December 31, 2013 *(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	8.6	1.5	0.6	-	0.7	11.4
Of which Foreign suppliers	1.6	0.2	0.2	0.1	0.3	2.4
TOTAL (1)	**10.2**	**1.7**	**0.8**	**0.1**	**1.0**	**13.8**

(1) Excluding fixed assets payables.

In 2013, the average number of days for the payment of suppliers is 55 days.

As of December 31, 2012 *(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 impacted by the *Sauvegarde* proceeding	**-**	**-**	**-**	**-**	**0.5**	**0.5**
Of which French suppliers	-	-	-	-	0.5	0.5
Invoices not impacted by the Sauvegarde proceeding (including accruals)	**9.6**	**6.7**	**1.8**	**0.5**	**1.2**	**19.8**
Of which French suppliers	8.3	1.7	1.5	0.3	0.8	12.6
Of which Foreign suppliers	1.3	5.0	0.3	0.2	0.4	7.2
TOTAL (1)	**9.6**	**6.7**	**1.8**	**0.5**	**1.7**	**20.3**

(1) Excluding fixed assets payables.

NOTE 16 ACCRUED CHARGES

Amount accrued for are in the following captions of the balance sheet:

(in million euros)	2013	2012
Bond loans and loans from private institutions	2	1
Trade payables	10	7
Tax and social security liabilities	25	29
Other debts	32	24
TOTAL	**69**	**61**

NOTE 17 INFORMATION ON AVERAGE NUMBER OF EMPLOYEES

	2013	2012
Engineers and managers	254	309
Employees and supervisory staff	62	79
TOTAL	**316**	**388**

NOTE 18 CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE COMMITMENTS

(a) Off balance-sheet contractual obligations and commercial commitments

(in million euros)	December 31, 2013	December 31, 2012
Unconditional future payments		
Operating Leases	49	59
Other unconditional future payments	-	1
TOTAL UNCONDITIONAL FUTURE PAYMENTS	**49**	**60**
Conditional future payments		
Guarantees given regarding undertakings by related entities	165	167
Other conditional future payments	1	4
TOTAL CONDITIONAL FUTURE PAYMENTS	**166**	**171**

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, Verizon Group, BSkyB, AstroGroup, Buena Vista Pictures Distribution and ITV (that one is covered by the indemnity undertaking by the purchaser of Broadcast business).

Technicolor SA has provided a parental guarantee to secure the Section 75 pension debt of an affiliate in the United Kingdom.

Technicolor's liabilities to its employees relating to Individual Training Rights were considered as non-significant on December 31, 2013.

(b) Commitments relating to financial instruments

(in million euros)	December 31 2013	December 31, 2012
Caps [1]	618	634
Currency futures (banks and subsidiaries)	735	1,197
TOTAL UNDERTAKINGS GIVEN	**1,353**	**1,831**
Caps [1]	618	634
Currency futures (banks and subsidiaries)	738	1,200
TOTAL UNDERTAKINGS RECEIVED	**1,356**	**1,834**

(1) See note 13 on interest rate caps.

(c) Guarantees granted by subsidiaries and security interests granted to secure the Reinstated Debt

A security package consisting of share pledges, pledges of certain receivables under material customer contracts, pledges of material intra-group loans and pledges of material cash-pooling accounts was put in place to secure the obligations of the borrower's and each guarantor's obligations under the Credit Agreement and Note Purchase Agreement. These assets will remain pledged until the final payment of all the amounts due by the Group to its creditors. To secure its obligations under the Reinstated Debt, certain subsidiaries of the Company have agreed, severally and not jointly, irrevocably and unconditionally to guarantee the Company's and each other guarantor's obligations of payment and performance under the Reinstated Debt. All material Group Members as defined in the Credit Agreement are required to provide such guarantee.

Shares of subsidiaries pledged

Technicolor SA and the main guarantors, which include Technicolor International SAS (formerly Thomson Multimedia Sales International SAS), Technicolor Delivery Technologies SAS, Technicolor Inc. and Technicolor USA, Inc. (formerly Thomson Inc.) have pledged the shares of 36 of their subsidiaries to secure part of the Reinstated Debt.

Cash pooling accounts pledged

Pursuant to six different Cash Pooling Pledge Agreements, the cash pooling accounts of Technicolor SA and Technicolor USA, Inc. were pledged. The Cash Pooling Agreements relate to the domestic and international centralization of Group Treasury, a bilateral target balancing agreement, an automatic dollar transfer agreement, a North American target balancing agreement for multiple legal entities and a domestic UK cash concentration daily sweep arrangement.

Intragroup loans pledged

Pursuant to an Intragroup Loans Receivables Pledge Agreement, Intragroup loans receivables were pledged from Technicolor Trademark Management, Technicolor Europe Ltd., Technicolor Videocassette Holdings (UK) Limited and Technicolor Entertainment Services Spain, SA.

NOTE 19 CONTINGENCIES

Banco Finantia case

In connection with the *Sauvegarde* Plan, the *Mandataires Judiciaires* in charge of the *Sauvegarde* Plan contested the claim in an amount of €9.9 million of Banco Finantia (a Portuguese bank) due to a creditor declaration outside of the legal time limit. Banco Finantia had acquired its claim from the French branch of Bank of America, which held the claim at the opening of the Sauvegarde proceeding, and which did not declare its claim prior to the transfer to Banco Finantia. Banco Finantia declared its claim on the last day of the four-month deadline applicable to foreign creditors under Article R. 622-24 of the French Commercial Code. The Company and its Mandataires Judiciaires consider that, as this claim was held by a French creditor on the date the Sauvegarde proceeding was opened (the French branch of Bank of America), it should have been declared within the two-month deadline applicable to French creditors rather than the four-month deadline applicable to foreign creditors.

On February 14, 2011, the *Juge-Commissaire* rendered a decision in favor of Banco Finantia, holding that Banco Finantia benefited from the four-month deadline for the purposes of filing a claim. The Company has appealed against this decision. On May 10, 2012, the Versailles Court of Appeals rejected the Company's claims. The Court of Appeals decision was confirmed by the French Supreme Court *(Cour de cassation)* on October 15, 2013.

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. One VAT assessment amounting to €1.3 million, relates to a subsidy granted to a former subsidiary 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 a VAT assessment with respect to 2010 tax year on the same grounds: €1.1 million relating to the subsidy and €7.5 million relating to the deductibility of the "holding" VAT. The Company is challenging these assessments.

Cathode Ray Tubes Investigations

Class action lawsuits asserting private antitrust claims alleging anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses) were filed in early 2008 in the United States (one group brought by indirect purchasers and one group brought by direct purchasers) that originally named Technicolor SA and others as defendants, although Technicolor SA was dropped as a named defendant when amended complaints were filed in the spring of 2009. The Group sold the CPT business in 2005 and never had activity in the CDT business. In November 2011, Technicolor USA, Inc. and Technicolor SA executed tolling agreements with the indirect purchaser plaintiffs and the direct purchaser plaintiffs tolling the statute of limitations to bring actions against Technicolor. In August 2012, the indirect purchaser plaintiffs moved the Court to join Technicolor SA and Technicolor USA, Inc. to the pending class action. In October 2012, Technicolor SA, Technicolor USA, Inc., and the indirect purchaser plaintiffs executed an amendment to the tolling agreement which extended the original tolling agreement, prohibited indirect purchaser plaintiffs from bringing Technicolor into the present class action, and required Technicolor to provide certain sales documents.

In March 2013, Sharp Electronics filed suit against Technicolor SA and Technicolor USA, Inc. alleging anticompetitive behavior in the CRT industry. Technicolor USA, Inc. and Technicolor SA have timely filed motions to dismiss. In September 2013, the Court issued an order dismissing Sharp's claims without prejudice for failure to plead facts in support of its claims with the requisite particularity, but granted Sharp leave to amend its complaint. In October 2013, Sharp filed an amended complaint against Technicolor SA and Technicolor USA, Inc. and Technicolor SA and Technicolor USA, Inc. timely filed motions to dismiss Sharp's amended complaint, which motions are now pending before the Court. In September 2013, Tech Data filed suit against Technicolor SA and Technicolor USA, Inc. alleging anticompetitive behavior in the CRT industry, and Technicolor USA, Inc. and Technicolor SA will file timely motions to dismiss the Tech Data complaint when appropriate.

In November 2011, several direct purchaser plaintiffs filed complaints against other CRT-industry defendants and, in March 2013, sought leave to amend those complaints to add claims against Technicolor SA and Technicolor USA, Inc.; the Court denied the direct purchaser plaintiffs leave in September 2013. In November and December 2013, several new suits alleging the same anticompetitive behavior were filed against Technicolor SA and Technicolor USA, Inc. by some of those same plaintiffs, including: BestBuy Co., Inc.; Costco Wholesale Corp.; Office Depot, Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; creditors of Tweeter Opco, LLC, and Tweeter Newco, LLC; Electrograph Systems, Inc.; P.C. Richard & Son Long Island Corp.; MARTA Coop. of Am., Inc.; ABC Appliance, Inc.; Target Corporation; and Interbound Corporation of America. Technicolor USA Inc. and Technicolor SA will file timely motions to dismiss these complaints when appropriate.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian Ministry of Justice indicating Brazilian authorities are initiating an investigation of possible cartel activity within the CRT industry in Brazil. Technicolor SA's response is due in February 2014.

On September 10, 2012, Technicolor SA received notice from the Mexican Federal Competition Commission indicating Mexican authorities had completed an investigation of possible cartel activity within the CRT industry in Mexico and on December 3, 2012, Technicolor SA has provided a response and evidence responding to the allegations.

NOTE 20 MANAGEMENT COMPENSATION

Total compensation paid to Board Members of the Company for the 2013 financial year amounted to €685,458. 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 2013 amounts to €1.146 million.

Mr. Rose is a beneficiary of a long-term incentive plan (LTIP 2011), approved by the Board of Directors on June 8, 2011, providing for the award of performance units comprised for one-third of a cash bonus and for two-thirds of free shares. The final number of performance units acquired is based on performance conditions. The Board of Directors will review the level of achievement of performance conditions for the third and last tranche, for the fiscal year 2013, at its meeting of March 2014.

The Company has no specific retirement benefits program for its Directors.

NOTE 21 RELATED PARTY TRANSACTIONS

Related party transactions are transactions with companies which are in the consolidation scope of Technicolor Group.

Main related party transactions and the amounts due to these companies are as follows:

(in million euros)	2013	2012
Shares in subsidiaries net of provisions	1,145	541
Trade receivables	36	33
Other receivables	3,900	3,600 (1)
Financial debt	2,062	1,035
Other debts	3	66
Financial income	303	443
Financial expense	90	60

(1) Technicolor International SAS financed the acquisition of Thomson Licensing SAS through the current account with Technicolor SA.

NOTE 22 FEES PAID TO STATUTORY AUDITORS

(in million euros)	Mazars		Deloitte	
	2013	2012	2013	2012
Audit services (1)	1	1	1	1
Other services relating to the audit function (2)	-	-	-	-
TOTAL	**1**	**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.

(2) Other services relating to the audit function include, for example, consultation on the accounting standards to be used in the distribution of financial information and due diligence processes conducted as part of acquisitions.

NOTE 23 SUBSEQUENT EVENTS

On February 5, 2014 Technicolor announced that it had refinanced part of its remaining senior secured debt maturing in 2016 and 2017 (€181 million) and that it would subsequently reimburse the rest of this debt (€85 million). As detailed in note 22 to the consolidated accounts, in July 2013 Technicolor had refinanced around €905 million of this senior secured debt by issuing new debt (term loans) in an amount of €838 million maturing in 2020 and €67 million of cash. The incremental term loans were subscribed on February 5, 2014 by certain lenders under the senior secured debt, on terms identical to the new debt issued in July 2013, in consideration for the assignment of their participations under the senior secured debt *via* a cashless exchange.

The February 5, 2014 refinancing transaction generates small interest savings and more importantly, it further improves the maturity profile of Technicolor's debt. In addition to this exchange, Technicolor expects to fully reimburse the remainder of its senior secured debt (€85 million) out of its cash by the end of April 2014, thus reducing its gross debt and lowering its interest costs, further simplifying its debt structure and increasing its financial flexibility.

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 € except number of shares, earning per share and number of employees)	2013	2012	2011	2010	2009
I - FINANCIAL POSITION AT YEAR END					
a) Share capital	335,709,392	335,543,841	223,759,083	174,846,625	1,012,087,605
b) Number of shares issued	335,709,392	335,543,841	223,759,083	174,846,625	269,890,028
c) Maximum number of shares to issue in the future					
Share-based payment	16,963,000	1,485,337	1,494,156 (1)	1,911,757 (1)	7,389,930
Free share	2,246,302	1,211,241	1,494,270 (1)	431,100 (1)	174,460
Notes Redeemable in Shares (NRS)	-	-	2,604,511	51,523,126	-
II - STATEMENTS OF OPERATIONS					
a) Revenues (excluding VAT)	86,121,912	82,552,216	82,909,048	97,952,182	114,205,288
b) Profit (Loss) before tax, amortization and provisions	(50,618,068)	2,260,395,919	(51,715,268)	(265,247,149)	152,244,604
c) Income tax profit	69,353,850	56,308,844	67,522,616	65,607,960	53,410,639
d) Profit (Loss) after tax, amortization and provisions	(69,113,120)	2,103,924,138	(337,613,744)	(499,508,008)	(571,982,207)
e) Dividend paid and distributions	-	-	-	-	-
III - EARNING (LOSS) PER SHARE* (2) (3)					
a) Profit (Loss) after tax, but before amortization and provisions	0.06	8.60	0.09	(0.79)	0.76
b) Profit (Loss) after tax, amortization and provisions	(0.21)	7.81	(1.93)	(1.97)	(2.12)
c) Dividend paid and distributions	-	-	-	-	-
IV - EMPLOYEES					
a) Average number of employees	316	388	421	483	542
b) Wages and salaries	36,490,993	39,302,807	40,775,327	51,546,233	54,007,599
c) Social security costs	18,727,317	18,926,946	16,884,477	22,557,161	20,770,433

* Changes in the number of shares in capital:

- As of January 01, 2013 — 335,543,841 capital shares
- Increase in capital on June 17, 2013 (by issuance of new shares) — 165,551 capital shares
- As of December 31, 2013 — 335,709,392 capital shares

(1) Previous years statements showed a line named "Retention Plan " which has been incorporated into two lines "Share-based payment" and "Free Share" in 2012 presentation.
The line "Retention Plan" for the year 2010 showed a number of shared to issue of 1,560,890 split on line "Share-based payment" for 1,144,490 and "Free share" for 416,400.
The line "Retention Plan" for the year 2011 showed a number of shared to issue of 2,499,000 split on line "Share-based payment" for 1,004,730 and "Free share" for 1,494,270.
(2) Before reverse share split for year 2009.
(3) From 2012, "earning (loss) per share" are calculated per reference to the average number of share during the year.
Previous years statements before 2012 showed an "earning (loss) per share" calculated per reference to the number of share as of December 31.
Profit (loss) after tax, but before amortization and provisions for the years 2010 and 2011 were respectively € (1.14) and €0.07.
Profit (loss) after tax, amortization and provisions for the years 2010 and 2011 were respectively (2.86)€ and (1.51)€.
"Earning (loss) per share" for year 2009 do not differ under the two methods of calculation.

8.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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 presented below is 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 balances, transactions, or disclosures.

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, 2013, on:

- the audit of the accompanying financial statements of Technicolor SA;
- 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, 2013 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:

- Note 2 to the financial statements discloses the information on the Company's situation in relation to the going concern assumption applied to approve the consolidated financial statements. On the basis of our work performed, we have assessed the informations and assumptions used by your company to prepare the cash flow forecasts.
- Moreover, 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 2 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 14 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 19 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, March 5, 2014

Deloitte et Associés

French original signed by

Alain Pons
Partner

Ariane Bucaille
Partner

Courbevoie, March 5, 2014

Mazars

French original signed by
Jean-Louis Simon
Partner

8.8 STATUTORY AUDITOR'S SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS – GENERAL MEETING OF SHAREHOLDERS HELD TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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.

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 and conditions 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 years, 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

Pursuant to article L. 225-30 of the French Commercial Code, the following agreements and commitments, which were previously authorized by the Board of Directors, have been brought to our attention.

The conclusion of an agreement between your Company and Thales Group relating to the acquisition by Technicolor of a patent portfolio to Thales in connection with the LCD technology for €3,1 million excluding tax has been authorized by your Board of Directors on July 25th, 2013. This agreement has been concluded on December 3rd, 2013.

This agreement has been approved by your Board of Directors as Mr Lombard is a Director of both your Company and Thales.

AGREEMENTS AND COMMITMENTS ALREADY AUTHORIZED IN PREVIOUS FISCAL YEARS

Pursuant to article R. 225-30 of the French Commercial Code, we have been informed of the following agreement approved in prior years and which remained current during the last year.

An amendment to the governance agreement that was concluded on July 10, 2012 between your Company and Vector Capital IV L.P., Vector Entrepreneur Fund III L.P., and Vector Capital Corporation (hereafter "Vector Capital") was authorized by your Board of Directors on December 19th, 2012. This amendment, which was signed on December 20, 2012 allows for the appointment of a new member of the audit committee on the proposal of Vector Capital. This amendment also stipulates the consequences on the composition of the Board of director's committees of a reduction of the participation of Vector Capital in your Company's share capital.

This agreement did not have any impact on the Company's financial statements for the year ended December 31, 2013. It has been approved by your Board of Directors as Vector Capital holds more than 10% of your Company's shares through the investment vehicle Vector TCH (Lux) 1 S.à.r.l.

The Statutory Auditors

Neuilly-sur-Seine, March 5, 2014

Deloitte et Associés

French original signed by

Alain Pons
Partner

Ariane Bucaille
Partner

Courbevoie, March 5, 2014

Mazars

French original signed by
Jean-Louis Simon
Partner

9 REGISTRATION DOCUMENT CROSS REFERENCE TABLE

Under Article 28 of European Commission regulation (EC) 809/2004, the following information is incorporated by reference in the Regulation Document:

- the consolidated financial statements of the year 2012 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 2012 (pages 138 to 222); and
- the consolidated financial statements of the year 2011 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 2011 (pages 134 to 232); and
- the annual accounts of the Company for the year 2012 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2012 (pages 223 to 247); and
- the annual accounts of the Company for the year 2011 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2011 (pages 233 to 259).

The Registration Document of the year 2012 was filed with the Autorité des marchés financiers on April, 16, 2013 under No. D.13-0361.

The Registration Document of the year 2011 was filed with the Autorité des marchés financiers on March 27, 2012 under No. D.12-0224.

To facilitate the reading of the Annual Report, 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

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Annual Report	Page No.
1.	**PERSON RESPONSIBLE**		
1.1	Names and positions of the persons responsible for the information	Chapter 7, section 7.9.2	156
1.2	Declaration by the persons responsible	Chapter 7, section 7.9.1	156
2.	**STATUTORY AUDITORS**		
2.1	Name and address	Chapter 7, sections 7.7.1 and 7.7.2	154; 151
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	49
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 4, 12, 13 and 31 to the consolidated financial statements	182; 197; 198; 240
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 Annual Report	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	10; 15
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