technicolor

ANNUAL REPORT **2012**

including the Annual Financial Report

technicolor

Société anonyme with a share capital of €335,543,841
Registred office: 1-5, rue Jeanne d'Arc
92130 Issy-Les-Moulineaux
Nanterre Register of Commerce and companies No. 333 773 174

ANNUAL REPORT **2012**

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

This Registration document (*Document de Référence*) was filed with the *Autorité des Marchés Financiers* (AMF) on April 16, 2013 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 254 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 253 mentions the elements of this report); and

(iii) the Chairman's report on corporate governance, internal control procedures and risk management issued pursuant to Article L. 225-37 of the French Commercial Code (this report is included in Chapter 4: "Corporate governance and internal control procedures" in section 4.2: "Chairman's report on corporate governance, internal control and rise management" on page 70 and 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 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 DATA

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, 2012, 2011 and 2010. 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)	2012	2011	2010
Statement of Operations (selected items)[1]			
Revenues from continuing operations	3,580	3,450	3,574
Adjusted EBITDA[2]	512	475	505
Profit (loss) from continuing operations before tax and net finance income (expense)	264	(33)	38
Net finance income (expense)[3]	(197)	(187)	116
Income tax	(49)	(83)	2
Net income (loss) from continuing operations	13	(303)	156
Net income (loss) from discontinued operations[4]	(35)	(21)	(225)
Net income (loss)	(22)	(324)	(69)
Profit (loss) from discontinued operations[4]			
■ Discontinued results related to the Grass Valley and Media Networks businesses	2	(19)	(221)
■ Discontinued results related to the other discontinued businesses	(37)	(2)	(4)
Earnings per Ordinary Share			
Weighted average number of shares outstanding – (basic net of treasury stock)[5]	275,885,374	211,364,435	107,123,745
Earnings (loss) (Group share) per share from continuing operations *(in €)*			
Basic	0.05	(1.4)	1,3
Diluted[5]	0.05	(1.3)	1,0
Total earnings (loss) (Group share) per share *(in €)*			
Basic	(0.07)	(1.5)	(0,8)
Diluted[5]	(0.07)	(1.4)	(0,5)
Balance sheet (selected items)			
Total non-current assets	1,817	1,907	2,299
Total current assets (excluding cash and cash equivalents)	1,023	1,142	1,303
Cash and cash equivalents	397	370	332
TOTAL ASSETS	**3,237**	**3,419**	**3,934**
Total non-current liabilities	1,703	1,940	2,038
Total current liabilities	1,293	1,324	1,391
Share capital	335	224	175
Shareholders' equity	237	151	503
Non controlling interests	4	4	2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,237**	**3,419**	**3,934**
Dividends/distributions			
Dividends/distributions per share *(in €)*	-	-	-

(1) Results for 2012, 2011 and 2010 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 2012, the scope of discontinued operations has not been modified compared to 2011: 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 the 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 2010 and 2011 considering the impact of the preferential subscription right element of the share capital increase of August 14, 2012. Please refer to note 28 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
Fax: +33 (0)1 41 86 58 59
E-mail: shareholder@technicolor.com
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 length of life 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 (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). On March 21, 2011 Technicolor voluntarily delisted from the New York Stock Exchange. As a result, its American Depositary Shares (ADSs) now trade on the over-the-counter (OTC) market.

Activity: 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, Entertainment Services, and Connected Home (formerly Digital Delivery). For a detailed description of the segments, please refer to section 1.2.3: "Organization". All other activities and corporate functions (unallocated) are presented within the "Other" segment. In fiscal year 2012, Technicolor generated €3,580 million of consolidated revenues. On December 31, 2012, the Group had 14,639 employees in 25 countries.

1.2.2 HISTORICAL BACKGROUND

Technicolor has been contributing to the development of video technologies and services for more than 95 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 content creators (historically studios but now also prosumers and consumers), 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 focus on media monetization solutions and 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). 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*"). The *Sauvegarde* Plan, which was implemented on May 26, 2010, is binding upon all creditors of Technicolor SA. For more information about the risks related to the *Sauvegarde* Plan, please refer to Chapter 3: "Risk Factors", section 3.1: "Risk related to the debt restructuring".

2012 Capital Increases

In May 2012, Technicolor decided to give favorable consideration to the offers from international institutions to invest 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 two U.S.-based investment funds, Vector Capital IV, L.P. and Vector Entrepreneur Fund III, L.P. (hereinafter referred to, together with Vector Capital Corporation, the management company of the funds, as "Vector Capital") and submitted to the approval of the General Shareholders' Meeting on June 20, 2012. The offer from Vector Capital was approved by the General Shareholders' Meeting, which allowed Vector Capital to take a minority stake in the share capital of the Company, through two capital increases that were carried out in the summer 2012.

In practical terms, a reserved capital increase was first launched, with Vector Capital investing an amount of €94,943,012 (issuance premium included) in Technicolor's capital. It was 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.

Following the transactions, Vector Capital's shareholding reached 20.87% in the share capital (20.70% at December 31, 2012, after redemption of the NRS). Vector Capital stated it was supportive of Technicolor's management.

For more information about the 2012 capital increases, please refer to Chapter 4: "Corporate Governance and internal control procedures", section 4.2.1.3 "Board of Director's activities in 2012" and Chapter 5: "Technicolor and its shareholders", section 5.1.5 "Modification in the distribution of the share capital over the past three years".

1.2.3 ORGANIZATION

As discussed below, the Group is organized around three operating segments: Technology, Entertainment Services, and Connected Home (formerly Digital Delivery).

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

Technology (15% of 2012 Consolidated Revenues)

Technology, which generated consolidated revenues of €515 million in 2012 (15% of the Group's consolidated revenues) develops, protects and monetizes technology, principally through the licensing of Technicolor's Intellectual Property, which represents most of the segment's consolidated revenues (€512 million in 2012).

Technology is organized around the following divisions:

- Research & Innovation, which includes the Group's fundamental research activities;
- Licensing, which is responsible for protecting and monetizing the Group's Intellectual Property portfolio and generates most of the Technology revenues;
- MediaNavi: the Group's platforms and applications (launched under the commercial brand M-GO) aiming at simplifying and enriching the end-user experience when consuming digital content, should it be premium content or personal content.

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

Entertainment Services (48% of 2012 Consolidated Revenues)

Entertainment Services, which generated consolidated revenues of €1,730 million in 2012 (48% of the Group's consolidated revenues) mainly develops and offers creative services for the global Media & Entertainment industry as well as services related to the manufacturing and distribution of Blu-ray™ and DVDs for studio clients. In Creative Services, Technicolor has been developing new technology solutions to support the transition of its customers to digital and has been managing its digital creative services business to capture growth opportunities, while limiting exposure to fast declining legacy activities.

Entertainment Services is organized around the following divisions:

- Creative Services, which includes Digital Creative Services (Digital Production, Digital Postproduction & Distribution Services and Digital Cinema) and legacy activities (Film Services, Compression & Authoring, Tape duplication);
- DVD Services;
- IZ-ON Media (formerly Premier Retail Networks or PRN).

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

Connected Home - formerly Digital Delivery - (37% of 2012 Consolidated Revenues)

Following the sale of the Broadcast Services and the SmartVision (television-over-IP or IPTV) businesses in 2012 and the Cirpack soft-switch operations (voice-over-IP or VoIP) in 2013, Technicolor has renamed the existing "Digital Delivery" segment to "Connected Home". The business review is focused on Connected Home activities. Digital Delivery financial indicators are presented for reconciliation purposes.

Digital Delivery generated consolidated revenues of €1,334 million in 2012 (37% of the Group's consolidated revenues).

Connected Home generated consolidated revenues of €1,244 million in 2012.

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, as well as software solutions for multi-device communication (which mostly consist of Qeo, a software framework announced at CES 2013), applications for the smart home (including home automation), and professional services. Connected Home shipped a total of 30.1 million products in 2012 (2011: 23.7 million units).

For more information about the Connected Home segment, please refer to section 1.3.3: "Connected Home (formerly Digital Delivery)".

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

Technicolor's mission is to enhance media creation and media experience on any screen, in theaters, at home and on the go. 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 media products, technologies and services.

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

The vision is derived from Technicolor's assessment of key trends in the Media & Entertainment industry, 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 media-related technologies, especially technologies related to video, color, sound and networking;
- artistic talents and high added-value services for content creators and content owners in visual effects, animation, digital postproduction and distribution to theaters, homes and mobile devices;
- leadership in content and delivery solutions for Pay-TV operators and network service providers, home networking solutions, digital distribution and expertise in related software and services;
- trusted relationships with leading content creators (film studios, broadcasters and advertisers), Pay-TV providers, network service providers and consumer electronics manufacturers.

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 2012, 2,300 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 home connectivity; and
- developing new licensing models such as Technology Licensing to promote innovative technologies in product enhancements, particularly for consumer electronics manufacturers and digital platform providers.

As an example of Technicolor's involvement in licensing activities, in 2012, the Group was actively involved in over 10 standardization bodies, including the 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 2012, 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 in partnership with Marseille Networks, which certifies 4K image quality on any device.

Develop innovative solutions for media creation and distribution to address expanding media experiences and monetization 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 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 facilitate 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 new application aimed at making digital entertainment easier for consumers to find, watch, and enjoy. Currently in beta testing and scheduled for commercial launch in the US in the second quarter of 2013, M-GO is an application that enables users to discover, find, rent or purchase and view streaming or downloaded digital entertainment content on most browsers or operating systems. M-GO is the result of intensive R&D, market testing and investment over the past 3 years, which has led to numerous innovations and patent disclosures. M-GO will allow consumers to rent or purchase movies and TV content from M-GO's library of over 10,000 titles (as of the first quarter of 2013) provided under content licensing agreements with most major studios, including NBC Universal, Paramount Pictures, Sony Pictures Home Entertainment, Twentieth Century Fox, Warner Brothers, DreamWorks Animation, Relativity Media, Lionsgate and Starz Digital. The agreements will enable consumers to rent or purchase movies or TV shows and will offer consumers the ability to purchase UltraViolet enabled movies, giving them the ability to watch their purchased movies across multiple connected devices. Upon commercial launch, M-GO will benefit from a built-in potential audience since it is pre-loaded on a variety of partners' connected devices such as Samsung, VIZIO, LG Electronics and RCA and on digital media players on Intel® Ultrabook™ devices. In addition, M-GO functions on a full spectrum of operating systems, from Android to iOS to Windows, and is already available as a free download from the Google Play app store.

Leverage existing asset 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.

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 projects such as Qeo, a smart home application, and participate in consolidation to add scale.

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 new businesses such as M-GO and focus on research initiatives such as color features, user interface, metadata and discovery, home networks and personalized content recommendations.

- 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 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)[2] are:

- profit growth: Adjusted EBITDA above €600 million (vs. €452 million in 2011 and €498 million in 2012);
- free Cash Flow generation: over €400 million generated over 2012-2015, which will be used to repay debt;
- significant deleveraging: Technicolor's Net debt/Adjusted EBITDA ratio to fall below 1.1x (vs. 1.4x in 2012 based on IFRS debt).

1.3 BUSINESS OVERVIEW

The table below sets forth the contribution to the Group's consolidated revenues of its segments for 2012 and 2011. In accordance with IFRS, revenues from continuing operations exclude the contribution of discontinued operations.

(in € millions, except percentages)	2012	% of total	2011	% of total
Revenues from continuing operations				
Technology	515	15%	456	13%
Entertainment Services	1,730	48%	1,832	53%
Digital Delivery	1,334	37%	1,157	34%
o/w Connected Home	*1,244*	*35%*	*989*	*29%*
Other	1	-	5	-
TOTAL	**3,580**	**100%**	**3,450**	**100%**

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

Technology generated consolidated revenues of €515 million in 2012 (15% of the Group's consolidated revenues). Technology comprises Research & Innovation (R&I), Licensing and MediaNavi.

Technology develops, protects and monetizes technology, principally through licensing Technicolor's Intellectual Property (IP), which represents most of the segment's consolidated revenues (€512 million in 2012). According to internal estimates, more than 80% of consumer electronics manufacturers integrate the Group's IP.

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

Research & Innovation

The main objective of Research & Innovation (R&I) is to develop and transfer innovative technology to support the services, software and solutions provided by the Group, in order to develop Technicolor's competitive advantage and explore new business opportunities. R&I has a proven capacity for invention, which results in the generation of patents that sustain a continuous flow of licensing revenues.

The division is treated as a cost center within Technology. Total Group research and development expenses are disclosed in note 7 of the Group's consolidated financial statements.

R&I employs more than 300 world-class researchers, of which more than 100 PhDs at December 31, 2012, responsible for more than 100 publications per year. The teams are based in four research centers: Rennes (France), Paris (France), Hanover (Germany) and Palo Alto (United States).

Incorporating Technicolor's technology in key industry standards helps promote the use of the Group's patents in new products and services, which in turn helps generate Licensing revenues. Accordingly, in 2012, R&I significantly increased its contribution to standards, representing Technicolor in more than 10 standardization bodies, including MPEG, ATSC, DVB, SMPTE, DVB & VQEG.

R&I is 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 centre of new activity in R&I, underlining the commitment of Technicolor to the evolution of industry standards. Similarly, R&I has developed ground-breaking technology to underpin its active participation in the MPEG Call for Proposal on 3D Audio Coding. 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.

In 2012, Technicolor filed 444 priority applications with respect to new inventions. The maintained pace of filings underpins the commitment to focus on high quality patents in targeted technology areas (such as Video and Audio Compression, Image enhancement, Networking, Content security & Privacy), creating long-term monetization opportunities for Patent Licensing and Technology Licensing.

R&I significantly raised its scientific excellence and reputation in 2012. Scientific excellence is measured through publications (that in turn lead to strong Intellectual Property differentiation) and collaboration with the best academic research institution worldwide. R&I published in 2012 more than 40 articles in top tier scientific events (per the international research community ranking). Collaborations have been established with four among the top six universities (per the Shanghai ranking): Berkeley, Stanford, MIT, and Cambridge. In France, the IP agreement with INRIA, a public research institute, has been renewed.

Licensing

Technicolor's Licensing business generated consolidated revenues of €512 million in 2012 (approximately 15% of the Group's consolidated revenues). As of December 31, 2012, this business employed 207 people based in 13 locations, principally in France, the United States, Germany, Switzerland, Japan, South Korea, China and Taiwan. Technicolor's strong patent portfolio in technologies, combined with its licensing expertise, constitute significant competitive advantages.

Technicolor's Licensing business comprises the Patent Licensing and Trademark Licensing businesses as well as the Technology Licensing activity, which is in its ramp-up phase.

Patent Licensing

As of December 31, 2012, the Technicolor patent portfolio comprised around 39,600 patents and patent applications worldwide, generating licensing income predominantly in the field of digital technologies, derived from approximately 5,600 inventions in the fields of compression, video processing, networking, communication, interactivity, user interfaces, security, displays, storage and optical technologies. At the end of 2012, around 66% of Technicolor's patent portfolio had a remaining lifetime greater than 10 years. In 2012, Technicolor filed 444 priority applications in respect of new inventions. Technicolor was also granted 2,300 patents in 2012 compared to 2,000 granted patents in average per year over the period 2004-2011.

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 2012, the program generating the most revenue was MPEG-2, which is licensed through the MPEG LA pool of which Technicolor is an important member. This program contributed to 54% of Licensing revenues in 2012. 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. In parallel, Technicolor has launched and is active in advanced standards, such as HEVC and DVB, which will be implemented in future products, thereby providing for additional licensing revenues.

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 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.

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 RCA™ 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 2012, Technicolor expanded its Trademark program to two new countries (Brazil and Russia) and to two new product categories (lighting, home automation).

Technology Licensing

In addition to its Patent and Trademark Licensing activities, the Group is developing Technology Licensing 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.

In the context of the Amplify 2015 new business incubation framework, new Technology Licensing initiatives were launched in 2012 in the field of Image Fidelity and Enhancement such as Color Certification, Image Certification and CineStyle. Color Certification was developed in partnership with Portrait Displays to offer a color certification program to makers of PC, laptop and tablet displays. Image Certification was a program developed with Marseille Networks, which certifies 4K image quality on any device. CineStyle was designed by the Company's renowned color experts and is a video color correction and grading software, working in conjunction with popular editing software, such as Final Cut pro 7 and Adobe Premiere Pro. Those initiatives leverage the Group's color science, for the benefit of prosumers and consumers.

MediaNavi

The MediaNavi business, developed in joint venture with Dreamworks Animation, consists of M-GO, a new platform aimed at making digital entertainment easier to find, watch, and enjoy. With a touch on the M-GO button, consumers instantly access movies and TV shows on new devices and the ones they already own. M-GO is starting with a robust and growing library of movies and TV shows, with more than 10,000 titles available as of the first quarter 2013, and designed to be the go to source for consumers to access and enjoy all their media and entertainment. When a content is not available on the platform, M-GO will help the user to find it on other media stores. M-GO leverages Technicolor's technology as well as relationships with studios and consumer electronics manufacturers.

In August 2011, the Group developed "MediaNaviCo" a joint-venture with Dreamworks for the research, development, and the licensing of content, software and services in connection with M-GO. The Group has an 89% 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' 11% stake. Under the joint-venture agreement, Technicolor's ownership interest in the joint venture could potentially decrease from 89% to 65%, and Dreamworks' ownership interest could increase by a corresponding amount. The Group currently expects its ownership interest to decrease from 89% to 80%, and Dreamworks' ownership interest to increase from 11% to 20%, by June, 2013. The 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.

M-GO is delivered to consumers in the form of a free application, pre-loaded on a variety of partner's connected devices from Samsung, VIZIO, LG Electronics, RCA, digital media players and on Intel® Ultrabook™ devices. In addition, M-GO will also function on a full spectrum of operating systems, ranging from Android to iOS to Windows, with M-GO already available as a free download from the Google Play app store.

The M-GO service enables consumers to rent or purchase home entertainment titles on their day of release as well as back catalog film & TV shows and will also offer catch-up television. 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 and Lionsgate. M-GO also debuted 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 revenue 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.

An open beta version of M-GO was launched January 4, 2013, in the US one last step before an unrestricted launch scheduled in the first half of 2013.

Although Technicolor believes no other application currently on the market offers an experience directly comparable to M-GO's personalized interface and search capabilities across media sources, its 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 €1,730 million in 2012 (48% of the Group's consolidated revenues) mainly develops and offers Creative Services for the global Media & Entertainment Industry, services related to the manufacturing and distribution of Blu-ray™ and DVD discs for studio clients, as well as, through its IZ-ON Media division (formerly PRN), digital place-based media services to retailers.

In 2012, physical media, including DVD Services and legacy activities within Creative Services accounted for approximately two thirds of the Entertainment Services segment's consolidated revenues.

The customer base for this sector is made of a variety of actors, mostly from the M&E industry and with a wide geographic coverage. A number of key studio clients accounting for a substantial portion of the businesses and revenues of Entertainment Services are however based on the West Coast of the United States resulting in a significant geographic concentration for the segment.

Although the Group expects DVD Services to remain a significant contributor to Entertainment Services revenues and Blu-ray™ volumes in particular to continue to increase over the next several years, it supports actively and guides clients through the M&E 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, in particular in the areas of high-end digital production (visual effects and animation), digital postproduction and distribution services, and digital cinema distribution, in both its existing markets (principally the United States and Europe) and in new regions. To continue developing new technology solutions for its customers at a lower cost, Technicolor increased its investment in Bangalore, India, to create a state-of-the art Creative Services facility. The Group's also simultaneously limited its exposure to declining legacy activities (primarily Film Services, but also including Compression & Authoring and other legacy activities) through subcontracting and partnership agreements. Agreements with Deluxe for Film Services and with Sony DADC for Compression & Authoringhave allowed the Group to reduce its fixed costs base and close certain of its operations in North America and Europe to mitigate recent and expected declines in volume.

Creative Services

Through its Creative Services business, Technicolor offers a full set of leading services such as digital content production, video and sound postproduction, versioning and localization services, content distribution as well as media asset management to major and independent film studios, broadcasters, advertisers and video game companies.

Over the past few years, Technicolor has been extending the range and depth of its product and service offerings, and developing new technology solutions to support the transition of its customers to digital, while limiting exposure to fast declining legacy activities, 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.

Since end 2010, Technicolor is stepping out progressively from its legacy activities (mostly Film Services, but also Compression & Authoring and other legacy activities) through subcontracting and partnership agreements that allow the Group to downscale its fixed costs base to mitigate the volume decline and close its operations in North America and Europe.

Digital Creative Services

The range of services provided includes Visual Effects (VFX) and animation, digital dailies, editorial sounds, Digital Intermediate (DI) postproduction, sound mixing, and digital deliverables for distribution in theatres, at home, or on the go.

Digital Production

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

VISUAL EFFECTS

Technicolor operates, under the MPC brand, a team of 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.

This activity is based in London (UK), Los Angeles (US), New York (US), Vancouver (Canada), Bangalore (India) and also Beijing (China). In 2012, the Group continued the expansion of its facilities in Vancouver and Bangalore.

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 2012, the team completed work on projects such as Life of Pi (Fox), Skyfall (Sony), Wrath of the Titans (Warner), Dark Shadows (Warner), Prometheus (Fox) and started to work on several new projects such as Maleficent (Disney), The Seventh Son (Warner), The Lone Ranger (Disney), Man of Steel (Warner). VFX teams won the Oscar and BAFTA awards for Life of Pi (Fox). This was another demonstration of Technicolor's excellence in servicing its studio customers.

ANIMATION

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 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 2012, Technicolor announced that following a successful partnership on a number of titles such as L.A Noire, Red Dead Redemption and Max Payne 3, it had established a dedicated team of game artists and animators to work on Rockstar Games' future projects leveraging its state-of-the-art technology infrastructure in Bangalore (India).

Digital Postproduction & Distribution Services

Technicolor supports its clients from the image 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 in 10 key markets around the globe. To maintain its market share and keep growing, Technicolor aims to consolidate and expand geographically as well as develop new added value services.

After reinforcing its worldwide leadership positions over the past few years – through greenfield investments, partnerships and acquisitions - Technicolor reinforced its European position by taking over the activities of ADJ (*Auditoriums de Joinville*), SIS (*Société Industrielle de Sonorisation*) and creating a film and television language versioning facility in France.

In 2012, Technicolor also launched on-set digital capture services and its end-to-end digital studio platform by leveraging its close relationships with filmmakers, postproduction executive and studio customers. The Group's end-to-end digital platform has been developed in collaboration with Warner Brothers and other major studio and broadcast customers to integrate Technicolor, customer and third-party service providers on an open digital platform with key functionality and tools to meet the demands of content creators and distributors.

Digital Cinema

Technicolor Digital Cinema offer content owners and distributors a set of digital cinema services including mastering, versioning, hard drive and electronic distribution and digital key management for theatrical content, all supported by 24/24 hours and 7/7 days customer service. Technicolor's key customers in this activity include both major and independent studios including The Walt Disney Company, Lionsgate, Relativity Media, Paramount, 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 70% worldwide and 84% in North America by the end of 2012. 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.

Technicolor has significant market share in Digital Cinema distribution with more than 45% of the North American market *(source: Technicolor estimates),* and operates the largest satellite network in North America capable of digital cinema distribution (over 1,100 sites as of December 31, 2012).

Legacy activities

In the full year 2012, legacy activities represented only 5.2% of the Group's total revenues compared to 8,3% in full year 2011.

Compression & Authoring

In October 2012, Technicolor entered into a partnership with Sony DADC US, Inc. regarding its US-based Compression & Authoring ("C&A") activity. Through this partnership, Technicolor is now providing Compression & Authoring work exclusively from its Bangalore facility while Sony DADC is providing work from its Los Angeles operations.

Film Services

Following the rapid shift to digital cinema the Company has launched several initiatives in 2011 and 2012 aiming at rightsizing its photochemical film activities, which at its peak included photochemical film processing (during the film making process), film release printing, and physical distribution services to cinemas for theatrical releases.

Technicolor achieved this by subcontracting all of its release printing services in North America and in Europe to Deluxe, resulting in the closure of four film laboratories in Montreal, London, Rome and Madrid. These initiatives enabled the Group to have a flexible cost structure and reduced its exposure to the rapid decline of these activities. As a consequence, the Group has also reduced its exposure to the price of silver which drives the cost of purchasing raw film stock.

DVD Services

Technicolor manufactures and distributes video and game DVD and Blu-ray™ discs for leading global content producers. Technicolor 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.

In 2012, Technicolor sold approximately 1,45 billion DVD and Blu-ray™ discs, compared with approximately 1.54 billion discs in 2011. Technicolor's replication activities are concentrated in two primary facilities in Guadalajara (Mexico) and Piaseczno (Poland). Packaging and distribution in the United States and Europe are supported by a multi-region/multi-site facility platform, with a concentration of such activities in the United States in the Group's Memphis (Tennessee) and Livonia (Michigan) facilities.

As of December 31, 2012, Technicolor had annual capacity to produce approximately 2,1 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 manufacturing and distribution space.

Technicolor's customers include major film studios such as 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 is the market leader worldwide in DVD production and number two in worldwide Blu-ray™ production, as measured by manufacturing volume output (*source: FutureSource Consulting, 2012*). While 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. The Group also anticipates a potential increase in its DVD Services market share due to regional expansion. With consolidated and strategically positioned replication facilities located in emerging countries, a flexible workforce, all combined with a highly variablized cost structure particularly in raw materials and freight costs, Technicolor has one of the most efficient cost bases in the industry. Technicolor's largest competitors are Sony DADC, Cinram and Arvato, as well as independent local replicators.

In 2012, Technicolor made additional investments in Blu-ray™ capacity as well as productivity investments to improve the output of existing manufacturing and distribution equipment. The Group also commenced operations in 2012 on a new multi-year distribution services agreement with Universal Pictures Home Entertainment for the Canadian market and in February 2013, the Group acquired Village Roadshow's DVD distribution business in Australia.

IZ-ON Media

IZ-ON Media (formerly PRN) provides digital place-based media services that enable retailers, marketers and venue owners to reach over 300 million consumers on a monthly basis on more than 120,000 strategically placed screens in more than 10,600 locations in the United States. In 2012, the activity completed its rebranding campaign, marking its evolution to a digital media company with extended scope, footprint and capabilities. IZ-ON Media works with leading retailers, advertisers, content and technology companies to create and deliver place-based media that engages, informs and motivates consumers where they shop.

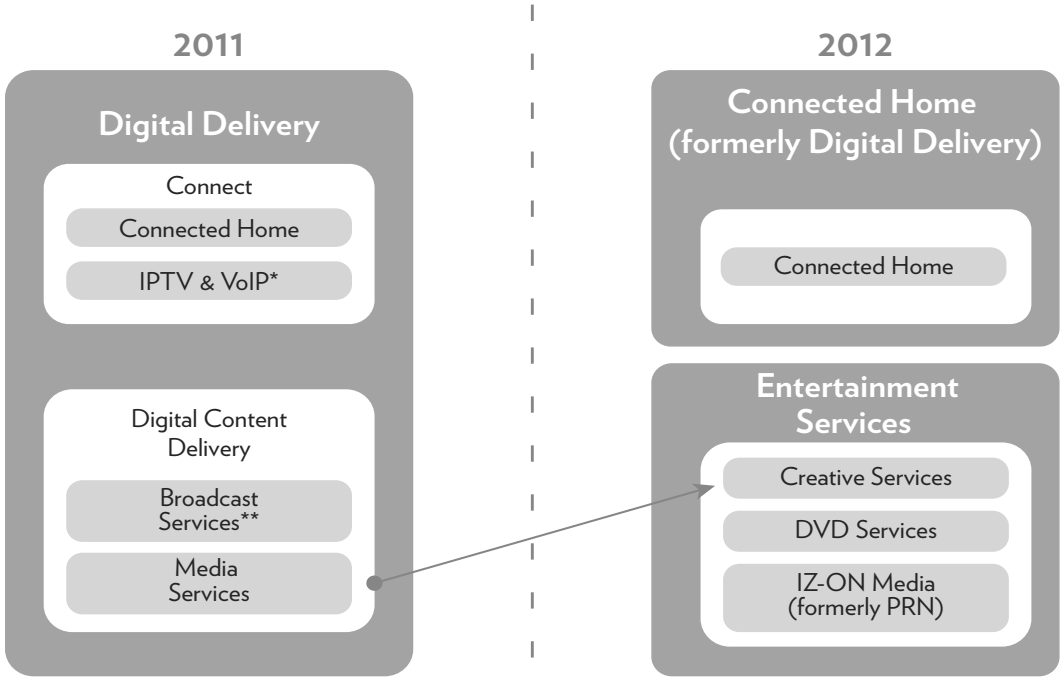
IZ-ON Media's customers include leading national advertisers and venue brands such as 7-Eleven, Sam's Club, Target, Costco, Walmart, ShopRite, Wendy's and KFC. IZ-ON Media's competitors include CBS Outernet, Captivate, and Reach Media Group. In 2012, IZ-ON Media signed a new multi-year agreement under which it will be the exclusive advertising sales representative for 7-Eleven® TV. The business also divested its Mexico operations, to focus on its growth plans for the U.S. market.

1.3.3 CONNECTED HOME (FORMERLY DIGITAL DELIVERY)

Following the sale of the Broadcast Services and of the SmartVision (television-over-IP or IPTV) businesses in 2012, and the disposal of Cirpack softswitch operations (voice-over-IP or VoIP) in 2013, as well as the transfer of the Media Services activity to the Creative Services business within the Entertainment Services segment, Technicolor has renamed the existing "Digital Delivery" segment to "Connected Home".

The business review in this annual report is focused on Connected Home activities and Digital Delivery financial indicators are presented for reconciliation purposes.

The following diagram reconciles the current nomenclature of the Connected Home segment with the nomenclature presented in the 2011 Annual Report.



* Divestiture completed in October 2012 (IPTV) and on January 21, 2013 (VoIP)

** Divestiture to Ericsson completed on July 2, 2012

In 2012, the Digital Delivery segment generated consolidated revenues of €1,334 million (37% of the Group's reported consolidated revenues). Connected Home generated consolidated revenues €1,244 million in 2012.

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 software application that allows communication between electronic devices, regardless of brand, within the home, as well as applications for the smart home (including home automation). In addition, Connected Home offers professional services. Connected Home shipped a total of 30.1 million products in 2012 (23.7 million units in 2011).

Connected Home

Solutions

The Connected Home business offers the 3 following 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 Wi-Fi 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, 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 Wi-Fi, portable video communication solutions, security, monitoring and automation control screens.

Regional Segmentation

Following the re-organization of the business at the end of 2011, which led to regrouping all product management forces, centralizing Research & Development and regionalizing the go-to-market effort (sales, pre-sales, customization), Technicolor has decided to align its financial communication with its internal organization in 2012. The Group is therefore disclosing a regional segmentation of its activity.

Americas

In 2012, consolidated revenue in the Americas totaled €815 million, representing 66% of Connected Home revenue. Of this amount, consolidated revenues in North America totaled €309 million, representing 25% of Connected Home revenues and consolidated revenues in Latin America totaled €506 million, representing 41% of Connected Home revenues. Technicolor shipped 20.5 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. In 2012, Technicolor's shipments in this region were dominated by set-top boxes, which represented 92% of total shipments. Gateways represented 6% of total shipments in 2012, while other products accounted for 2% 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. In 2012 HD products represented 40% of set-top boxes shipments in this region. Although broadband gateways are a small portion of volumes, the Group has a proven technology leadership for high-end gateways, as shown in 2012 by the design and delivery to Comcast of a gateway with higher Wi-Fi performance than any comparable product. Technicolor is also gaining traction on other solutions such as Home Security Tablets, thus expanding its addressable market for high-end products.

Key customers in this market include DirecTV, Comcast, Time Warner cable, Verizon and CenturyLink.

LATIN AMERICA

Latin America is a fast-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. In this region, a move up market has already started in some categories, as shown by the massive shift to Wi-Fi, started mid-2011 and continuing through 2012. Although standard definition products remain massive in volumes, HD products are gaining increasing attention and market share.

Technicolor is well positioned to benefit from these trends, and is growing its market share in the region. In 2012, Technicolor's shipments in this region were dominated by set-top boxes, which represent 65% of total shipments. Gateways represented 35% of total volumes in 2012.

The Group is an important player in the market for satellite set-top boxes, with High Definition (HD) products representing 23% 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 2012, consolidated revenue in Europe, Middle-East, Africa (EMEA) totaled €241 million, representing 19% of Connected Home revenue. Technicolor shipped 5.4 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 still cautious on capital expenditures.

In 2012, Technicolor's shipments in this region were dominated by broadband gateways to telecom and cable operators, with 90% of total shipments. Set-top boxes represented 10% 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 96%.

Despite adverse market conditions, Technicolor is trying to regain ground in the region, and has announced new signings with major telecom operators in 2012. The partnership with Telecom Italia for the next generation Cubovision, an hybrid pay-TV/over-the-top Media Server demonstrates Technicolor's ability to integrate value added video devices, software and services to deliver consumers with a leading-edge connected home experience. Technicolor is also providing the MediaAccess Residential Service Gateways to Telecom Italia.

Key customers in this region include Telecom Italia, Telefonica, Belgacom, Telia, Telekom Austria, UPC (Liberty Global), Kabel Deutschland, HOT, Saudi Arabia Telecom, Maroc Telecom.

Asia-Pacific

In 2012, consolidated revenue in the Asia-Pacific region (APAC) totaled €188 million, representing 15% of Connected Home revenue. Technicolor shipped 4.3 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 2012, Technicolor's shipments in this region were dominated by set-top boxes, which represented 69% of total shipments. Broadband gateways represented 26% of total volumes in 2012, while tablets represented the remaining 6%.

The marked volume increase for Technicolor in 2012 was largely attributable to the strong demand for set-top boxes across the region, especially in India. The proportion of HD product was 31% of set top boxes shipments. The APAC region is also a key market for Technicolor's tablets, with solutions - such as managed second screen content delivery or portable video communication solutions at home - delivered to major regional players.

Key customers in this region include Astro, Telstra, Tata Sky, Bharti, Austar (now part of Foxtel).

Competitive Environment

Technicolor's market position differs depending on market segments and geography. However, Technicolor ranks number one worldwide for the supply of gateways *(Sources: internal estimates, Dell'Oro)*. Key competitors in gateways include Pace, Arris (including the Motorola Home business), Huawei, ZTE ZyXEL, Cisco, Netgear.

For digital set-top boxes, Technicolor was the world's third largest supplier in 2011, based on volume (source: IMS-Research, 2011). While industry analysts have not yet published market share for 2012, Technicolor believes its market share and position have strengthened in 2012. 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.

In April 2012, Technicolor reached the milestone of 250 million Customer Premises Equipments (CPEs) for Network Service Providers (set-top boxes and gateways). In September 2012, Technicolor reached the milestone of 150 million digital set top boxes shipped since 1994. The 150 millionth set-top box was shipped to Tata Sky, the leading digital TV operator in India.

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;
- after-sales service operations and commitments related to former CE operations, mainly pension and legal costs.

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 2012, the main impact of discontinued operations on the Group's results came from a fine from the European Union, related to a business sold by Technicolor in 2005.

For more information about this fine and 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 an innovation-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, Entertainment Services and Connected Home (formerly Digital Delivery). All other activities and corporate functions (unallocated) are presented within the "Other" segment. For more information, please refer to section 1.2.3: "Organization".

2.2 TRENDS IN THE M&E INDUSTRY

The Group's performance and strategy are highly influenced by the way Media & Entertainment is created, distributed, sold and viewed. The industry's accelerated pace for innovation creates demand for underlying technologies and intellectual property, including those of the Group. The Group considers four trends to be crucial in the shift of the Media & Entertainment industry to digital content and devices:

- unprecedented speed of innovations in video-enabled and connected devices, software, applications and service platforms stimulating digital, on-demand and multi-screen media consumption;
- 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; and
- increasing digitization of content creation and distribution, such as computer generated imagery ("CGI"), 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.

As a result of these trends, the Media & Entertainment industry experienced growth from 2008 to 2012, including a 7% increase in worldwide box office sales in 2012 compared to 2011 (*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. During the same four-year period, 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 16% decrease the Media & Entertainment industry had expected (*source: FutureSource Consulting, 2012*). Shipments of connected video-enabled devices, such as connected TVs, personal computers, Blu-ray™ players, game consoles, tablets, smartphones and OTT boxes are expected to increase by approximately 45% by 2014 after having increased by 64% from 2009 to 2012 (*source: IHS Screen Digest)*. In particular, shipments in categories such as smartphones or connected TV devices (including Smart TVs, Internet enabled Blu-ray™ players, games consoles and set-top boxes) are expected to increase by 50% and 70%, respectively by 2016 (*sources: Generator Research, IDC, Gartner)*.

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 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.

These trends have had a positive impact on 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 Creation 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 sales in emerging markets.

2.3 SUMMARY OF RESULTS

Technicolor's revenues from continuing operations amounted to €3,580 million in 2012, up 3.8% at current currency compared with 2011, and down 0.2% at constant currency, driven by solid growth in the Technology and the Connected Home segments.

The Technology segment recorded solid growth in revenues, driven particularly by the record performance of patent licensing programs and sustained MPEG LA revenues. Connected Home revenues were also sharply up, driven by emerging markets, with shipments topping 30 million units (+27% compared to 2011). The performance of Entertainment Services segment was mixed, with growth in Digital Creative Services - despite some softness in the second half of the year, and a decline in legacy activities.

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

Adjusted EBITDA from continuing operations reached €512 million, €37 million higher than the level of adjusted EBITDA in 2011. This improvement in adjusted EBITDA was driven by increased profitability in the Technology segment, driven by the strong performance of the Licensing activities, and the return of Connected Home to positive adjusted EBITDA, which offset the weaker performance in Entertainment Services segment and an increase in corporate costs in 2012 compared with 2011.

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 €264 million in 2012, compared with a loss of €33 million in 2011. 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 €197 million in 2012, compared with an expense of €187 million in 2011. For more information, please refer to section 2.9.4: "Net finance costs".

The Group's total income tax charge was €49 million in 2012, compared with €83 million in 2011. For more information, please refer to section 2.9.5: "Income tax".

Profit from continuing operations was €13 million in 2012, compared with a loss of €303 million in 2011. For more information, please refer to section 2.9.6: "Profit (loss) from continuing operations".

In 2012, the total loss from discontinued operations was €35 million (compared with a loss of €21 million in 2011). For more information, please refer to section 2.9.7: "Profit (loss) from discontinued operations".

The Group's consolidated net loss totaled €22 million in 2012, compared with a loss of €324 million in 2011. 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 the segment. In the second half of 2012, revenues from continuing operations totaled €1,933 million, or 54% of the Group's annual revenues, compared with €1,891 million or 55% of annual revenues in the second half of 2011.

2.5 GEOGRAPHIC BREAKDOWN OF REVENUES & EFFECT OF EXCHANGE RATE FLUCTUATIONS

The table below shows revenues from continuing operations for the Group in 2012 and 2011 by destination (depending on customer origin). As shown below, the Group's most important markets in 2012 were the United States, followed by Europe, accounting for 45.4% and 22.7% of revenues respectively. For 2012, 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)	2012	2011
United States	45.4%	44.4%
Rest of Americas	17.7%	14.5%
Europe	22.7%	30.5%
Asia-Pacific	12.4%	9.0%
Other	1.8%	1.6%

The table below shows Group 2012 and 2011 revenues from continuing operations by origin (location of Technicolor's invoicing entity). As shown below, the Group's most important markets are Europe and the United States, accounting for 40.3% and 40.1%, respectively, of revenues in 2012.

Revenues of continuing operations by origin

	2012	2011
United States	40.1%	37.3%
Rest of Americas	13.2%	12.7%
Europe	40.3%	44.2%
Asia-Pacific	6.4%	5.8%

Revenues of continuing operations and effect of exchange rate fluctuations

(in millions of euros unless otherwise stated)	2011 revenues at 2011 exchange rates	2012 revenues at 2011 exchange rates	Exchange rate impact	2012 revenues at 2012 exchange rates	% change at constant exchange rates	% change at current exchange rates
Continuing operations	**3,450**	**3,444**	**136**	**3,580**	**(0.2)%**	**3.8%**
Of which:						
Technology	456	517	(2)	515	13.5%	12.9%
Entertainment Services	1,832	1,630	100	1,730	(11.0)%	(5.6)%
Digital Delivery	1,157	1,296	38	1,334	12.0%	15.3%
Of which Connected Home	*989*	*1,207*	*37*	*1,244*	*22.0%*	*25.7%*
Other	5	1	0	1	(79.4)%	(79.1)%

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

As the Group has an important part of its activities located in the United States or in other countries whose currencies are closely linked to the U.S. dollar, the main exposure to fluctuations in foreign currencies is related to the exchange rate of the U.S. dollar against the euro. Generally, a rise of the 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 2012, compared with 2011, exchange rate fluctuations had an overall positive impact of €136 million on consolidated revenues, due in particular to the 8% appreciation in the average rate of the U.S. dollar against the euro in 2012, compared to the average rate in 2011.

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, 2012

On January 21, 2013, Technicolor sold its voice-over-IP (VoIP) business to ANL ENTREPRISES for €2 million, subject to working capital adjustments and with a potential earn-out payment of €1 million. VoIP assets and liabilities are classified as held for sale in the Group consolidated statements of financial position as of December 31, 2012. This disposal won't have any significant impact in the Group 2013 financial statements.

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 9 million Australian Dollars (equivalent to €7 million at closing exchange rate) and a variable amount dependent on the future level of activities of the acquired business. This business has responsibilities for Warner Bros. and Paramount Home Entertainment as well as Roadshow Entertainment.

2.7 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.

2.8 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2011

In compliance with Article L. 233-6 of the French Commercial Code, Technicolor discloses that it acquired 50% of Nagra Thomson Licensing SA in 2011.

2.9 RESULTS OF OPERATIONS FOR 2012 AND 2011

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 2011 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 €3,580 million in 2012, up 3.8% at current currency compared with 2011, and down 0.2% at constant currency, driven by solid growth in the Technology segment and the Connected Home segment.

Technology

Consolidated revenues for Technology rose to €515 million in 2012, compared with €456 million in 2011, up 12.9% at current currency and 13.5% at constant currency, with Licensing revenues recording an all-time high.

Consolidated revenues for Licensing amounted to €512 million in 2012, compared with €451 million in 2011, up 13.6% at current currency and 14.2% at constant currency. This strong growth in revenues was driven by the very positive contribution from patent licensing programs, reflecting the breadth and strength of such programs. Programs around Digital-TV performed particularly well, benefitting from additional new contracts and contract renewals in the second half of the year, along with good volume performances achieved by some of the Group's licensees.

The Licensing division also benefited from the steady revenue flow from MPEG LA, as Technicolor remained an important player of the pool. In the full year of 2012, MPEG LA represented 54% of overall revenues of Licensing revenues, down from 56% in the full year of 2011.

Licensing revenues include estimates from license agreements. For the year ended December 31, 2012, and measured as a percentage of total Licensing revenues, actual revenues exceeded estimated revenues by 2.7%, compared with 2.4% for the year ended December 31, 2011, at the issuance date of the Registration document.

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

Entertainment Services

Consolidated revenues for Entertainment Services amounted to €1,730 million in 2012, compared with €1,832 million in 2011, down 5.6% at current currency and 11.0% at constant currency, reflecting accelerated decline in legacy activities, and a slight decline in DVD Services revenues, not fully offset by revenue growth in Digital Creative Services. Excluding legacy activities, revenues were flat at current currency and down 5.8% at constant currency.

Creative Services experienced a decrease in revenues in 2012 compared with 2011, with continued weakness in legacy activities partly offset by slight growth in Digital Creative Services revenues, despite some softness in the second half of the year. The activity of Visual Effects ("VFX") for feature film recorded a weak performance due to the delay in some sizeable projects, leading to a particularly low level of VFX activity for feature films in the London facilities.

In DVD Services, a total of 1.45 billion units were replicated for the full year of 2012, a 6% decrease compared to the full year 2011, which had benefited from several successful Harry Potter-related releases in Europe. Blu-ray™ shipments accelerated throughout the year and Standard Definition DVD volumes were resilient in the North American market – despite continued pressure in the TV-DVD category.

DVD/Blu-ray™ volumes

(in millions units)	2012	2011	change
Total Volumes	**1,455**	**1,540**	**(6)%**
o/w SD-DVD (Standard Definition)	1,160	1,270	(9)%
o/w Blu-ray™	182	152	+19%
o/w Games	88	85	+4%
o/w Software and Kiosk	25	33	(25)%

IZ-ON Media (formerly PRN) experienced a decrease in revenues resulting from a weak US advertising market during the course of the year.

Connected Home (formerly Digital Delivery)

Following the sale of the Broadcast Services and of the SmartVision (television-over-IP) businesses in 2012, and the disposal of Cirpack softswitch operations (voice-over-IP) in 2013, Technicolor has renamed the existing "Digital Delivery" segment to "Connected Home".

The business review in this Annual Report is focused on Connected Home activities and Digital Delivery financial indicators are presented for reconciliation purposes.

Consolidated revenues for Digital Delivery amounted to €1,334 million in 2012, compared with €1,157 million in 2011, up 15.3% at current currency and 12.0% at constant currency.

For the full year 2012, revenues of Connected Home were €1,244 million, up 25.7% at current currency and up 22.0% at constant currency compared to the full year 2011, driven by record product volumes of more than 30 million units (+27%), an all-time high. This performance reflected strong customer demand across emerging markets, particularly in Latin America and Asia-Pacific, as well as improved overall product mix in North America.

Total overall volume increase can be explained by the following factors:

- in North America, Connected Home product volumes decreased by 12% in 2012 as compared to 2011, reflecting softer shipments of product categories such as Satellite set-top boxes and digital-to-analog Cable adaptors, despite an improvement in the product mix in the second half of the year, driven by growing contribution from the introduction of new products, such as higher-end devices in Cable;
- in Latin America, overall demand was strong throughout the year, with growth in Connected Home product volumes of 53% for the full year, driven by stronger shipments of Satellite set top boxes, particularly in Brazil, as well as increased deliveries of broadband gateways to Telecom customers, especially in Mexico. Overall product mix was overall little changed year-over-year, despite a lower proportion of HD devices in total volumes in the second half of the year;
- in Europe, Middle-East and Africa, Connected Home product volumes posted a year-over-year increase of 10% for the full year 2012, driven by improving market conditions throughout the year and growth in shipments of Telecom broadband gateways and Cable modems, largely offsetting softer set top box deliveries, due primarily to the phase-out of some Satellite and Telecom devices. Overall product mix was slightly lower year-over-year, as a result of reduced contribution of HD set-top boxes in total shipments compared to the full year 2011;
- in Asia-Pacific, customer demand drove product volume to almost double for the full year 2012, driven by the sharp growth in set-top box shipments to Satellite customers, especially in India and Malaysia. Overall product mix was however less favorable than for the full year 2011.

Connected Home Product Volumes

(in millions of units)	2012	2011	Change (%)
Total Connected Home products	**30.1**	**23.7**	**27%**
North America	6.8	7.7	(12)%
Latin America	13.7	8.9	53%
Europe, Middle-East and Africa	5.4	4.9	10%
Asia-Pacific	4.3	2.2	99%

Other

Revenues presented in the "Other" segment comprised corporate & other revenues for €1 million in 2012, compared to €5 million in 2011, 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 €512 million in 2012, €37 million higher than the level of adjusted EBITDA in 2011. This improvement was driven by increased profitability in the Technology segment, driven by the strong performance of the Licensing activities and the return of Connected Home to positive adjusted EBITDA, which offset the weaker performance in Entertainment Services segment.

Technology

Adjusted EBITDA for Technology was €400 million or 77.8% of revenues in 2012 (compared with €346 million or 75.9% of revenues in 2011).

Adjusted EBITDA margin for the Technology segment improved by 1.9 points compared to 2011 and was achieved despite some softness in the addressable Consumer Electronic market and despite additional costs from new businesses. It reflects a solid performance of the Licensing business, continuing optimization in patent prosecution, filing and annuities costs and a slight decline in Research & Innovation expenses.

Entertainment Services

Adjusted EBITDA for Entertainment Services was €199 million in 2012 or 11.5% of revenues (compared with €230 million in 2011 or 12.5% of revenues).

This decrease in adjusted EBITDA was attributable to the following factors:

- Creative Services adjusted EBITDA decreased in 2012 compared with 2011, reflecting lower levels of activity in Digital Production due to the delay in some sizeable VFX projects, and continued weakness in legacy activities. The Group implemented in the second half of 2012 cost reduction measures to mitigate the impact of lower sales on its profitability and further maximize its cost structure.

  Profitability was progressively improved and in the fourth quarter the adjusted EBITDA margin recorded a decrease of 0.5 point, compared to the fourth quarter of 2011, despite the softness experienced in the quarter.

- DVD Services adjusted EBITDA margin remained broadly stable in 2012, despite a 8% contraction in revenues at constant currency, compared to 2011 and a slight margin decline in the second half of 2012. This performance was driven by multiple factors, including an improved product mix, the positive impact of ongoing cost savings initiatives and efficiency improvement programs, and reduction of offload, which offset specific customer price reductions.

- IZ-ON Media (formerly PRN) contribution to adjusted EBITDA decreased in 2012 compared with 2011 due to a weaker U.S. advertising market.

Connected Home (formerly Digital Delivery)

Following the disposal of the Broadcast Services and of the SmartVision (television-over-IP) businesses in 2012, and the disposal of Cirpack softswitch operations (voice-over-IP) in 2013, Technicolor has renamed the existing "Digital Delivery" segment to "Connected Home".

The business review in this Annual Report is focused on Connected Home activities and Digital Delivery financial indicators are presented for reconciliation purposes.

Adjusted EBITDA for Digital Delivery was a profit of €14 million in 2012 (compared with a loss of €20 million in 2011).

For the full year 2012, Connected Home adjusted EBITDA was €1 million, up €44 million compared to a loss of €43 million in the full year 2011. This performance reflected the effects of the turnaround plan launched by the Group in December 2011 and was in line with the

Group's objective to achieve adjusted EBITDA breakeven for the Connected Home segment in 2012.

Connected Home improvement in margin was the consequence of higher volumes, driven by customer wins for solutions and services across most regions, as well as cost savings initiatives, mostly completed in the second half of 2012. Cost savings achieved in full year 2012 amounted to €27 million, a gap of €5 million compared to the target announced in December 2011, mainly due to some delay in the restructuring in Europe.

Other

Adjusted EBITDA for "Other" was a charge of €101 million in 2012, compared with a charge of €81 million in 2011. This increase reflected the increase in corporate costs compared to 2011, as the reduction in costs of transversal functions was offset by higher incentive program costs related to the strong financial improvement recorded year-on-year, increased costs for growth initiatives and a negative comparison base versus 2011 which included several positive non-recurring impacts (a health insurance refund for €2.5 million and an indemnity received from the Company's landlord relating to its headquarters at Issy-les-Moulineaux for €2 million).

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 €2,750 million in 2012, or 76.8% of revenues, compared with €2,714 million in 2011 or 78.7% of revenues. Cost of sales in absolute terms were little changed in 2012, compared with 2011, despite a quite material growth in volume for the Connected Home segment. The principal components of the Group's cost of sales were raw materials (mostly in the DVD Services business of the Entertainment Services segment and in the Connected Home segment), the costs of finished goods for resale (mainly in the Connected Home segment), labor costs in our manufacturing operations (mainly in the Entertainment Services segment), as well as costs related to real estate and fixed assets amortization (mainly for the Entertainment Services segment).

Gross margin from continuing operations reached €830 million, or 23.2% of consolidated revenues in 2012 (compared with €736 million in 2011 or 21.3% of revenues). This increase in gross margin reflected the following trends:

- improvement in the Technology segment, with gross margin amounting to €469 million, or 91.1% of revenues in 2012 (compared with €403 million in 2011, or 88.4% of revenues) driven by Licensing revenue growth and further cost optimization;
- improvement in the Connected Home business, with gross margin amounting to €161 million, or 13.0% of revenues in 2012 (compared with €103 million in 2011, or 10.4% of revenues) driven by new customer wins for solutions and services across all regions and cost savings initiatives completed in the second half of 2012, including headcount reductions in Europe and operational improvements in the Group's Brazilian manufacturing facility;
- a slight deterioration in the Entertainment Services segment, with gross margin amounting to €171 million, or 9.9% of revenues in 2012 (compared with €194 million in 2011, or 10.6% of revenues) due to lower activity levels for Digital Creative Services in the second half of the year and continued decline in legacy activities, not fully offset by cost reduction actions undertaken by the Group, including the re-allocation of work to lower-cost locations, headcount reductions in the film business in Europe and an increased use of freelancing in VFX.

Selling and Administrative Expenses

Selling and marketing expenses amounted to €120 million in 2012, or 3.4% of revenues (compared with €127 million in 2011, or 3.7% of revenues), a 5.3% decrease compared with 2011 due to the implementation of cost reduction measures.

General and administrative expenses amounted to €277 million in 2012, or 7.7% of revenues (compared with €249 million in 2011, or 7.2% of revenues). This increase reflects expenses relating to the development of M-GO as well as the positive impact in 2011 of certain non-recurring items (related primarily to a health insurance refund for €2.5 million and a €2 million indemnity received from the Company's landlord relating to its headquarters in *Issy-les-Moulineaux*) as compared to 2011. Despite successful efforts to reduce costs of general corporate functions, overall corporate costs increased due to higher incentive program costs and increased costs for growth initiatives.

In the context of a Group-wide cost reduction plan, Technicolor has implemented various initiatives to create efficiencies in IT management and a streamlined cost structure relating to general corporate expenses.

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

Research and Development Expenses

Research and Development (R&D) expenses for continuing operations amounted to €132 million in 2012, or 3.7% of revenues (compared with €128 million in 2011, or 3.7% of revenues). Of the total R&D spending in 2012, 25% was spent in Technology, which includes the Research & Innovation business and the remainder was 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 2012, 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 €29 million in 2012 or 0.8% of revenues, down from an exceptionally high level of restructuring costs in 2011 (€83 million in 2011 or 2.4% of revenues). Restructuring costs in 2012 related primarily to the closure of Thomson Angers, headcount reductions in Creative Services (mainly in North American Digital Postproduction operations) and cost optimization in DVD Services in North America.

In 2011, the level of restructuring cost primary reflected provisions for the cost of the headcount reductions announced in December 2011, for a total amount of €83 million, concerning mainly the Connected Home business, European Film Services activities as well as the Group's transversal functions.

Net Impairment Losses on Non-Current Operating Assets

In 2012, Technicolor recorded a net impairment charge of €10 million, compared with €188 million in 2011, which included goodwill impairment of €147 million mainly in the Connected Home business, as well as net asset write-offs (excluding goodwill) amounting to €41 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 €2 million in 2012, compared with €6 million in 2011. 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 €264 million in 2012, sharply up compared with a loss of €33 million in 2011.

By segment, the profit from continuing operations before tax and net finance costs was €403 million for Technology in 2012 (compared with €342 million in 2011). For Entertainment Services, the profit from continuing operations before tax and net finance costs was €12 million in 2012 (compared with a loss of €29 million in 2011). For Digital Delivery, the loss from continuing operations before tax and net finance costs was €55 million in 2012 (compared with a loss of €251 million in 2011) and for Connected Home, the loss from continuing operations before tax and net finance costs was €56 million in 2012 (compared with a loss of €242 million in 2011). For "Other", the loss from continuing operations before tax and net finance costs was €96 million in 2012 (compared with a loss of €95 million in 2011).

2.9.4 NET FINANCE COSTS

The net financial result was an expense of €197 million in 2012 (compared with an expense of €187 million in 2011), and breaks down as follows:

Net interest expense

The net interest expense for continuing operations amounted to €145 million in 2012, compared with €149 million in 2011. 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 €52 million in 2012, compared with €38 million in 2011.

The 2012 early repayments of the debt, linked mainly to the capital increases and the disposal of Broadcast Services, triggered a partial reversal of the IFRS gain (resulting from the 2010 debt restructuring), which led to a €20 million charge, booked in "other financial income (expense)". Additional to this charge, 2012 other financial expense include the financial component of the pension plan for €13 million, €6 million exchange losses and €12 million of bank fees and €1 million of discount losses. In 2011, other financial expenses mainly included the financial component of the pension plan for €15 million and a depreciation of a financial asset. For more information, please refer to note 9 of the Group's consolidated financial statements.

2.9.5 INCOME TAX

In 2012, the Group total income tax expense on continuing operations, including both current and deferred taxes, amounted to €49 million, compared to €83 million in 2011. The current tax charge is notably the result of taxes due in France, the UK, Mexico, Poland, Australia and India, as well as withholding taxes on income earned by our licensing activities, which were partially credited against taxes payable in France, but not in the USA. The €28 million current income tax charge in France is due to the limitation of the usage of tax losses carried forward, withholding taxes and the local tax "CVAE".

The 2011 current tax charge was notably the result of current taxes due in France (€12 million charge reflecting mainly withholding taxes on licensing activities and "CVAE"), Thailand, Australia, Mexico and Italy.

In 2011, the use of tax loss carry-forward was limited to only 60% of yearly taxable profit instead of 100% previously. As a consequence, and with updated forecasts within the French tax group, French deferred tax assets were partially impaired by €63 million, compared to the deferred tax assets recognized as at December 31, 2010 (of which €55 million in the consolidated statement of operations and €8 million in Equity).

In 2012, French tax rules were further amended: i) the use of tax loss carry-forward is now limited to only 50% of yearly taxable profit instead, ii) the deductibility of net interest expenses is limited to 85% (in 2012 and 2013) and to 75% (from 2014) and iii) a surtax of 5% was extended up to 2014. As a consequence, and taking into account updated forecasts and the 2012 consumption, French deferred tax assets remained stable compared to the deferred tax assets recognized as at December 31, 2011. The remaining deferred tax assets correspond to a usage by 2026, which represents the estimated Licensing activity's predictable taxable income period based on existing 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.

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 €13 million in 2012, compared with a loss of €303 million in 2011.

2.9.7 PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

In 2012, the total loss from discontinued operations was €35 million (compared with a loss of €21 million in 2011).

In 2012, the loss from discontinued operations mainly corresponds to the €38.6 million fine from the European Union 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 facts), 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 Union of its decision to impose a fine of €38.6 million to Technicolor. This amount is included in the "Loss from discontinued operations" caption of our consolidated statements of operations as it relates to a business discontinued by the Group in 2005.

In 2011 the loss from discontinued operations was mainly related to the Grass Valley businesses, including a €5 million impairment loss on discontinued operations to adjust the held for sale businesses at their fair value less costs to sell. For more information, please refer to note 11 to the Group's consolidated financial statements.

2.9.8 NET INCOME (LOSS) OF THE GROUP

Technicolor consolidated net loss was €22 million in 2012 (compared with a loss of €324 million in 2011). The net loss attributable to non controlling interests in 2012 is €2 million in 2012 (compared to a loss of €1 million in 2011). Accordingly, the net loss attributable to shareholders of Technicolor SA totaled €20 million (compared with a loss of €323 million in 2011). Net loss per non-diluted share was €0.07 in 2012, compared with a net loss per non-diluted share of €1.5 in 2011.

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 2011 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 €37 million for the year 2012, 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 €265 million for the year 2011.

Reconciliation of adjusted indicators

(in € million unless otherwise stated)	2012	2011	Change
Profit (Loss) from continuing operations before tax and net finance costs/EBIT (a)	**264**	**(33)**	**+297**
Total adjustments on EBIT (b)	(37)	(265)	+228
Restructuring costs, net	(29)	(83)	+54
Net impairment losses on non-current operating assets	(10)	(188)	+178
Other income/(expense)	2	6	(4)
Adjusted EBIT from continuing operations (a)-(b)	**301**	**232**	**+69**
As a% of revenues	*8.4%*	*6.7%*	*+1.7 pt*
Depreciation and amortization (D&A)[1]	211	243	(32)
Adjusted EBITDA from continuing operations	**512**	**475**	**+37**
As a% of revenues	*14.3%*	*13.8%*	*+0.5 pt*
Adjusted EBITDA of discontinued activities	-	(11)	+11
Adjusted EBITDA used for covenants	**512**	**464**	**+48**

(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 unless otherwise indicated)	2012	2011	Change
Profit (Loss) from continuing operations before tax and net finance costs	**264**	**(33)**	**+297**
As a % of revenues	*7.4%*	*(0.9)%*	*+6.5 pts*
of which:			
Technology	403	343	+60
As a % of revenues	*78.3%*	*75.2%*	*+3.1 pts*
Entertainment Services	12	(29)	+41
As a % of revenues	*0.7%*	*(1.6)%*	*+2.3 pts*
Digital Delivery	(55)	(251)	+196
As a % of revenues	*(4.1)%*	*(21.7)%*	*+17.6 pts*
Of which Connected Home	*(56)*	*(242)*	*+186*
As a % of revenues	*(4.5)%*	*(24.4)%*	*+19,9 pts*
Adjusted EBIT from continuing operations	**301**	**232**	**+69**
As a % of revenues	*8.4%*	*6.7%*	*+1.7 pts*
of which:			
Technology	400	337	+63
As a % of revenues	*77.8%*	*73.9%*	*+3.9 pts*
Entertainment Services	26	53	(27)
As a % of revenues	*1.5%*	*2.9%*	*(1.4) pts*
Digital Delivery	(20)	(73)	+53
As a % of revenues	*(1.5)%*	*(6.3)%*	*+4.8 pts*
Of which Connected Home	*(34)*	*(81)*	*+47*
As a % of revenues	*(2.7)%*	*(8.2)%*	*+5.5 pts*
Adjusted EBITDA from continuing operations	**512**	**475**	**+37**
As a % of revenues	*14.3%*	*13.8%*	*+0.5 pts*
of which:			
Technology	400	346	+54
As a % of revenues	*77.8%*	*75.9%*	*+1.9 pts*
Entertainment Services	199	230	(31)
As a % of revenues	*11.5%*	*12.5%*	*(1.0) pts*
Digital Delivery	14	(20)	+34
As a % of revenues	*1.1%*	*(1.7)%*	*+2.8 pts*
Of which Connected Home	*1*	*(43)*	*+44*
As a % of revenues	*0.1%*	*(4.4)%*	*+4.5 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 new financing contracts in place as part of restructuring under the *Sauvegarde* Plan impose limitations on the amount of capital expenditures spent by the Group;
- *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 2012 for 2011 and no dividend is planned in 2013 for 2012. The financing documentation implemented as part of the restructuring of the Group's debt 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 €397 million at December 31, 2012. Of this amount, €42 million held by TCE Taiwan Television can be used only for the payment of local expenses. In addition to the €397 million in cash and cash equivalents, €45 million in cash collateral and security deposits was outstanding at December 31, 2012 to secure credit facilities and other Group obligations;
- *cash generated from operating activities:* as part of the restructuring under the *Sauvegarde* Plan, the Group is required to dedicate 80% of its excess cash to repaying debt. For more information, please refer to section 2.10.3: "Financial Resources";
- *proceeds from sales of assets:* as part of the restructuring under the *Sauvegarde* Plan, the cash flow generated from the sale of certain discontinued activities in periods beyond 2010 must be used to repay debt;
- *committed credit lines:* under the debt restructuring, the Group negotiated two lines of credit secured by receivables, for an amount up to €195 million. The availability of these credit 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, 2013.

2.10.2 CASH FLOWS

(in € millions)	2012	2011
CASH AND CASH EQUIVALENTS AT JANUARY 1	**370**	**332**
Net operating cash generated from continuing activities	259	265
Net operating cash used in discontinued operations	(6)	(19)
Net cash from operating activities (I)	**253**	**246**
Net investing cash used in continuing activities	(137)	(138)
Net investing cash used in discontinued operations	(5)	(20)
Net cash used in investing activities (II)	**(142)**	**(158)**
Net financing cash used in continuing activities	(73)	(57)
Net financing cash used in discontinued operations	-	-
Net cash used in financing activities (III)	**(73)**	**(57)**
Net increase in cash and cash equivalents (I+II+III)	**38**	**31**
Exchange gains (losses) on cash and cash equivalents	(11)	7
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**397**	**370**

Net cash generated from operating activities

Net cash generated from operating activities was €253 million in 2012, compared with €246 million generated from operating activities in 2011.

Continuing operations

In 2012, net income from continuing operations improved significantly compared to 2011 reaching €13 million, compared to a net loss of €303 million in 2011. Net operating cash generated from continuing operations was however broadly stable at €259 million in 2012 (compared with €265 million generated in continuing operations in 2011), as the loss from 2011 reflected a very high level of non-cash items, such as the significant impairment of Connected Home assets in 2011.

The variations between 2011 and 2012 are analyzed in the table below:

(in € millions)	2012	2011	Variation	Comments on variations
Profit (loss) from continuing operations	**13**	**(303)**	**+316**	
Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations				
Non-cash depreciation, amortization and impairment of assets	235	452	(217)	Mainly explained by significant impairment of Connected Home assets in 2011 and the sale of Broadcast Services in 2012
Profit from continuing operations prior to depreciation, amortization and impairment of assets	**248**	**149**	**+99**	
Cash payments of the period related to provisions	(102)	(104)	+2	Mainly pension and restructuring payments in 2011 and 2012
Non-cash P&L impact of the period of provisions	27	105	(78)	Decrease explained by pension curtailment gain in 2012 for €45 million and less restructuring accruals for €57 million, compensated by higher accruals for other provisions for €24 million
Transfer of the gain on asset disposals to investing activities	-	(8)	+8	In 2011, corresponds mainly to the gain on the disposal of ContentGuard
Other various adjustments	248	249	(1)	Various adjustments include net interest expense, changes in working capital and other non-cash items
Cash generated from continuing operations	**421**	**391**	**+30**	
Net interest paid and received	(113)	(119)	+6	
Income tax paid	(49)	(7)	(42)	Mainly explained by higher payments in France (income taxes payable due to the limitation of the usage of tax losses carried forward, withholding taxes and the local tax "CVAE")
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES	**259**	**265**	**(6)**	

Discontinued operations

Net operating cash used in discontinued operations was €6 million in 2012 (compared with €19 million in 2011).

Net cash used in investing activities

Net cash used in investing activities was €142 million in 2012 (compared with €158 million in 2011).

Continuing operations

Net investing cash used in continuing activities was €137 million in 2012 (compared with €138 million in 2011), and included:

- net capital expenditures amounted to €147 million in 2012 (compared with €165 million in 2011) due to cash expended relating to tangible and intangible capital expenditures of €149 million in 2012 (compared with €170 million in 2011), net of cash received from tangible and intangible asset disposals of €2 million in 2012 (compared with €5 million in 2011). Since 2010, Group's capital expenditures have included investments in new equipment to significantly expand the Blu-ray™ disc replication capabilities in anticipation of the growth in this market, investments in new state-of-the-art production facilities in Creative Services and investments to improve operational efficiencies in the Connected Home segment. In 2012, gross capital expenditure was €20 million in the Technology segment, which included the development of the projects and initiatives mentioned above, €80 million in the Entertainment Services segment reflecting Group's investments in Creative Services production facilities and DVD Services replication facilities and €48 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 €10 million in 2012 (compared with €12 million in 2011). In 2012, it corresponded mainly to the acquisition of assets from Quinta, the acquisition from Indoor Direct interests and in 2011, it included business acquisition from Laser Pacific;
- proceeds received from sales of equity holdings, amounting to €17 million in 2012 (compared with €14 million in 2011), net of the cash of companies disposed of. In 2012, it corresponded to the disposal of Broadcast Services and in 2011 it included the disposal of ContentGuard;
- net variation of cash collateral and security deposits (to secure the Group's obligations) generated a net cash inflow of €4 million in 2012 (compared with a net cash inflow of €24 million in 2011).

Discontinued Operations

Net investing cash used in discontinued operations was €5 million in 2012 (compared with €20 million of cash used in 2011).

Net cash used in financing activities

Net cash used in financing activities amounted to €73 million in 2012 (compared with €57 million used in 2011).

Continuing operations

Net financing cash used in continuing activities was €73 million in 2012 (compared with €57 million used in 2011). The net cash used in 2012 was primarily to repay borrowings for €255 million, of which €187 million of debt mandatory prepayments from 2012 Group capital increases and disposal of businesses and 2011 excess cash flow. These payments were offset in part by the €179 million of net proceeds from the Group's capital increases.

The net financing cash used in continuing activities in 2011 was primarily to repay borrowings for €55 million.

Discontinued operations

No financing cash was used by discontinued operations in 2012 and 2011.

2.10.3 FINANCIAL RESOURCES

Gross financial debt totaled €1,115 million (IFRS value) at the end of 2012 (compared with €1,327 million at the end of 2011). At December 31, 2012, financial debt consisted primarily of €435 million of notes and €659 million of term loans. At December 31, 2011, financial debt consisted primarily of €520 million of notes and €776 million of term loans, both issued in May 2010 as part of the Group's debt restructuring. Financial debt due within one year amounted to €96 million at the end of 2012 (compared with €85 million at the end of 2011).

The private placements and the borrowings drawn under the Group's credit lines were restructured in 2010 in accordance with the *Sauvegarde* Plan, with the impact of reducing the amount of debt and extending its maturity.

At December 31, 2012 the Group had €397 million of cash and deposits of which €42 million was restricted, for an available amount of €355 million (compared to €370 million at December 31, 2011 of which €45 million was restricted, for an available amount of €325 million).

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, 2012.

	Type of interest rate	Amount at December 31, 2012 *(in € millions)*	First maturity[1]	Existence of hedges
Term Loans (Non-amortizing tranche)	Floating	475	2017	Yes
Term Loans (Amortizing tranche)	Floating	184	2013	Yes
Notes (Non-amortizing tranche)	Fixed	315	2017	No
Notes (Amortizing tranche)	Fixed	120	2013	No
Other non-current debt	Various	5	2014	No
Other current debt	Various	16	2013	No
TOTAL DEBT		**1,115**		
Available cash and deposits[2]	Floating	355	0 to 1 month	No
Committed credit facilities[3]	Floating	195		
TOTAL LIQUIDITY		**550**		

(1) Please refer to note 22.3 for a maturity schedule of the Group's debt.
(2) Cash and deposits net of restricted cash.
(3) 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 as contemplated by 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 capital increase was fully backstopped pursuant to a subscription commitment by the senior creditors,
  - 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.

Description of indebtedness

The following contains an overview of the terms of the Group's Reinstated Debt which was put in place in connection with the closing of the capital markets transactions pursuant to the *Sauvegarde* Plan on May 26, 2010.

Overview

Pursuant to the *Sauvegarde* Plan described above, the Company prepared documentation relating to its reinstated senior debt, comprising a Credit Agreement, a Note Purchase Agreement and an Intercreditor Agreement as defined below (collectively, the Reinstated Debt) prior to the launch of the capital markets transaction described below. The Reinstated Debt was advanced by way of set-off against the amounts due under existing debt claims on the settlement date of the capital markets transactions on May 26, 2010.

In particular, the Company entered into the following contractual documentation related to the Reinstated Debt:

(i) a loan agreement between the Company as borrower, certain subsidiaries as guarantors, a facility agent and the lenders thereunder (the Credit Agreement);

(ii) a note purchase agreement between the Company as issuer, certain subsidiaries as guarantors and the noteholders thereunder (the Note Purchase Agreement);

(iii) an Intercreditor Agreement (as defined below).

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.

In October 2011, the Credit Agreement, the Note Purchase Agreement and the Intercreditor Agreement were modified following agreement from the required majorities of noteholders and lenders. The modifications related principally to the restrictions concerning disposals, joint ventures and acquisitions.

The Company also entered into two committed receivables facilities (the Committed Receivables Facilities) in 2010, as contemplated under the Reinstated Debt documents. The *Sauvegarde* Plan provides, and the Reinstated Debt permits, that the Group may borrow up to approximately €200 million under the Committed Receivables Facilities.

Reinstated Debt

The nominal value of the Reinstated Debt at the exchange rates prevailing on the settlement date of the capital markets transactions of May 26, 2010 amounted to €1,593 million.

New Term Loan Facilities

Pursuant to the Credit Agreement, and on the settlement date, the Company put in place term loans for €965 million[1] (the New Term Loan Facilities), that were used to pay by way of set-off a portion of the due and payable existing debt claims against the Company. This amount of €965 million was divided into two tranches:

- one amortizing tranche for an amount of €311 million with a six-year maturity (2016), carrying interest payable each quarter at the rate of EURIBOR/LIBOR (subject to a floor of 2%) plus an initial margin of 500 basis points which reduces as the Company's leverage decreases;
- one tranche, payable at maturity, for an amount of €654 million with a seven-year maturity (2017), carrying interest payable each quarter at the rate of EURIBOR/LIBOR (subject to a floor of 2%) plus an initial margin of 600 basis points which reduces as the Company's leverage decreases.

New Notes

Pursuant to the Note Purchase Agreement, and on the settlement date of the capital markets transactions, the Company issued new notes in a principal amount of €628 million[1] (the New Notes), which was placed in private transactions with the Company's existing noteholders and was subscribed by way of set-off against a portion of the due and payable debt claims against the Company held by the noteholders.

The New Notes were substituted for the relevant existing notes in their corresponding currencies, *i.e.* in Euros, U.S. dollars or pounds sterling. The issue of the New Notes was divided into two tranches:

- one amortizing tranche for an amount of €203 million with a 6-year maturity (2016), carrying an annual interest payment of 9% for the notes in Euros, 9.35% for the notes in U.S. dollars and 9.55% for the notes in pounds sterling;
- one tranche, payable at maturity, for an amount of €425 million with a 7-year maturity (2017), carrying an annual interest rate of 9% for the notes in Euros, 9.35% for the notes in U.S. dollars and 9.55% for the notes in pounds sterling.

Mandatory prepayments

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 to repay the outstanding Reinstated Debt, subject to a minimum threshold, on the understanding that this undertaking will not apply to the disposal of certain assets, the proceeds of which will be used during the year to finance capital expenditures;

(1) Nominal amounts issued and converted at the exchange rates as of May 26, 2010.

- *equity issuances:* at least 80% of the net proceeds received in respect of any new equity issuances (other than any share issuances permitted under the share capital increase that maintains the preferential subscription rights (*droits préférentiels de souscription*) of shareholders under the terms of the *Sauvegarde* Plan, shares issued in redemption of the DPN and the NRS) will be applied to repay the outstanding Reinstated Debt.

  In addition, the Company may opt to use the proceeds received in respect of any new equity issuances to prepay a portion of the NRS IIC (following the December 31, 2012 redemption there are no longer any NRS outstanding);

- *excess cash flow:* in respect of 2011 and subsequent financial years, 80% of the excess cash flow (defined as the aggregate of net cash from operating and investing activities, subject to certain adjustments) 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 New Notes, together with any other outstanding amounts under the Reinstated Debt, will become immediately due and payable. In addition, the NRS will become immediately redeemable in the form of shares at the option of the holders thereof (following the December 31, 2012 redemption there are no longer any NRS outstanding);

- *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 (in the latter case a customary "make whole" amount must be paid to noteholders).

As described in note 19 of the Group's consolidated financial statements, two capital increases occurred in July and August 2012, for a total amount of €191 million. In addition the Group completed on July 2, 2012 the disposal of its Broadcast Services activity for €19 million.

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 prepayments, without penalty, took place during the third quarter of 2012. The prepayments 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. The savings in nominal interest expense will be about €13 million per year on a full year basis and about €4 million in 2012.

In 2011, the only disposal that triggered a mandatory prepayment was the sale of the Group's stake in ContentGuard for $25 million, which resulted in a mandatory prepayment in the amount of €19 million of which €17 million was recorded as a reduction of balance sheet debt and €2 million was recorded as a financial charge, representing the partial cancellation of the gain recognized when the Reinstated Debt was determined initially at its fair value in 2010.

In 2011, the Group generated excess cash flow as defined above in the amount of €25 million which was used to prepay Reinstated Debt in 2012 and resulted in a financial charge of €3 million, representing the partial cancellation of the gain recognized when the Reinstated Debt was determined initially at its fair value in 2010.

Voluntary prepayments

Under the terms of the Credit Agreement, Note Purchase Agreement and Intercreditor Agreement, the Company may, at its election, prepay all or part of its advances under the Credit Agreement and any principal amount of the New Notes, including any make whole payment, under the Note Purchase Agreement.

Summary of repayments

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

(in € millions)	2012	2011
Start of period (cumulative)	**81**	**30**
Normal scheduled principal repayments	58	32
Payments following 2011 excess cash flow	25	-
Mandatory prepayments from disposals	17	19
Mandatory prepayments from capital increases	145	-
End of period (cumulative)	**326**	**81**

Covenants

The Credit Agreement and the Note Purchase Agreement contain certain customary representations and warranties. They also contain certain affirmative and financial covenants including covenants that in particular require that (i) EBITDA be not less than a certain multiple of net total interest on a trailing twelve month basis ("interest cover covenant") on June 30 and December 31 of each financial year, (ii) total net debt be not more than a certain multiple of EBITDA on a trailing twelve month basis ("leverage covenant") on June 30 and December 31 of each financial year, and (iii) capital expenditure be not more than a certain amount for each financial year. Each of the interest cover covenant and leverage covenant will become stricter over time. The exact levels of these covenants are given in note 22.3 (g) to the Group's consolidated financial statements.

In addition to certain information provision covenants, the Credit Agreement and Note Purchase Agreement include certain negative covenants that restrict the ability of the Company and certain of its subsidiaries to undertake various actions. These restrictions were modified in October 2011 following agreement from the required majorities of noteholders and lenders. The modifications relate principally to the restrictions concerning disposals, joint ventures and acquisitions. In particular, main modifications consisted of eliminating the annual limit on disposals of €100 million as well as the limits on the disposals of the Connected Home and Entertainment Services divisions, eliminating the limit on non-cash contributions to joint ventures and increasing the annual limit on acquisitions. These negative covenants, as modified in October 2011, 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 on any of its present or future assets;
- incur additional financial indebtedness in excess of €40 million excluding certain permitted financial indebtedness including, among others, the refinancing of the Reinstated Debt and Committed Receivables Facilities;
- grant guarantees;
- grant loans for an aggregate amount greater than €20 million except in certain cases related to deferred compensation related to disposals;
- enter into derivatives contracts, interest rate or currency hedging or treasury transactions other than as required by the Credit Agreement and Note Purchase Agreement and other than for hedging transactions arising in the ordinary course of business;
- amalgamate, merge or consolidate with or into any other person;
- substantially change the general scope of its business;
- enter into material transactions or arrangements with affiliates unless in the ordinary course of business and on an arm's length basis;
- invest in joint ventures or partnerships where the total cash investment is in excess of €25 million in cash per year;
- acquire any companies, businesses, shares or securities in excess of €50 million in cash or €200 million in shares per year;
- issue, attribute or allot any shares or redeem or repurchase any shares previously issued (other than resulting from the capital increase provided for by the *Sauvegarde* Plan and the redemption in shares of the NRS and DPN and certain other contractual arrangements);
- for Group Members other than the Company, declare or pay any dividends or make any other distribution in respect of any class of its share capital or apply any sum for any such purpose.

Events of Default

The Credit Agreement and the Note Purchase Agreement also contain certain events of default, the occurrence of which provide creditors with the ability to immediately demand payment of all or a portion of the outstanding amounts under the Reinstated Debt. If the creditors exercise their enforcement rights pursuant to the Reinstated Debt, the NRS will be prepaid, in shares (following the December 31, 2012 redemption there are no longer any NRS outstanding).

The events of default pursuant to the Reinstated Debt include, among other things, and subject to certain exceptions and grace periods:

- non-payment of any amount due under the Reinstated Debt or any permitted hedging agreements;
- failure by the Company or any of the guarantors to comply with its material obligations and undertakings under the Reinstated Debt;
- certain events of insolvency;
- any auditor's report qualification made to either the Company's ability to continue as a going concern or the accuracy of the information given;
- failure by the Company or any guarantor to comply with the material obligations under the Intercreditor Agreement;
- non-payment of any financial indebtedness of any Group Member in excess of €25 million;
- acceleration of any financial indebtedness of any Group Member in excess of €25 million under the committed receivables facilities or 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 in excess of €25 million that is not set aside within 30 days;
- any event which has a material adverse effect on the ability of the Company or its guarantors, taken as a whole, to perform their material obligations under the Reinstated Debt.

Committed Receivables Facilities

Pursuant to the *Sauvegarde* Plan, and as permitted under the Reinstated Debt, the Company entered into two committed receivables facilities pursuant to which it can borrow up to €195 million. For more information about these credit facilities, please refer to note 22.3 (f) to the consolidated financial statements.

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 New Notes, each holder of the DPN, certain intra-group lenders, certain intra-group debtors and a security trustee (the Intercreditor Agreement).

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 €1,115 million (IFRS value) as of December 31, 2012, 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 as described above, the Group also has reserves for post-employment benefits that it provides to its employees, which amounted to €388 million at December 31, 2012 compared with €386 million at December 31, 2011. For more information on the Group's reserves for post-employment benefits, please refer to note 24 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 the following ratings to the Group: a long-term corporate rating, a senior debt rating and a short-term credit rating. Until the Group's debt restructuring, S&P also attributed a specific rating covering the Group's syndicated credit facility and a specific rating covering the TSS issued in September 2005.

Moody's attributes a Corporate Family Rating (corporate rating). Until the restructuring a specific rating covered the TSS.

On August 23, 2012, S&P raised the Group's long-term corporate and senior debt ratings to B from B- and affirmed the short-term rating of B, with all ratings having a stable outlook. On September 26, 2012 Moody's upgraded the outlook on the Group's B3 corporate rating to stable from negative.

Neither the Reinstated Debt, the NRS nor the Committed Receivables Facilities have clauses referring to the Group's credit ratings.

2.11 PRIORITIES AND OBJECTIVES FOR 2013

- Growth of adj. EBITDA between 5% to 10% compared to FY 2012 adj. EBITDA at constant scope (€498 million):
- Licensing adj. EBITDA broadly stable vs. FY 2012 assuming another year of strong contracts;
- continued improvement of Connected Home adj. EBITDA and return to positive free cash flow generation in this segment;
- improved profitability in Entertainment Services reflecting cost actions implemented in H2 2012;
- continued increase in operating expenses for M-GO and new growth initiatives.

Strong growth in Free Cash Flow, above 30%, before one-off payments for legacy litigation (mainly the EU antitrust fine for €38.6 million).

Net debt to adj. EBITDA ratio (as per Group's covenants) below 1.25x at end December 2013.

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 Procedures", 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 32 to the consolidated financial statements.

3.1 RISK RELATED TO THE DEBT RESTRUCTURING

3.1.1 RISKS RELATING TO THE *SAUVEGARDE* PLAN

Risk of termination of the Sauvegarde Plan and reduced flexibility throughout the duration of the *Sauvegarde* Plan

The Group is required to comply with the terms of the *Sauvegarde* Plan until February 17, 2017, including the repayment schedules and other terms of the Group's principal debt agreements (as amended). For further information, see "Risks related to indebtedness", below.

If the Group fails to comply with the terms of the *Sauvegarde* Plan, the Commercial Court of Nanterre could terminate the Plan (on the recommendation of the public prosecutor's office and the administrator charged with execution of the Plan). If at such time the Group is in *cessation des paiements* (insolvency), the court could institute bankruptcy *(redressement)* proceedings if a restructuring were determined to be possible, failing which the court would order judicial liquidation.

In addition, changes in the business or the markets in which the Group operates could necessitate certain modifications to the *Sauvegarde* Plan during the course of the next four years.

To the extent that such modifications are not considered material modifications in the objectives or means of the Plan within the meaning of Article L. 626-26 of the French Commercial Code, the Group could make such modifications without requiring any prior approval, except in the case of the financing agreements, for which the consent of the contractually required majority of creditors who are party to such agreements is required. In October 2011, the Group obtained creditor consent to make certain amendments to the Reinstated Debt contracts.

Notwithstanding the foregoing, any material modification of the *Sauvegarde* Plan within the meaning of Article L. 626-26 of the French Commercial Code would require the prior consent of the creditors' and noteholders' Committees, and the subsequent approval of the French Commercial Court.

3.1.2 RISKS RELATED TO INDEBTEDNESS OF THE GROUP

Risks related to indebtedness principally result from:

- the substantial level of indebtedness of the Group;
- the financial and operational covenants set out in the Reinstated Debt agreements; and
- certain mandatory prepayment provisions in the Reinstated Debt agreements, which provisions require the Group to use a large portion of any excess cash flow to prepay outstanding Reinstated Debt.

The Group' 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 Reinstated Debt and the Committed Receivables Facilities.

The Group has a substantial amount of debt and significant debt servicing obligations. In 2012 however, a portion of the proceeds of the capital increases of July and August 2012 have allowed Technicolor to reduce the debt amount and to strengthen its balance sheet (please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" of this Annual Report). At December 31, 2012, the Group had €1,236 million of total nominal debt (€1,115 million of balance sheet debt, taking into account the fair value adjustment under IFRS).

The debt principally consists of debt under a credit agreement, note purchase agreement and intercreditor agreement (the "**Reinstated Debt**"), under which the Group had €1,215 million of senior debt outstanding at December 31, 2012 (€1,094 million of senior balance sheet debt, taking into account the fair value adjustment under IFRS) (on the basis of the exchange rates as of December 31, 2012). 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.

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 Reinstated 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 Reinstated Debt require the Group to use a large portion of any excess cash flow and the proceeds of certain transactions to repay outstanding Reinstated Debt."). The amount of Reinstated Debt as well as the covenant provisions have been determined on the basis of their compatibility with the operating and financial performance prospects of the Group at the time of the Reinstated Debt negotiations;
- 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 operate and grow the business.

The Reinstated Debt contains 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 Reinstated Debt require compliance with certain covenants, including the following:

- *interest cover covenant:* EBITDA (as defined in the Reinstated Debt contracts) is not less than a specified multiple of net total interest on a trailing twelve month basis on June 30 and December 31 of each financial year;
- *leverage covenant:* total net debt is not more than a specified multiple of EBITDA on a trailing twelve month basis on June 30 and December 31 of each financial year; and
- *capital expenditure covenant:* capital expenditure is not more than a specified amount in each financial year.

Each of the interest cover covenant and leverage covenant becomes stricter over time. For further information, see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" and the note 22.3 (g) of consolidated financial statements 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 Reinstated Debt and the Committed Receivables Facilities include provisions which significantly 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:

- pay dividends and make other distributions on its shares;
- incur additional debt;
- invest in joint ventures;
- acquire new businesses or assets; and
- dispose of businesses or assets.

For joint ventures, acquisition and disposals, see the amendments to the terms of the Reinstated Debt increasing the Group's strategic flexibility; see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" of this Annual Report.

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 Reinstated Debt which, absent a waiver from the senior creditors, would provide the senior creditors with the right to declare the Reinstated Debt that is outstanding at the time of any default (plus accrued interest, fees and other amounts due hereunder) immediately due and payable. Such breach of covenants could also constitute a breach of the *Sauvegarde* Plan which, if substantial, could trigger the termination of the Plan (see "Risk of termination of the *Sauvegarde* Plan and reduced flexibility throughout the duration of the *Sauvegarde* Plan").

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 Group (see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources – *Sauvegarde* Plan – Change of Control Provisions"), any outstanding amounts under the Reinstated Debt 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 Reinstated Debt 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 Reinstated Debt require the Group to use a large portion of any excess cash flow and the proceeds of certain transactions to repay outstanding Reinstated Debt.

Under the terms of the Reinstated Debt documentation, the Group is required to apply funds towards the repayment of outstanding Reinstated Debt in certain circumstances, including the following:

- *asset disposals:* the net proceeds in respect of the disposal of any assets of the Group to an unaffiliated third party must be applied to repay outstanding Reinstated Debt, subject to certain exceptions, including a minimum threshold and the disposal of certain assets where the proceeds thereof will be used within a year to fund capital expenditure;
- *equity issuances:* at least 80% of the net proceeds received in respect of any new equity issuances must be applied to repay outstanding Reinstated Debt;
- *excess cash flow:* 80% of excess cash flow (which is defined as the aggregate of net cash from operating and investing activities, subject to certain adjustments) must be applied to repay outstanding Reinstated Debt; and
- *other:* subject to certain exceptions, the net proceeds received from any payment or claim under any insurance policy or issuance of subordinated debt in connection with any refinancing must, in each case, be applied to repay outstanding Reinstated Debt (in the event of a refinancing, a customary "make whole" amount must be paid in respect of amounts due to the note holders pursuant to the note purchase agreement).

Complying with these obligations significantly reduces the amount of funds the Group has available to fund its working capital requirements and, together with the limitations contained in the covenants described above, also limits the Group's investment capacity. The ability of the Group to successfully maintain its market position and grow its businesses, particularly in the context of a changing technological environment that may require additional investment to capitalize on business opportunities (see "Risks related to changes in market, technologies and consumer demand") may be severely limited while the Reinstated Debt remains outstanding. In addition, these requirements are limiting severely the funds the Group has to pay dividends or to make other distributions, on its shares or to buy back its shares.

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 which U.S. the 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 2012, 45.4% 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, have a significant translation impact on the Group's revenues. In 2012, exchange rate fluctuations of all currencies had a negative impact of €20 million on the Group's profit/(loss) from continuing operations before tax and net finance costs, in part due to a depreciation of the U.S. dollar 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 the 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

Contractual restrictions limit the Group to finance or refinance its financial obligations coming due.

Technicolor's access to financial markets was significantly impacted by the deterioration of its financial situation, the subsequent debt restructuring negotiations, and the *Sauvegarde* proceeding. The debt restructuring then the capital increase in 2012 allowed the Group to improve its financial structure and, as a result, the Group was able to put in place two committed receivables-backed credit facilities in 2010 and renew one of them in 2012 until 2016. Nevertheless, due to the restrictions in its Reinstated Debt documentation, the Group's access to financial markets is limited. See note 23.3 to the consolidated financial statements.

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 debt restructuring" 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, 2012, see note 21 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 customers accounted for approximately 63% of the revenues of the Entertainment Services segment and 30% of the Group's consolidated revenues in 2012. A large proportion of the revenue 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 60% of the segment's revenues in 2012 and approximately 23% of the Group's consolidated revenues in 2012. Overall the Group's 10 largest customers accounted for 59% of the Group's consolidated revenues in 2012. 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 selecting 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 Controls 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 predictions 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 entertainment content and online and mobile media distribution, 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 predictions 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 invests and participates in organizations that set technology standards. 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 various technologies to product manufacturers that incorporate the Group's patents in their products. The Group's Licensing revenues accounted for 15% of the Group's consolidated revenues in 2012 and the Technology segment, which primarily reflects the Group's Licensing activities, accounted for 78% of the Group's adjusted EBITDA from continuing operations in 2012.

Since the Group does not control sales by licensees of products incorporating its patents, if licensees were to sell fewer products incorporating the Group's patents 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 and are renewed at their renewal date. 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, 2012, the Group's patent portfolio included approximately 39,600 patents and applications worldwide and approximately 66% of this patent portfolio had a remaining term of over 10 years. In general, the Group maintains its right to receive royalties under patents until the expiration of the last patent applicable to a particular technology.

Revenues from the Motion Picture Experts Group (MPEG) LA Licensing pool in respect of MPEG-2 technology contributed 54% of Licensing revenues in 2012, compared with 56% in 2011. 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 replace expiring patents with new patents in its patent portfolio or 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 revenue, 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 capabilities or broadcasters who have equipment design capabilities. 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 RISK 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 2012, the Entertainment Services segment accounted for 48% 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 visual effects and animation in Digital Production, 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 potentionally have a material adverse effect on the Group's results of operations and financial condition.

The Group may need to expand 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 projects including, but not limited to M-Go, MagicRuby, CineStyle Color Assist or end-to-end digital studio platforms 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 its develops. In addition, if new technologies were developped more quickly than anticipated, the Group may be required to increase its investments beyond the limits that apply under the Group's then-applicable debt documentation or 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 element 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. 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. 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.

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 (including modems and routers), services, 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 2012, the Group generated approximately 20% of its consolidated revenues in emerging markets, predominantly in Latin America and the Asia-Pacific region. As such, the Group is subject to risks associated with doing business internationally. Such risks include currency fluctuations, 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. See "The Group's inability to protect its Intellectual Property rights could materially adversely affect the Group's operating results".

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 32 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, 2012, the Group had €478 million of goodwill, €350 million of tangible assets and €433 million of intangible assets. Based on the Group's 2012 impairment review, the Group booked a €6 million impairment on intangible assets and a €7 million impairment on tangible assets.

Of the €478 million of goodwill at December 31, 2012, €353 million relate to DVD Services, for which any significant change in assumptions as described in note 13 to the 2012/2011 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. For example, in December 2012, we were fined €38.6 million by the European Commission on an antitrust matter relating to a discontinued business. 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 32 to the Group's consolidated financial statements in this Annual Report.

Except for the litigation described in note 32 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 Company and/or 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 U.K. 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. Rémy Sautter was appointed as Chairman by the Board of Directors on June 20, 2012, at the expiration of the term of Mr. Denis Ranque. 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. Four Directors are non-French Directors and one has dual French/US 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. Mr. Loïc Desmouceaux, Director until December 19, 2012, was appointed as an Observer (*censeur*); he participates in Board meetings in an advisory capacity and represents employee shareholders.

Independence of Directors

At its meeting on December 19, 2012, 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) of April, 2010 (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. Catherine Guillouard, 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 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, Didier Lombard and Alexander Slusky 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 & Entertainment sector. Ms. Catherine Guillouard has significant financial experience in international groups and Messrs. David Fishman and Hugues Lepic have considerable experience in business financing. Finally, Mr. Desmouceaux has been a Group employee since 1988 and has a deep knowledge of both the Company and the Media, Technology and Entertainment industry. The biographies setting forth the professional experience of the members of the Board are presented 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	Remuneration, Nomination and Governance Committee	Technology Committee	Amplify 2015 Committee
Rémy Sautter[1]	68	EDIRADIO/RTL 22 rue Bayard 75008 Paris	Director Chairman of the Board of Directors	President of the Supervisory Board of Ediradio/RTL	January 2006	AGM* 2014		Member		
Frederic Rose[2]	50	Technicolor 1-5 rue Jeanne d'Arc, 92130 Issy-les-Moulineaux	Director Chief Executive Officer	-	October 2008	AGM* 2015				Member
Lloyd Carney[1]	51	Brocade San Jose, CA USA	Director	CEO of Brocade	June 2010	AGM* 2013			Chairman	
David Fishman[3]	42	Vector Capital Corporation 1209 Orange Street, Wilmington, DE 19801, USA	Director	Managing Director, Vector Capital Corporation	June 2012	AGM* 2015	Member			Member
Catherine Guillouard[1][5]	48	Rexel 189-193, bd Malesherbes, 75017 Paris	Director	CFO, Rexel[5]	February 2010	AGM* 2014	Member			
Bruce Hack[1]	64	151 Central Park West 10C, New York, NY 10023	Director	Director of companies	February 2010	AGM* 2013	Chairman	Member		Member
Hugues Lepic[1][4]	47	Aleph Capital Partners LLP 14 St George Street, 3rd Floor, London W1S 1FE	Director	CEO, Aleph Capital Partners LLP.	December 2012	AGM* 2014				
Didier Lombard[1]	71	c/o Technicolor 1-5 rue Jeanne d'Arc, 92130 Issy-les-Moulineaux	Director	Director of companies	May 2004	AGM* 2013			Member	Chairman
Alexander Slusky[3]	45	Vector Capital Corporation 1209 Orange Street, Wilmington, DE 19801, USA	Director	Founder and CEO of Vector Capital Corporation	June 2012	AGM* 2015		Chairman		Member
Loïc Desmouceaux[4]	50	Technicolor 1-5 rue Jeanne d'Arc, 92130 Issy-les-Moulineaux	Observer	Market Business Intelligence, Employee Shareholding	December 2012	June 2014[4]			Member	

* *Annual General Shareholders' Meeting.*

(1) Independent Director.

(2) The directorship of Mr. Frederic Rose was renewed by the Combined Shareholders' Meeting of June 20, 2012 for a term of three years.

(3) 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.

(4) Since the governance agreement entered into with Vector Capital (see section 4.1.3.4 below) provided for the appointment of a new independent Director to replace a non-independent director, Mr. Hugues Lepic was appointed Director in replacement of Mr. Loïc Desmouceaux by the Board of Directors on December 19, 2012. Mr. Loïc Desmouceaux was appointed Observer (censeur) for a renewable term of 18 months.

(5) Mrs. Guillouard was appointed as Group Senior Vice President, Chief Financial Officer and Group General Counsel of Rexel, effective at the latest May 6, 2013.-

4.1.3 OTHER INFORMATION ABOUT MEMBERS OF THE BOARD OF DIRECTORS

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

This section contains the biographies and information about the Directors and their directorships as of February 21, 2013.

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 PagesJaunes Groupe, 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:

Chairman of the Board of Directors of FIVE and of SICAV Multimedia & 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. He also served as Chairman of the Board of Directors from April 27, 2009 to February 17, 2010.

Prior to joining Technicolor, Mr. Frederic Rose held various positions within Alcatel-Lucent, and was a member of that company's Executive Committee.

From 2007 to 2008, he was President of Alcatel-Lucent's Europe, Asia and Africa region. He was also President of the Asia Pacific Region and held the position of President of Alcatel Shanghai Bell, Alcatel-Lucent's flagship joint venture in China. 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 to 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,
Director of Alcatel-Lucent Teletas Telekomunikasyon A.S., Alcatel Integracion y Servicios SA, Alcatel-Lucent China Investment Co. Ltd., Alcatel Japan Ltd., Alcatel-Lucent Singapore Pte Ltd., Alcatel Korea Ltd., Alcatel-Lucent Japan Ltd., Alcatel-Lucent Australia Limited, Taiwan International Standard Electronics Limited, Alcatel-Lucent New Zealand Limited, Alcatel Shanghai Bell Software Co. Ltd., Alcatel Shanghai Bell Co. Ltd.,
Vice-Chairman and Member of the Supervisory Board of Alcatel-Lucent Austria AG.,
Vice-Chairman of the Board of Directors of Zhejiang Bell Technology Co. Ltd., Alcatel (Chengdu) Communication System Co. Ltd., Alcatel Shanghai Bell Software Co. Ltd.,
Vice-Chairman and Chief Executive Officer of Alcatel-Lucent Shanghai Bell Co. Ltd.,

Chairman of the Board of Directors of Alcatel-Lucent Philippines Inc., Alcatel-Lucent China Investment Co. Ltd.

Lloyd Carney

Mr. Lloyd Carney has been Chief Executive Officer of Brocade since January 2013. From 2007 to 2012, he was a Director and Chief Executive Officer of Xsigo Systems, which he sold in July 2012. Prior to that, he managed the Netcool division at IBM. This division provides IT and telecom infrastructure management tools to a variety of customers in enterprise computing, transportation, and wireless networking. 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 a Managing Director of Vector Capital Corporation since 2008. He managed the investments in SafeNet, Aladdin Knowledge Systems, Teletrac, Inc. et RAE Systems. Before joining Vector Capital Corporation, 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. During his work at Goldman, he managed or participated in transactions involving Microsoft, eBay, Adobe, IBM, Oracle and PeopleSoft. Prior to 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 B.A. in Economics (with honors) from Duke University.

Current Directorships:
OUTSIDE FRANCE:

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

Catherine Guillouard

Ms. Catherine Guillouard was appointed as Chief Financial Officer and Group General Counsel of Rexel, effective at the latest May 6, 2013. Until that date, she was Chief Financial Officer and Member of the Executive Committee of Eutelsat, which she joined on September 2007. Prior to joining Eutelsat, Ms. Guillouard held various positions within Air France. From 2005 to September 2007, she was Senior Vice President of Finance at Air France. Prior to that, at Air France, she was Senior Vice President of Human Resources, Senior Vice President of Flight Operations, and Deputy Vice President of Corporate Control. She began her career in 1993 at the Treasury of the Ministry of Finance in the CFA Zone of the Africa Department and then in the Banking Affairs Department. Ms. Guillouard graduated from the I*nstitut d'Etudes Politiques o*f Paris and the É*cole Nationale d'Administration.* She also holds a post-graduate degree *(DESS)* in European Union Law.

Current Directorships:
Director, *Aéroports de Paris*.

Directorships held during the past five years:
Member of the Supervisory Board of Atria Capital Partners.

Bruce Hack

Mr. Bruce Hack is a Director of several companies and is 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, D.C. 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:
Chairman and Chief Executive Officer of Vivendi Games,
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 M.B.A. from the Wharton School of the University of Pennsylvania.

Current Directorships:

IN FRANCE:

Chief Executive Officer of Aleph Capital Partners LLP,
Director of Groupe Eurotunnel SA.

Directorships held during the past five years:

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 also 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.

Alexander Slusky

Mr. Alexander Slusky is the founder and CEO of Vector Capital Corporation. His areas of expertise include infrastructure and applications software, internet services, corporate spinouts, and technology buyouts. Prior to Vector, 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 and a product manager at Microsoft Corporation. Mr. Slusky earned a B.A. 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 Corporation;
Director of Corel Corporation, WatchGuard Technologies, SafeNet Inc., RAE Systems and Cambium Networks.

Directorships held during the past five years:

Director of Register.com.

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 position of Market Research manager and Product manager in the Television Division Europe. Mr. Desmouceaux graduated from the *Institut d'Études Politiques* of Bordeaux and from the *École Supérieure de Commerce et d'Administration des Entreprises* of Bordeaux.

Current Directorships:

IN FRANCE:

Chairman of the Supervisory Board of FCPE Technicolor Gestion and Technicolor Epargne (Technicolor Employee Mutual Funds),
Permanent representative of Sovemarco Europe SA on the Board of Directors of Sellenium SA,
Permanent representative of YB Holding SAS on the Board of Directors of Yvan Béal 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,

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 approved by the Board of Directors before their execution, reviewed by the Statutory Auditors, who issue a special report on the transaction, and submitted to the Shareholders' Meeting for approval pursuant to 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.

In accordance with the Company's bylaws, a Member of the Board of Directors must hold a minimum of 200 shares during his term of office (see also the investment commitment made by the Directors under the Internal Board Rules at section 4.1.3.5: "Directors' shareholdings in the Company's registered capital" of this Chapter). 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.

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

The Combined Shareholders' Meeting of June 20, 2012 adopted the amended resolutions submitted by two US-based investment funds, Vector Capital IV, L.P. and Vector Entrepreneur Fund III, L.P., hereinafter referred to, together with Vector Capital Corporation, the management company of the funds, as "Vector Capital" (see section 4.2.1.3: "Board of Directors' activities in 2012" of this Chapter), and thus approved the appointment of Messrs. Alexander Slusky and David Fishman as new members of the Board of Directors. These appointments came into effect on July 16, 2012, the date on which the reserved capital increase approved by that same Meeting was completed (see Chapter 5: "Technicolor and its shareholders", section 5.1.5: "Modifications in the distribution of share capital over the past three years").

On July 10, 2012, the Company and Vector Capital entered into a governance agreement ("Governance Agreement") the provisions of which superseded the commitments on governance and transfers of Company securities contained in the improved offer submitted by Vector Capital on June 13, 2012. Under the terms of that agreement, Vector Capital was granted minority representation on the Board of Directors (see section 4.1.2: "Composition and expertise of the Board of Directors" of 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;

(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 pursuant to certain conditions specified in the Governance Agreement) from the settlement date of the Reserved Capital Increase;

(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 which have been approved by the Board of Directors or (y) in favor of resolutions proposed by other shareholders which have not been approved by the Board of Directors; and

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

This agreement was amended on December 20, 2012 to allow the appointment of Mr. David Fishman as a member of the Audit Committee (see section 4.2.1.4: "Composition and activities of the Board Committees" of this Chapter).

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, according to the Internal Board Rules as modified by the Board of Directors of March 27, 2013, each Director has committed to invest the equivalent of one year's attendance fees (gross amount) for each three-year term with a maximum of two terms.

To the Company's knowledge, the Directors' shareholdings in the Company's registered capital as of February 21, 2013 are as follows:

Directors present as of the date hereof	Technicolor shares/Shares held through FCPE[1]
Rémy Sautter	20,000[2]
Frederic Rose	103,420[2]
Lloyd Carney	30,000
David Fishman	200
Catherine Guillouard	800
Bruce Hack	5,000
Hugues Lepic	5,071,545
Didier Lombard	641
Alexander Slusky	200

(1) Employee Mutual Funds
(2) Those amounts include acquisitions carried out in February 2013

Observer	Technicolor shares/Shares held through FCPE
Loïc Desmouceaux	5,000

Details regarding stock options granted to Executive Directors are set forth in paragraph 4.4.6 "Stock options awarded to Executive Directors – Free Shares".

The table below shows the transactions in Technicolor's securities carried out during 2012 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 the financial instrument	Number of securities/ instruments	Unit price	Transaction amount
David Fishman	11/14/2012	Purchase	Shares	200	€1.736	€347.20
Alexander Slusky	11/14/2012	Purchase	Shares	200	€1.736	€347.20
Rémy Sautter	08/14/2012	Subscription	Shares	10,170	€1.56	€15,865.20
Frederic Rose	08/14/2012	Subscription	Shares	5,820	€1.56	€9,079.20
Loïc Desmouceaux	08/14/2012	Subscription	Shares	830	€1.56	€1,294.80*
Rémy Sautter	07/27/2012	Purchase	Preferential subscription rights	44,000	€0.041	€1,804.00
Rémy Sautter	07/30/2012	Purchase	Preferential subscription rights	10	€0.037	€0.37

* *This transaction has not been declared with the AMF because it was below €5,000.*

Name of entity*	Date of transaction	Type of transaction	Description of the financial instrument	Number of securities/ instruments	Unit price	Transaction amount
VECTOR CAPITAL IV, L.P.	08/14/2012	Subscription	Shares	303,140	€1.56	€472,898.40
VECTOR ENTREPRENEUR FUND III, L.P.	08/14/2012	Subscription	Shares	3,685	€1.56	€5,748.60
VECTOR TCH (Lux) I SARL (formerly PETALITE INVESTMENTS S.à R.L.)	08/14/2012	Subscription	Shares	20,332,988	€1.56	€31,719,461.28
VECTOR TCH (Lux) I SARL (formerly PETALITE INVESTMENTS S.à R.L.)	08/02/2012	Purchase	Preferential subscription rights	499,990	€0.0406	€20,299.59
VECTOR TCH (Lux) I SARL (formerly PETALITE INVESTMENTS S.à R.L.)	08/01/2012	Purchase	Preferential subscription rights	8,021,522	€0.0321	€ 257,490.86
VECTOR TCH (Lux) I SARL (formerly PETALITE INVESTMENTS S.à R.L.)	07/31/2012	Purchase	Preferential subscription rights	5, 105,405	€0.0381	€ 194,515.93
VECTOR TCH (Lux) I SARL (formerly PETALITE INVESTMENTS S.à R.L.)	07/30/2012	Purchase	Preferential subscription rights	5 ,472,682	€0.0329	€ 180,051.24
VECTOR TCH (Lux) I SARL (formerly PETALITE INVESTMENTS S.à R.L.)	07/27/2012	Purchase	Preferential subscription rights	3, 422,235	€0.0386	€ 132,098.27
VECTOR TCH (Lux) I SARL (formerly PETALITE INVESTMENTS S.à R.L.)	07/26/2012	Purchase	Preferential subscription rights	500,000	€0.032773	€16,386.50
VECTOR TCH (Lux) I SARL (formerly PETALITE INVESTMENTS S.à R.L.)	11/19/2012	Purchase	Shares	1,656,825	€1.8800	€3,114,831

* *Corporate entity related to A. Slusky and D. Fishman*

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.

Mr. Loïc Desmouceaux, Observer, is bound to the Company by an employment contract.

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 of Directors, 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 Remuneration, Nomination and Governance Committee. It was approved by the Board of Directors during its meeting of February 21, 2013.

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

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 of July 3, 2008, the Company now adheres to the AFEP-MEDEF Corporate Governance Code of April 2010 in the preparation of the report contemplated by Article L. 225-37 of the French Commercial Code.

In accordance with Article L. 225-37 of the French Commercial Code, the Company declares that it has not followed the recommendation of the AFEP-MEDEF Corporate Governance Code to exclude from the Remuneration Committee any executive Director (*dirigeant mandataire social*). On June 20, 2012, the Board of Directors decided that Mr. Rémy Sautter would continue to serve on the Remuneration, Nomination and Governance Committee after June 20, 2012, stating that Mr. Rémy Sautter's expertise in matters of governance is a real advantage for the Committee. It was moreover decided that Mr. Rémy Sautter (an independent director) would not serve on the Committee for any questions regarding the Chairman of the Board of Directors, whether concerning his term of office, evaluation or compensation. It is further noted that the functions of Chairman of the Board of Directors and Chief Executive Officer are separate.

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. These rules were amended on June 20, 2012 and July 24, 2012 in order to comply with the undertakings made by the Company under the Governance Agreement (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) and on March 27, 2013 to make provision for a higher minimum investment commitment by directors than that referred to in the bylaws. The main provisions of the Internal Rules 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 were amended in order to 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, if necessary, the funding or transfer of any entity, activity or asset whatsoever by any Member of the Technicolor group, including the Company or its subsidiaries as defined in Article L. 233-1 of the French Commercial Code

(hereinafter "Group"), 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 in the context of 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 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 protective mechanisms for NRS holders in the event of any operation on capital as set out in Articles L. 228-98 *et seq.* of the French Commercial Code or in compliance with the specific terms applicable to the NRS by virtue of the note agreement;

(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 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 SA or to any subsidiary of the Technicolor Group, other than changes made in application of applicable law or required by the Statutory Auditors of the Company or the relevant company.

Moreover, pursuant to Article L. 225-35 of the French Commercial Code, security interests and guarantees granted by the Company on behalf of third parties must be authorized by 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 exercise of its duties by four Committees: the Audit Committee, the Remuneration, Nomination and Governance Committee, the Technology Committee, and the Amplify 2015 Committee, which was created in 2012.

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 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. It may also visit Technicolor sites.

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 Regulations stipulate that each Director is required to inform the Lead Independent Director or, in the absence of a Lead Independent Director, the Chairman, of any personal 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 asks for an assessment from the Remuneration, Nomination and Governance Committee.

4.2.1.3 Board of Directors' activities in 2012

In 2012, the Board met thirteen times, with a 100% participation rate for all Directors.

In 2012, the Board of Directors reviewed the Company's quarterly, half-yearly and annual financial information and the process for preparing this information: 2012 annual budget, parent company and consolidated financial statements for 2011 and the first half of 2012, and quarterly revenues for the first and third quarters of 2012. 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 Remuneration, Nomination and Governance Committee for the sections falling under their respective fields of competence.

The Board reviewed and approved the Company's three-year strategic plan (Amplify 2015) and the corresponding action plans.

With a view toward stabilizing the Company's shareholder base, the Board studied various offers submitted by long-term investors. Two offers in particular caught the attention of the Board of Directors: Jesper Cooperatief U.A. (hereinafter "Jesper"), an investment vehicle indirectly held by JPMorgan Chase & Co., and Vector Capital.

On May 2, 2012, the Company entered into two agreements with Jesper respecting the terms of its equity participation in Technicolor. The completion of the transaction was subject to the approval of the Combined Shareholders' Meeting of the Company's shareholders.

In a letter dated May 25, 2012, Vector Capital requested that the Company register draft resolutions on the agenda of the 2012 Shareholders' Meeting to submit to the Company's shareholders an alternative transaction to that with Jesper. This transaction provided for a capital increase for a higher amount and undertakings with respect to governance similar to those made by Jesper on May 2, 2012.

Prior to the Shareholders' Meeting held on June 20, 2012, Jesper and Vector Capital each submitted an amended offer containing improved financial terms for the proposed transactions. On June 20, 2012, during the 2012 Shareholders' Meeting, Jesper submitted amendments that improved their offer once again and Vector Capital submitted amendments that reflected the terms of their amended offer. The Shareholders' Meeting adopted the amended resolutions submitted by

Vector Capital and rejected the amended resolutions for the completion of the Jesper transaction. The Board of Directors acknowledged the shareholders' vote and accepted Vector Capital's offer.

Moreover, the Board of Directors approved the transfer of the Broadcast business activity to Ericsson.

In terms of governance, the Board of Directors reviewed the composition of the Board and its committees, with regard in particular to the undertakings made with respect to Vector Capital under the Governance Agreement. A decision was also made to create a new committee, the Amplify 2015 Committee, the purpose of which is to monitor the implementation of the Amplify 2015 plan and, more generally, review the Company's overall strategy. Finally, the Board amended the Internal Board Rules and the Committees' charters.

The Board also voted on the compensation of the Chairman and the Chief Executive Officer and studied the execution of the 2011 long-term incentive plan (LTIP) for Management.

It also carried out a self-evaluation of its performance and that of its various committees for 2012 conducted by an external consultant. The consultant conducted individual interviews using a detailed questionnaire that included a series of questions on the following themes: the structure, missions, functions and functioning of the Board of Directors, organization and functioning of the Committees. The results of this self-evaluation were examined by the Remuneration, Nomination and Governance Committee, and then reviewed by the Board of Directors on February 21, 2013. The Board of Directors concluded that it shows a good adequacy of competencies with regard to the company's activity and the constant improvement of working conditions of the Board, especially for the quality of the information provided. The Board noted, however, the need to improve the restitution by the committees of their works to the Board.

Finally, it reviewed the independence of each member of the Board of Directors and deliberated on the Company 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.

Composition

The Audit Committee is comprised of Mr. Bruce Hack (Chairman), Ms. Catherine Guillouard and Mr. David Fishman.

The Governance Agreement was amended on December 20, 2012 to allow the appointment of Mr. David Fishman to the Audit Committee.

The Board of Directors Meeting of December 19, 2012, which decided the composition of the Audit Committee, determined that its composition was in compliance with the requirements of Article L. 823-19 of the French Commercial Code established by Ordinance No. 2008-1278 of December 8, 2008 and the recommendation of the AMF working group issued on July 22, 2010. 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" above). Furthermore, the Board of Directors Meeting of February 17, 2010 stated its belief that Ms. Catherine Guillouard meets the qualification of financial expert as defined by the Ordinance of December 8, 2008. Moreover, Messrs. Bruce Hack and David Fishman also have special skills in financial matters.

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. In 2012, the charter was amended to remove references to the rules of governance established by the NYSE (the Company deregistered its shares in the United States in 2011) and to allow Mr. David Fishman, a non-independent director, to serve on the Committee.

The 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 (i) ensure that the accounts provide a true and fair view of the Company's financial position; and (ii) are in compliance with applicable accounting standards.

Similarly, the Audit 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.

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.

Audit Committee's activities

The Audit Committee met seven times in 2012, with a participation rate of 100%.

During 2012, the Audit Committee examined the following financial information: parent company and consolidated financial statements for 2011 and the first half of 2012, quarterly revenues for the first and third quarters of 2012. The Audit Committee looked into accounting issues related to the closing of accounts for 2011, the first half of 2012 and the year 2012. 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 semi-annual internal audit plans and their results, and internal control and IT procedures.

Moreover, the Audit Committee reviewed the governance procedures and programs implemented by the Group to monitor and manage legal risks. The functioning of the Investment Committee and the Ethics Compliance Committee was also presented.

The Audit Committee also examined the renewal process for the Statutory Auditors, whose term expired at the end of the Combined Shareholders' Meeting of June 20, 2012 and recommended that the Board of Directors propose the appointment of Deloitte & Associés. It examined the Statutory Auditors' audit plan and reviewed the matter of their independence.

Finally, the Audit Committee conducted a self-evaluation of its activity in 2012.

Remuneration, Nomination and Governance Committee

The Remuneration, Nomination and Governance Committee is comprised of Messrs. Alexander Slusky (Chairman), Rémy Sautter and Bruce Hack.

Mission

The Remuneration, 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.

In addition, the Remuneration, Nomination and Governance 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.

Remuneration, Nomination and Governance Committee's activities

The Remuneration, Nomination and Governance Committee met five times in 2012, with an average participation rate of 100%.

In 2012, the Committee recommended the renewal of the terms of Mr. Frederic Rose, the appointment of Messrs. David Fishman and Alexander Slusky in accordance with the Governance Agreement and of Mr. Hugues Lepic, the new independent director. It reviewed the composition of the Board committees accordingly. On this occasion, the Committee also recommended that the Board of Directors initiate measures aimed at identifying potential women candidates. Moreover, on February 22, 2012, the Committee examined the Company's policy in respect of equal employment and wages.

Regarding compensation, the Committee studied aspects of the compensation of the Chief Executive Officer and the Chairman of the Board (see section 4.4: "Compensation and benefits of Directors" of this Chapter).

It also reviewed the variable compensation system implemented for all Group employees for 2012 and the fulfillment of the performance criteria applicable to the long-term incentive plan for management implemented in 2011 – LTIP (see Chapter 6: "Social information and Sustainability", section 6.1.4: "Stock option plans and free share plans").

Finally, the Committee reviewed the results of the self-evaluation of the operation of the Board and its Committees in 2012 conducted by an external consultant (see above).

Technology Committee

Composition

The Technology Committee is comprised of Messrs. Lloyd Carney (Chairman), Didier Lombard and Loïc Desmouceaux. Mr. David Fishman is invited to meetings of the Committee as a permanent guest.

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 of the Research and Innovation Division, and the Director of Corporate Partnerships.

Technology Committee activities

The Technology Committee met twice during 2012, with a participation rate of 100%.

In 2012, the Committee reviewed the progress of the Revolution project, which is being conducted by the Connected Home division, and which led in particular to the launch of Qeo, a software that bridges ecosystems to interconnect devices and applications of all brands within the home. It also examined the development and roadmap of the M-GO project. It reviewed the existing outlook for the Group regarding the processing of personal data and the major research and innovation projects underway.

The Committee also reviewed the implementation of the Cineglass project, a tool that makes it possible to optimize digital flows, along with four Research & Innovation programs. Finally, the incubator program Jumpstart was presented to it (see the Amplify 2015 Committee report below).

The Amplify 2015 Committee

Composition

The Amplify 2015 Committee, which was created in 2012, is comprised of 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 three times during 2012, with a participation rate of 100%.

The Committee reviewed the 12 initiatives launched as part of the Amplify 2015 plan since the beginning of 2012, as well as the Jumpstart incubator program to stimulate the development of ideas by employees and follow their implementation, in line with the practice at private equity firms.

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 established by the Board of Directors to determine compensation and benefits of Mr. Frederic Rose, Chief Executive Officer, are discussed in paragraph 4.4.2 below. The principles and rules adopted by the Board of Directors to determine Director's fees and other Director's compensation are discussed in paragraph 4.4.5 below.

Information relating to stock options and free shares granted to Directors is provided in paragraph 4.4.6 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 not subject to the Sarbanes Oxley Act obligations it was subject to previously.

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 second annual campaign of the program has been successfully performed in the course of 2012, and a new campaign starts as of January 2013.

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 roll-out 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 2013. 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. The existing controls are described, redesigned or new controls are defined for the few situations requiring improvement. For example, in 2012, the sub-processes of budgeting and forecasting as well as the ones related to the products life cycle management were deployed under the internal control program;
- a self assessment on controls implementation by the most significant entities, totalling 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 2012, about 240 control owners were designated to perform a self assessment on 3,558 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 all the Group's perimeter.

The internal control team ensures a continuous monitoring of the internal control testing campaign, through key performance indicators such as self assessment/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 level 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 to 3 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. 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 quarterly and more frequently when required.

Beginning in 2008, the Group deployed ethics training programs. Several online training sessions were launched to educate employees on various ethical rules and obligations. Some dedicated training sessions were also organized on specific sites or for specific functions. These training sessions involved around 9,100 employees from 2010 through 2012.

Finally, the Group implemented a Whistleblower Policy in 2006, which enables employees and other holders of relevant information to report suspected financial, accounting, banking and bribery activities to the Ethics Compliance Committee. In 2010, the Group provided to U.S. employees the ability to submit a Whistleblower report through an independent third party. The third party's telephony and web-based hotline solution enables employees to easily and confidentially submit Whistleblower reports. In 2012, the Group greatly expanded the reach of this third party and now those in many countries can submit a Whistleblower report through an independent third party.

The Code of Ethics (in French and in English), the Whistleblower Policy (in French and in English), and the related policies are available to all Group personnel *via* the Group's internal website.

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, 2012, 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 eight 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, when the Entreprise Risk Assessment (ERA) program was launched. The risk management process evolved in 2010 to fit to 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".

The goal 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. Those risks are listed under Chapter 3: "Risk Factors".

Risk management and monitoring consist of identifying who is in charge of producing and following 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 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

The Internal Audit Department has an independent and objective role. It has responsibility for identifying and proposing improvements in financial and operational processes. It helps the group design 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 in 2010 by the Chairmen of the Board of Directors and the Audit committee, the Chief Executive Officer, the Chief Financial Officer and the Chief Audit Officer.

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 risk assessment and management process.

The Internal Audit Department consists of around 12 auditors who have past experience in a large range of domains like information systems, engineering, finance, law 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 and reports to the Chief Financial Officer.

The Internal Audit Department completes audits covering the following domains: operational processes, financial audits, transversal or local financial processes, 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 investments. In 2012, as in 2011, 34 audit engagements were performed (both assurance and assistance types). Most of the segments and support functions are covered, through a risk-based approach.

The Internal Audit Department is responsible for the independent evaluation of the internal control, and drives, on a yearly basis, the tests campaign.

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 six Businesses, organized in several activities. One additional segment (Corporate and Other Continuing) completes this organization. Each one of these businesses and activities is under the responsibility of a controller and is assisted by a controlling supporting team, in charge of budget, reporting follow-up, performance analysis and estimates. Accounting operations within the legal entities are for the most part managed through two internal shared services centers. The accounting teams work according to Group accounting standards and methods and liaise with the Controlling organization through Services Level Agreements.

Budgetary process

The budgetary process is mandatory for all of the Group's segments and businesses. The principal stages in the budgetary process are the following:

- in September and October, preparation by each business of a budget 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 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 and 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" allows for the identification of 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, 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 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.

The IT Department has developed and applied a governance framework which defines rules and procedures regarding application development, monitoring and management as well as IT project management. This governance framework defines the best practices for selecting and using IT tools, for accessing data, programs and applications, and for ensuring the confidentiality, integrity and availability of these assets. These rules and procedures are audited annually by the CIO and IT managers and updated as required.

Moreover, the Technicolor IT governance model also covers the following areas:

- the execution of a broad global infrastructure strategic plan focusing on operational performance;
- the creation and execution of a three-year detailed application strategic plan focusing on consolidation and standardization of systems, tools and business processes;
- the management of the IT projects portfolio;
- the divestiture process for all held-for-sale entities and integration for acquisitions;
- the measurement of the performance delivered by the IT function; and
- the standardization of Technicolor's project and portfolio management processes and methodologies across the organization.

In 2012, IT protection levels were enhanced through the following actions:

- to increase protection of customer content and raise alerts to potential unauthorized network activity, Intrusion Detection Services (IDS) were outsourced to Dell Secure Works and deployed strategically around the Technicolor perimeter;
- to improve the Security Operations team's ability to respond to potential security incidents, system and security log management for critical systems were centralized and outsourced to Dell Secure Works;
- to improve internet connectivity and browsing services and to further reduce the threat of malware from internet sites, Zscaler's "*Proxy in the Cloud*" service was implemented replacing physical appliances at more than 40 Technicolor locations worldwide;
- to ensure that company and personal mobile phones and tablets incorporate basic security protection, *Mobile Iron,* a mobile data management service was deployed;
- to ensure that anti-malware services are extended to all company supported operating systems, *Symantec Endpoint Protection* was deployed to Mac and Linux computers;
- to ensure that all devices connecting to the company production network incorporate the basic security policy for passwords, *Centrify* was deployed to require user authentication and policy replication;
- to ensure that IT projects are aligned with corporate strategic goals and to enforce appropriate justification disciplines, IT implemented a project portfolio evaluation tool and instituted a global project launch process;
- to ensure that projects are properly managed and progressing, Bi weekly detailed reviews of key strategic projects were held with IT managers.

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, develops common metrics and promotes the security tools for the Group.

Physical, digital and business security are the prime areas of focus for the TSO. 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. Some customers are looking for proven, more secure devices.

For Intellectual Property & Licensing, confidentiality is essential to protect Technicolor's patents. For example, this includes laptop encryption and data loss prevention.

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

In 2012, the TSO, supported by each Security business representative, worked on Security audits management, dedicated security training and Security awareness at Group level: several dedicated communications have been made to all Technicolor employees (security alerts, security letters "Security Awareness For Everyone", security policies...).

A physical Security Plan has been launched at WW level in order to ensure that any of our facility 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 travellers 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

For the year ended December 31, 2012.

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L.225-235 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Technicolor SA 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 of French company law *(Code de Commerce)* for the year ended December 31, 2012.

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 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 20, 2013
Deloitte et Associés
French original signed by
Alain Pons
Partner
Ariane Bucaille
Partner

Courbevoie, March 20, 2013
Mazars
French original signed by
Jean-Louis Simon
Partner
Simon Beillevaire
Partner

4.4 COMPENSATION AND BENEFITS OF DIRECTORS

4.4.1 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.

The compensation of Mr. Rémy Sautters' in his capacity as Chairman of the Board amounts to €130,000 gross per year. Mr. Rémy Sautter does not receive any directors' fees in his capacity as a Chairman (see below the directors' fees due until June 20, 2012, the date on which he was appointed as Chairman).

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

	2011		2012	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	N/A	N/A	65,000[1]	65,000[1]
Variable	N/A	N/A	N/A	N/A
Directors' fees	59,544[2]	67,000[3]	33,136[4]	59,544[2]
Fringe Benefits	N/A	N/A	N/A	N/A
TOTAL	**59,544**	**67,000**	**98,136**	**124,544**

(1) Amount calculated on a prorata basis from June 20, 2012, when he began his term as Chairman of the Board of Directors.
(2) Directors' fees for 2011, paid in 2012.
(3) Directors' fees for 2010, paid in 2011.
(4) Directors' fees for the period January 1, 2012 to June 20, 2012, date on which M. Sautter was appointed as Chairman of the Board.

4.4.2 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 President of Technicolor USA, Inc. since July 1st, 2012.

The compensation of Mr. Frederic Rose for his functions as Chief Executive Officer was decided by the Board of Directors on July 23, 2008 on the basis of proposals by the Remuneration Committee and on February 23, 2012 regarding the performance criteria applicable to 2012. The Remuneration Committee's proposal was based on a comparison of the remuneration of Chief Executive Officers of comparable companies.

His compensation includes a fixed portion for an annual gross amount of €800,000 unchanged since he joined the Group in 2008, and a variable portion, conditional upon achievement in 2012 of the following performance targets:

- consolidated Adjusted EBITDA target, accounting for 40% of the targeted bonus;
- consolidated Free Cash Flow target, accounting for 40% of the targeted bonus; and
- a qualitative target, accounting for 20% of the targeted bonus, tied to the completion of certain public specific actions, the achievement of which is determinated 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 a target were to be achieved, the amount of variable compensation for that target would be reduced. 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 21, 2013, reviewed the level of achievement of the above objectives for 2012. The Consolidated Adjusted EBITDA target and the Free Cash Flow target were both 1.5 achieved (on a scale from 0 to 1.5). Approximately 2,300 Group employees had similar variable targets in their compensation package and benefited from the Group's strong performance. Moreover, the Board of Directors considered that the triple qualitative target was 1.2 achieved, notably taking into account the Group's strong performance and Mr. Rose's personal efforts. These efforts notably contribued to the stabilization of the Group's shareholder base, resulting from the capital increases carried out in 2012, and from the entry of Vector Capital as a

shareholder. As a result the gross variable compensation of Mr. Rose for 2012 amounted to €1,152,000.

Mr. Frederic Rose does not receive any directors' fees in his capacity as Director of Technicolor SA.

Management Incentive Plan (MIP-SP1)

On 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 contributors while aligning their interests with those of the Company and its shareholders. Mr. Rose and about 300 managers are beneficiaries of this Plan.

All of the conditions of this plan are described in sub-section 4.4.6: "Stock options awarded to Executive Directors – Free Shares" below.

The Board of Directors, at its meeting on February 21, 2013, noted that, based on the financial statements for the year ended December 31, 2012, performance conditions were met and that the cash bonus owed to Mr. Rose amounted to €436,464 and that the number of stock options amounted to 190,529.

Long-term Management Incentive Plan (LTIP)

Mr. Frederic Rose and about 70 managers also benefit from the long-term profit-sharing plan approved, on the recommendation of the Remuneration, Nomination and Governance Committee, by the Board of Directors on June 8, 2011.

All of the conditions of this plan are described in sub-section 4.4.6: "Stock options awarded to Executive Directors – Free Shares" below.

The Board of Director's meeting of Technicolor held on March 27, 2013, noted that Mr. Rose is entitled, for 2012, to a cash bonus totaling €149,333 gross and to a right for 59,733 free shares. These shares will be definitely acquired in June, 2015, on condition that he remains within the Company until June, 2013.

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

In the event of removal from his position as Chief Executive Officer, except in the case of gross negligence or gross misconduct, Mr. Rose is entitled to an indemnity the maximum gross amount of which would be equal to fifteen months fixed and variable compensation. This amount would be calculated according to his total fixed and variable compensation in relation to the fiscal year preceding the date of the Board of Director's decision to remove him from office. Pursuant to Article L. 225-42-1 of the French Commercial Code, the payment of this indemnity is subject to performance requirements based on the Group consolidated Adjusted EBITDA and Free Cash Flow determined on a yearly basis by the Board of Directors.

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 all 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, 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.

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 2012.

The employer's charges paid by the Group in respect of Mr. Frederic Rose's compensation amounted to €399,012 in 2012.

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

	2011		2012	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	800,000	800,000	800,000	800,000
Variable	600,000[1]	869,760[2]	1,152,000[3]	600,000[1]
Cash premium (MIP)	N/A	N/A	436,464	N/A
Cash premium (LTIP)	52,148	N/A	149,333	52,148
Directors' fees[4]	N/A	N/A	N/A	N/A
Fringe Benefits	4,260	4,260	4,260	4,260
TOTAL	**1, 456,408**	**1,674,020**	**2,542,057**	**1,456,408**

(1) Variable compensation for 2011, paid in 2012.
(2) Variable compensation for 2010, paid in 2011.
(3) Variable compensation for 2012 to be paid in 2013.
(4) 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)

	2010 *(Amounts due)*	2011 *(Amounts due)*	*2012 (Amounts due)*
Fixed	800,000	800,000	800,000
Variable	869,760	600,000	1,152,000
Directors' fees	N/A	N/A	N/A
Fringe Benefits	4,260	4,260	4,260
Cash premium (MIP)	N/A	52,148	436,464
Cash premium (LTIP)	N/A	N/A	149,333
Extraordinary compensation	600,000(1)	N/A	N/A
Total	**2,274,020**	**1, 456,408**	**2,542,057**
Stock options (MIP): number of options granted	N/A	N/A	190,529(2)
Price	N/A	N/A	€6.52
Exercise period	N/A	N/A	June 18, 2014-June 16, 2018
Value at the grant date of the stock options *(in euros)*	N/A	N/A	294,622(3)
Free shares (LTIP): number of Performance Units granted	N/A	20,859(4)	59,733(4)
Value at the grant date of the Performance Units *(in euros)*	N/A	62,417(3)	178,742(3)

(1) Exceptional bonus under 2010 Debt restructuring.

(2) Number of rights to stock options acquired by Mr. Rose after determination, by the Board of Directors of February 21, 2013 of the level of achievement of the performance conditions (see sub-section 4.4.6: "Stock options awarded to Executive Directors - Free Shares"). The options will be definitely acquired on June 18, 2014, subject to a continuing presence at that date

(3) According to IFRS 2, this valuation is reestimated at the end of each reporting period depending on the achievements of the performance conditions of the plan.

(4) Number of rights to free shares after determination, by the Board of Directors of March 27, 2013 of the level of achievement of the performance conditions. The shares will be definitely acquired in June 2015, subject to a continuing presence as of June 8, 2015.

Details regarding stock options and free shares granted to Mr. Frederic Rose are set forth in paragraph 4.4.6: "Stock options awarded to Executive Directors – Free Shares."

4.4.3 COMPENSATION AND BENEFITS OF MR. DENIS RANQUE, CHAIRMAN OF THE BOARD UNTIL JUNE 20, 2012

Mr. Denis Ranque served as Chairman of the Board of Directors from February 17, 2010 to June 20, 2012. Mr. Ranque was not entitled to Directors' fees in his capacity as director.

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

	2011		2012	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	180,000	180,000	85,000(1)	85,000
Variable	N/A	N/A	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Fringe Benefits	N/A	N/A	N/A	N/A
TOTAL	**180,000**	**180,000**	**85,000**	**85,000**

(1) Amount calculated on a prorata basis until June 20, 2012, date on which Mr. Ranque's directorship expired.

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		Denis Ranque	
	Amounts due		Amounts due		Amounts due	
(in euros)	Fiscal 2011	Fiscal 2012	Fiscal 2011	Fiscal 2012	Fiscal 2011	Fiscal 2012
Compensation owed for the fiscal year (detailed in the tables provided in paragraphs 4.4.1, 4.4.2 and 4.4.3)	59,544	98,136	1,456,408	2,542,057	180,000	85,000
Valuation of options granted during the fiscal year (detailed in the table provided in paragraph 4.4.6)	N/A	N/A	N/A	294,622	N/A	N/A
Valuation of performance shares granted during the fiscal year (detailed in the table provided in paragraph 4.4.6)	N/A	N/A	62,417	178,742	N/A	N/A
TOTAL	**59,544**	**98,136**	**1,518,825**	**3,015,421,**	**180,000**	**85,000**

Summary table of benefits granted to the Executive Directors (table no. 10 of the AMF recommendation of December 22, 2008)

	Employment Contract		Additional pensions scheme		Indemnities or benefits due or possibly due following taking up, ceasing or changing position		Indemnities due to a non-competition clause	
Executive Directors	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Rémy Sautter		X		X		X		X
Frederic Rose		X		X	X (1)		X (1)	
Denis Ranque (Chairman of the Board until June 20, 2012)		X		X		X		X

(1) See paragraph 4.4.2 above.

4.4.5 DIRECTORS' FEES AND OTHER COMPENSATION

In compliance 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 Remuneration, Nomination and Governance 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 €450,000 by the Annual General Shareholders' Meeting held on May 7, 2004 and this amount has not been modified since this date.

The annual distribution of Directors' fees owed for 2012 is as follows:

- fixed fee of €35,000 for each Director;
- an additional fixed fee of €5,000 for each Director non-resident in France;
- a Director's fee of €3,000 per meeting of the Board of Directors and €2,000 per Committee meeting (with the exception of meetings by conference call that last under two hours, for which Directors fees are not paid).

The Directors' fees paid in 2012 correspond to the Directors' fees owed for 2011. The amount of the Directors' fees was distributed based on the Directors' actual attendance, and their total amount could not exceed the total amount of €450,000 set by the Shareholders' Meeting.

The Directors did not receive any other compensation besides Directors' fees in respect of fiscal year 2012. 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 2011 and 2012 (table no. 3 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Name	Amounts paid in 2011[3]		Amounts paid in 2012[3]	
(in euros)	Directors' fees[1]	Extraordinary compensation	Directors' fees[2]	Extraordinary compensation
Lloyd Carney	56,000	6,000[4]	63,449	-
Loïc Desmouceaux	59,000[5]	-	58,568[6]	-
Catherine Guillouard	67,000	-	66,377	-
Bruce Hack	80,000	-	77,115	-
Didier Lombard	53,000	-	58,568	-
John Roche	67,000	-	66,377[7]	-
Rémy Sautter	67,000	-	59,544	-
TOTAL	**449,000**	**6,000**	**449,998**	**-**

(1) Directors' fees for 2010, paid in 2011. 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 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.

(3) Some amounts were subject to withholding.

(4) Compensation as observer (censeur) (for the period of February 17, 2010 to June 17, 2010, when Mr. Lloyd Carney was appointed as a Director).

(5) €4,000 was paid directly to the Technicolor Employee Shareholders' Association at the request of Mr. Loïc Desmouceaux.

(6) €5,000 was paid directly to the Technicolor Employee Shareholders' Association at the request of Mr. Loïc Desmouceaux.

(7) Amount calculated on a prorata basis until June 20, 2012, the date on which Mr. John Roche's term as Director expired.

Directors' fees paid in 2013 (Directors' fees for 2012)

Name	Amounts paid	
(in euros)	Directors' fees[1]	Extraordinary compensation
Lloyd Carney	60,545	-
Loïc Desmouceaux	56,455[3]	-
David Fishman	30,273[2]	-
Catherine Guillouard	63,000	-
Bruce Hack	78,545	-
Didier Lombard	61,364	-
John Roche	34,773	-
Rémy Sautter	33,136[4]	-
Alexander Slusky	31,909[2]	-
TOTAL	**450,000[1]**	**-**

(1) 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) Amount calculated on a prorata basis from July 16, 2012.

(3) €5,000 was paid directly to the Technicolor Employee Shareholders' Association at the request of Mr. Desmouceaux.

(4) Amount calculated on a prorata basis until June 20, 2012, the date on which Mr. Rémy Sautter was appointed Chairman of the Board of Directors (see section 4.4.1 "Compensation and benefits of Mr. Rémy Sautter, Chairman of the Board of Directors" above).

4.4.6 STOCK OPTIONS AWARDED TO EXECUTIVE DIRECTORS – FREE SHARES

Stock options granted to Mr. Frederic Rose

On 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 is a beneficiary of this Plan which awards Performance Units comprised of half cash and, in the case of Mr. Rose, half stock options. Under this Plan, Performance Units were granted to Mr. Rose, representing 10 to 15 months of fixed compensation at the date of award, *i.e.* a cash bonus ranging from €333,300 to €500,000 maximum and stock options ranging from 145,495 to 218,232 (after adjustment due to the capital increases completed in 2012).

The Board of Directors, at its meeting on February 21, 2013, noted that, based on the financial statements for the year ended December 31, 2012, perfomance conditions were met, that Mr. Rose acquired a cash bonus amounting to €436,464 and 190,529 rights to stock options. Subject to the achievement of the presence condition, the stock options will be exercisable after June 18, 2014.

Calculated in accordance with the provisions of Article L. 225-177 of the French Commercial Code, the subscription price was set at €6.52 (after adjustment due to the capital increases completed in 2012).

The presence and performance conditions are described as follows.

Presence conditions: the beneficiary must be present without interruption during the whole acquisition period of the Plan, either as an employee or as an Executive Director ("dirigeant mandataire social") within the Company and/or affiliated companies.

Performance conditions:

- Technicolor shall not breach the 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 definitely 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. For the purposes of the plan, the Net Debt/EBITDA ratio will be established based on the same terms and conditions as those set forth in the contracts. The definition and calculation of this ratio and of its components (Net Debt and EBITDA) will be the same as outlined in the contracts. For the sake of confidentiality, the ratios defined by the Board of Directors are not made public. Those ratios are stricter than the corresponding financial covenant as set forth in the Company's Reinstated Debt agreements.

In application of Article L. 225-185 paragraph 4 of the French Commercial Code, in the event all or some of the stock options granted to him were exercised, Mr. Frederic 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.

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

Plan number and date	Type of options	Value of the options at the grant date *(in euros)*	Number of rights to stock options granted	Exercise price	Exercise period
MIP-SP1 June 17, 2010	Subscription	294,622	190,529[1]	€6.52	June 18, 2014 – June 16, 2018

(1) Number of rights to stock options acquired by Mr. Rose afterdetermination by the Board of Directors of February 21, 2013 of the level of achievement of the performance conditions. The options will be definitely acquired on June 18, 2014, subject to a continuing presence at that date.

Free shares granted to Mr. Frederic Rose

On the recommendation of the Remuneration, Nomination and Governance Committee, on February 28, 2011, the Board of Directors established the major features of a Long-term Management Incentive Plan, whose purpose 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 is a beneficiary of this plan. The plan, which is based on a three-year period, provides 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 that is acquired is based on conditions of performance, which are identical for the Chief Executive Officer and the other beneficiaries of the plan. These conditions are 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 about twenty comparable companies in North America, Europe and Asia that are representative of the technology, media and telecom industries.

Regarding the first criteria, which counts for two-thirds of the evaluation, the objectives for attaining 100% of the eligible Performance Units are stricter than the corresponding financial covenant as set forth in the Company's Reinstated Debt agreements. Regarding the second criteria, which counts for one third of the evaluation, in order to receive 100% of the eligible Performance Units, the achieved benchmark need to rank among the top three selected comparable securities, and a non-satisfactory ranking results in the award of zero Performance Units. Between these two situations, the percentage of Performance Units granted is reduced accordingly.

The Performance Units are 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 are measured.

The rights acquired by Mr. Rose for the first two tranches are mentioned in section 4.4.2: "Compensation and benefits of Mr. Rose, Chief Executive Officer" of this Chapter.

In accordance with Article L. 225-185, paragraph 4 of the French Commercial Code, it is provided that in the event of the delivery of all or part of the shares awarded to him, Mr. Rose shall keep in registered form, until the end of his functions, a quantity of shares corresponding to 20% of the gain on acquisition net of taxes and social security expenses owed for the acquisition and transfer of the shares. 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 (table no. 6 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Plan number and date	Number of shares granted in 2012	Value of shares at the grant date of the shares[3] *(in euros)*	Dates of acquisition	Availability date
LTIP June 8, 2011[1]	59,733[2]	178,742	June 8, 2013 for the 2011 and 2012 Tranches and early 2014 for the 2013 Tranche	June 8, 2015[4]

(1) This plan is a three-year plan. The maximum number of free shares that can be acquired by Mr. Rose under this plan, depending on the level of achievement of the performance conditions, is 213,333.

(2) Number of rights to free shares acquired by Mr. Rose after determination by the Board of Directors held on March 27, 2013 of the level of achievement of the performance conditions. The shares will be definitely acquired in June 2015, subject to a continuing presence as of June 8, 2013.

(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 that Mr. Frederic Rose is required to keep in registered form pursuant to Article L. 225-185, paragraph 4 of the French Commercial Code (see above).

Other information concerning stock option plans or free shares awarded to Executive Directors

Stock option plans

During 2012, 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

No rights to free shares were awarded to the Directors during 2012.

Free shares that became available for each Executive Officer in 2012 (Table no. 7 of the Annex of the AFEP-MEDEF Corporate Governance Code)	**None**

Tables 8 and 9 of the AMF Recommendation of December 22, 2008 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 eight members. The following table shows their responsibilities and year of appointment.

Name of Executive Committee Member	Age	Responsibility	Appointed
Frederic Rose	50	Chief Executive Officer	2008
David Chambeaud	45	Human Resources & Sustainability, Global Sourcing, Insurance and Security	2009
Béatrix de Russé	65	Intellectual Property & Licensing	2004
Gary Donnan	54	Technology & Research	2010
Vince Pizzica	49	Corporate Partnerships & Ventures	2008
Michel Rahier	59	Connected Home – VoIP/IPTV Operations Services & Transformation	2011
Lanny Raimondo	69	Entertainment Services	2001
Stéphane Rougeot	44	Chief Financial Officer & Group Strategy & Portfolio Management	2008

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 & Sustainability since July 2009. As an Executive Committee Member, he is also in charge of managing the Global Sourcing, 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 functions within the Sourcing Management team based in France and Germany, assuming regional or 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 which is part of the ESSEC Group.

Ms. Béatrix de Russé is Head of Intellectual Property and Licensing since February 2004. 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 for Thomson. 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.

Mr. Gary Donnan is Head of Technology & Research since June, 2010. Before joining Technicolor, Mr. Donnan held similar responsibilities at Alcatel in Research & Innovation, in addition to serving on the Alcatel France Executive Committee. Immediately prior to that role, he was the R&D Technical Director (3G) in Alcatel/Fujitsu (Evolium). During the previous 14 years, Mr. Gary Donnan worked in R&D operations in the fields of satellite & nuclear control systems, transmission systems, switching systems, and radio infrastructure. In addition to being co-Director of the Technology Business Group, Mr. Gary Donnan currently heads the Company's Technology, and Research organization – charged with promoting advanced technologies and services throughout the Company. He received his degrees in Computer Systems from the University of Ulster, Ireland.

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 27-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, U.K.

Mr. Michel Rahier is Head of Connected Home and VoIP Divisions 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, 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 September 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 business school in Paris and holds a *DEA* in International Economics and Finance from Paris Dauphine University.

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 2012, 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) within Technicolor amounted to €7.1 million (excluding charges and including a variable component of €2.2 million with respect to 2011 on the basis of the Group financial results).

In 2011, 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 €7.0 million (excluding charges and including a variable component of €2.4 million with respect to 2010 on the basis of the Group financial results).

The total amount provided for pensions and retirement and other similar benefits granted to the Members of the Executive Committee amounted to € 4 million in 2012.

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, 2012

On December 31, 2012, in accordance with the *Sauvegarde* Plan, the Company redeemed 10,191,567 NRS II and 6,189,002 NRS IIC through the issuance of 2,669,936 Company shares.

At December 31, 2012, at the end of the redemption period, Company share capital comprised 335,543,841 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:

	As of December 31, 2012			As of December 31, 2011[1]			As of December 31, 2010		
Shareholders	Number of shares held	% of shares held	% of voting rights	Number of shares held	% of shares held	% of voting rights	Number of shares held	% of shares held	% of voting rights
Public[2][3]	265,476,835	79.12%	79.26%	223,153,396	99.73%	100%	174,228,920	99.65%	100%
Vector TCH (Lux) 1, S.à r.l. (formerly Petalite Investments S.à r.l.)[4]	69,461,319	20.70%	20.74%	-	-	-	-	-	-
Technicolor[5]	605,687	0.18%	-	605 687	0.27%	-	617,705	0.35%	-
TOTAL	**335,543,841**	**100%**	**100%**	**223,759,083**	**100%**	**100%**	**174,846,625**	**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) These amounts include investments held by the major institutional funds.

(4) 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, L.P., Vector Capital III International, L.P. and Vector Entrepreneur Fund III, L.P. See section 5.1.5: "Modifications in the distribution of share capital over the past three years" of chapter 5 of this Annual Report.

(5) Shares in pure nominative form.

Share ownership threshold notified to the Company in 2012

According to 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) by the following entities for the account of their respective customers or for their own account in 2012:

Shareholders	Threshold crossing date	Share ownership threshold upwards or downwards	Threshold crossed	Percentage of share capital held	Number of shares held
Vector TCH (Lux) 1 (formerly Petalite Investments)[1]	August 14, 2012	upwards	20.00%	20.87%	69,461,319
RBS Group	July 16, 2012	downwards	5.00%	4.183%	11,346,421
Vector TCH (Lux) 1 (formerly Petalite Investments)[1]	July 16, 2012	upwards	15.00%	18.00%	48,821,506
RBS Group	June 19, 2012	upwards	5.00%	5.070%	11,346,421
West Face	April 19, 2012	upwards	5.00%	5.093%	11,386,038
Third Point	April 13, 2012	downwards	5.00%	2.42%	5,425,000
Third Point	January 24, 2012	upwards	5.00%	7.66%	17,149,658

(1) Controlled at the highest level by Vector Capital Ltd, the general partner of Vector Capital IV International, L.P and Vector Capital III International, L.P, which hold a total of 100% of the fund Vector TCH Holding (Cayman) Ltd, which holds 100% of Vector TCH (Lux) 1, S.à r.l.

Situation as of December 31, 2012

In accordance with Article L. 233-13 of the French Commercial Code and to the knowledge of Technicolor, it is further noted that (i) as at October 12, 2012, Apollo Management Holdings L.P. indirectly held, on behalf of the companies it controls, 7.76 % of the 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, and (ii) as at November 19, 2012, Vector Capital directly or indirectly held 20.87% of the 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 April 5, 2013

As of March 8, 2013, Apollo Management Holdings L.P. directly or indirectly held, on its own behalf or on behalf of its clients, 5.27% of the 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.

As of April 5, 2013, Caisse des dépôts et consignations (CDC) indirectly held, through the Fonds Stratégique d'Investissement, 7.02% of the 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.

To the knowledge of the Company, excluding Apollo Management Holdings L.P., Caisse des dépôts et consignations and Vector Capital, there is no other shareholder that holds more than 5% of share capital or voting rights as at April 5, 2013.

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 and now holds 20.70% of the share capital (after redemption of NRS). 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 A.Slusky and D.Fishman, Directors of the Company, and Mr. Hugues Lepic, no other member of the administrative and management bodies hold more than 1% of the share capital or voting rights of the Company (for more information about the Board of Directors' shareholding, please refer to Chapter 4: "Corporate Governance and Internal Control procedures", 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 of June 8, 2011, 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 of European Commission Regulation 2273/2003 of December 22, 2003.

This delegation of authority, which was granted for a period of 18 months, expired on December 8, 2012. It has not been implemented by the Board of Directors.

At December 31, 2012, the Company held 605,687 treasury shares representing 0.18% of share capital, for a gross book value of €98,100,191.14 and a nominal value of €605,687.

Shares purchased by Technicolor and allocation of treasury shares as of December 31, 2012

Percentage of treasury shares held directly or indirectly	0.18%
Number of treasury shares held directly or indirectly(1)	605,687
Number of shares cancelled over the last 24 months(1)	0
Gross book value of shares owned *(in euros)*	98,100,191.14
Market value of portfolio(2) *(in euros)*	1,150,805.30

(1) Last 24 months preceding December 31, 2012.

(2) Based on a quoted market price of €1.90 per share on December 31, 2012.

The 605,687 shares held by the Company as of December 31, 2012 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. The number of treasury shares delivered to employees of the Group in 2012 is provided in Chapter 6: "Social Information and Sustainability", section 6.1.4: "Stock option plans and free share plans" 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 2010 and 2011

In 2010, the implementation of the Company's *Sauvegarde* Plan resulted in the conversion of part of the financial debt of the Company into securities issued by the Company (for more information about these share capital transactions, see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources"). When all of these transactions were completed, the portion of share capital held by individual shareholders decreased to 28% as of January 21, 2011.

In 2012

There was a change in 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 US funds Vector Capital IV, L.P. and Vector Entrepreneur Fund III, L.P. hereinafter referred to, together with the fund management company Vector Capital Corporation, as "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 of June 20, 2012, was comprised of two capital increases:

- an initial capital increase in the amount of €94,943,012, including share premium, without shareholders' preferential subscription rights, through the issuance of 47,471,506 new shares at a price of €2.00 per share, fully 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 maintenance of 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 "Rights Issue", 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 is now 20.70% (after redemption of NRS).

Holdings of institutional shareholders in the Company's share capital and the crossing of thresholds declared to the Company are noted above 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 cancelled	Increase/decrease of the share capital *(in euros)*	Total amount of the share capital *(in euros)*	Additional paid-in capital variation *(in euros)*	Value of the additional paid-in capital balance *(in euros)*	Cumulative number of shares	Nominal value *(in euros)*
As of December 31, 2008			1,012,087,605		1,643,402,595	269,890,028	3.75
As of December 31, 2009	-		- 1,012,087,605	-	1,643,402,595	269,890,028	3.75
January 27, 2010 Reduction of share capital by reason of losses (reduction in the nominal value)	-	(985,098,602)	26,989,003	(1,643,402,595)	-	269,890,028	0.10
May 26, 2010 Increase of capital by 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* Fees linked to the capital increase			79,649,881 79,649,881	– (9,035,399)	294,900,917 285,865,518	79,649,881 79,649,881	1 –
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
As of December 31, 2010			174,846,625		748,690,889**	174,846,625	1
December 31, 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
As of December 31, 2011			223,759,083		1,072,067,135**	223,759,083	1
July 16, 2012 Increase in reserved capital***	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 After conversion of all remaining NRS II and IIC	2,669,936	2,669,936	335,543,841	17,156,285	1,161,111,975	2,669,936	1
As of December 31, 2012			335,543,841		1,161,111,975	335,543,841	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, 2012, a total of 1,485,337 stock options was 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, 1,485,337 shares would be issued. Technicolor capital would be composed of 337,029,178 ordinary shares, an increase of 0.44% in the number of shares as compared to the number existing as of December 31, 2012.

Convertible/Exchangeable bonds/Share purchase warrants

In accordance with the securities note approved on April 27, 2010, by the *Autorité des Marchés Financiers* (no. 10-107), on May 26, 2010, the Company issued 638,438,133 Notes Redeemable in Shares of the Company (NRS) in three tranches, allocated to its senior creditors and 2,902,074 Disposal Proceeds Notes (DPN) redeemable in cash or in ordinary shares, from the net disposal proceeds of the sale of certain non-strategic activities of Technicolor.

The DPNs were fully redeemed on December 31, 2010. In December 2010 and 2011, the Company redeemed a fraction of NRS I, II and IIC. A request for deferred redemption of part of these was made on December 31, 2012.

On December 31, 2012, the Company redeemed all of the remaining 10,191,567 NRS II and 6,189,002 NRS IIC through the issuance of 2,669,936 new Company shares. When this transaction was completed, the total number of Company shares was increased to 335,543,841.

Consequently, as of this date, there are no longer any securities granting access to Company capital, other than the stock options mentioned below.

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 2012 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 euros)*	Maximum nominal amount of capital increases	Amount used	Amount available
Issuance of shares and/or equity-linked securities giving access, immediately or in the future, to the Company's share capital in consideration for contributions in kind granted to the Company **(12th resolution of the CSM of June 8, 2011)**	26 months August 8, 2013	N/A	€50 million	None	100% of the scope
Global limitations of the issuances under above delegations **(13th resolution of the CSM of June 8, 2011)**		500 million	€87,423,312 representing 26% of the share capital at December 31, 2012	N/A	N/A

The delegations of power granted to the Board of Directors by the 8th, 9th, 10th, and 11th resolutions of the Combined Shareholders' Meeting ("CSM") of June 8, 2011 were revoked by the Combined Shareholders' Meeting of June 20, 2012.

During the 2012 fiscal year, the Board of Directors used the delegations granted by the Combined Shareholders' Meeting of June 20, 2012 pursuant to Resolutions C *bis* and D *bis* related to the transaction with Vector Capital (see section 5.1.5: "Modifications in the distribution of share capital over the past three years" in Chapter 5 of this Annual Report).

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

Type of the financial delegation	Duration of the delegation and date of expiration	Number of shares that may beissued and percentage of the share capital	Number of shares issued	Number of shares available
Grant of free shares to Company employees or certain categories of employees (Long-term incentive plan for key Group employees) **(14th resolution of the CSM of June 8, 2011)**	38 months August 8, 2014	2,500,000 shares representing 0.74% of share capital at December 31, 2012	None	100% of the scope
Grant of share subscription or purchase options to employees and executive officers **(17th resolution of the CS of June 8, 2011)**	38 months August 8, 2014	1,500,000 shares representing 0.45% of share capital at December 31, 2012	None	100% of the scope
Increase of the share capital through issuances reserved to members of a Group savings plan **(15th resolution of the CSM of June 20, 2012)**	18 months December 20, 2013	3,043,123 shares representing 0.91% of share capital at December 31, 2012*	None	100% of the scope
Capital increase reserved to certain categories of beneficiaries (Shareholding transactions for employees outside a savings plan) **(16th resolution of the CSM of June 20, 2012)**	18 months December 20, 2013	3,043,123 shares representing 0.91% of share capital at December 31, 2012*	None	100% of the scope
Global limitations of the issuances under above authorizations **(17th resolution of the CSM of June 20, 2012)**		3% of share capital at December 31, 2012	N/A	N/A

* *The ceilings of the 15th and 16th resolutions are common so that the use of one of these delegations will count towards the individual ceiling of the other delegation as well as the global ceiling set out in the 17th resolution of the CSM of June 20, 2012.*

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 2011, 2010 and 2009 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, 2013, 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 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 MARKET 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.

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 euros)*		
Years ending December 31	*(in € millions)*	**Number of shares**	**Average volume**	**Average closing price**	**High**	**Low**
2008	3,016.1	99,755,864.4	389,671.3	36.30	96.50	7.60
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

Source: NYSE Euronext.

	NYSE Euronext Paris					
	Volume of transactions			Share price *(in euros)*		
Quarters	*(in € millions)*	**Number of shares**	**Average volume**	**Average closing price**	**High**	**Low**
2010						
First quarter	162.0	155,371,100.0	7,434,369.6	10.30	11.20	9.20
Second quarter	204.1	324,864,888.7	15,267,774.3	6.70	7.70	5.70
Third quarter	92.1	62,519,280.0	2,841,786.0	4.10	4.50	3.70
Fourth quarter	113.6	26,439,897.6	1,200,299.0	4.30	4.30	3.80
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

Source: NYSE Euronext.

	NYSE Euronext Paris					
	Volume of transactions			Share price *(in euros)*		
Last six months	*(in € millions)*	**Number of shares**	**Average volume**	**Average closing price**	**High**	**Low**
2012						
September	33.2	16,712,082.0	835,604.1	1.98	2.08	1.85
October	25.2	13,259,656.0	576,506.8	1.90	1.98	1.79
November	23.8	12,381,187.0	562,781.2	1.92	2.01	1.83
December	25.7	13,269,939.0	698,417.8	1.93	2.00	1.86
2013						
January	102.5	45,571,417.0	2,071,428.1	2.18	2.55	1.93
February	86.5	32,629,393.0	1,631,469.7	2.58	2.99	2.42

Source: NYSE Euronext.

6 SOCIAL INFORMATION AND SUSTAINABILITY

6.1 EMPLOYEES AND WORKFORCE

6.1.1 OVERVIEW

On December 31, 2012, the Group employed 14,639 employees, (66% male and 34% female) compared to 16,942 employees at December 31, 2011, a decrease of 13.59%.

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, 2012, 2011, and 2010, as well as the distribution of personnel across geographical regions.

	2012	2011	2010
Europe	4,135	5,766	6,424
North America	5,930	6,497	7,473
Asia[1]	1,960	1,975	1,797
Other countries[2]	2,614	2,704	2,164
Total number of employees	**14,639**	**16,942**	**17,858**
Number of employees in entities accounted for under the equity method *			
**Mainly the SV Holdco joint venture.*	413	232	277
(1)Including India	*1,238*	1,183	923
(2)Including Mexico.	*1,618*	*1,608*	*1,435*

Total workforce figures above account for executives, non-executives and workers. Temporary employees and trainees are excluded.

The following table indicates the number of Group employees by segment as of December 31, 2012:

Segment	Number of employees	Percentage
Entertainment Services	10,517	71.8%
Digital Delivery	2,060	14.1%
Technology	625	4.3%
Transversal functions	1,437	9.8%
TOTAL	**14,639**	**100%**

The overall reductions in work force during 2012 resulted primarily from the Group strategy to refocus on its core business.

The decline in film processing and film print distribution required a realignment of the workforce in these activities in Europe, North America and Asia.

Decreases in the workforce occurred mainly in Digital Delivery further to the sale of the Broadcast Services activity to Ericsson on July 2, 2012 and to core business refocus.

Increases in the workforce occurred mainly in Digital Productions and M-GO.

Split by gender and age

At the end of December 2012, the Group employed 4,954 women (representing 34% of Technicolor headcount) and 9,685 men (representing 66% of Technicolor headcount) with the following breakdown per age:

Age	Women	Men	Total
< 20	4	17	21
20 to 29	992	2,108	3,100
30 to 39	1,760	3,508	5,268
40 to 49	1,333	2,394	3,727
50 to 59	698	1,339	2,037
60 +	167	319	486
TOTAL	**4,954**	**9,685**	**14,639**

Hiring and termination

During 2012, 2,947 employees have been hired and 1,037 were made redundant. This is in addition to the closing of our facility located in Angers in which 346 employees were working.

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 2010 for year 2009: €1,616,929;
- amounts distributed in 2011 for year 2010: €736,312; and
- amounts distributed in 2012 for year 2011: €1,907,592.

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, 2012, 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 289,333 shares, representing 0.08% of the share capital.

The Combined Shareholders' Meeting of June 20, 2012 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 Shareholder's Meeting held on June 8, 2011 authorized the Board of Directors to grant subscription or purchase options to the Group's employees or Directors. This authorization was given for a period of 38 months, and is valid until August 8, 2014. Options granted under this authorization shall not give rights to a total number of shares greater than 1,500,000, i.e. 0.45% of the share capital as of December 31, 2012. In accordance with Article L. 225-184 of the French Commercial Code, it is noted that the Board of Directors did not make use of this authorization in 2012.

The stock option plans in existence as of December 31, 2012 are as follows:

	Plan 09/22/2004	Plan 04/19/2005	Plan 12/08/2005	Plan 09/21/2006	Plan 12/14/2007	Plan MIP-SPI 06/17/2010
Date of Shareholders' Meeting	November 10, 2000	November 10, 2000	May 10, 2005	May 10, 2005	May 10, 2005	May 22, 2008
Date of Board of Directors' meeting	09/22/2004	04/19/2005	12/08/2005	09/21/2006	12/14/2007	06/17/2010
Type of options	Subscription	Purchase	Purchase	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
Number of options granted to Directors and officers:						
Frédéric Rose						
before adjustments and performance condition review	-	-	-	-	-	2,155,700
after adjustments and performance condition review[1][2]	-	-	-	-	-	190,529
Loïc Desmouceaux						
before adjustments	7,600	-	-	2,000	1,000	-
after adjustments	915	-	-	241	121	-
Number of options granted to the first ten employee beneficiaries						
before adjustments and performance condition review	-	-	-	-	-	7,196,400
after adjustments and performance condition review[1][2]	-	-	-	-	-	635,996
Beginning of the exercise period	09/23/2007	04/20/2008	12/09/2008	09/22/2008	12/15/2009	06/18/2014
Plan life	10 years	10 years	10 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
Exercise price at grant time	€16.00	€20.82	€17.73	€12.49	€10.43	€0.66
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
Number of shares subscribed as of 12/31/2012	-	-	-	1	-	-
Number of options cancelled since the beginning of the plan	4,744,970	425,600	1,539,750	2,020,540	807,000	3,395,651
Number of options cancelled during the 2012 exercise	109,460	3,000	31,200	64,600	51,400	1,275,951
Number of outstanding options at the end of the exercise before adjustments	2,621,620	293,800	453,425	719,199	500,100	8,771,349
Number of outstanding options at the end of the exercise (after 2010 and 2012 capital adjustments and performance condition review)[2]	319,396	35,796	55,313	87,711	61,086	887,972
Exercise price	€131.38	€170.99	€145.60	€102.53	€85.64	€6.52

(1) Information provided pursuant to Article L. 225-184 of the French Commercial Code.
(2) Adjustment coefficient: 1,012348451.

As of December 31, 2012, the total options granted under the plans amounted to 91,109 purchase options and 1,356,165 subscription options granted to 303 beneficiaries.

The exercise price of the various stock option plans have been fixed without discount and calculated on the basis of the average share price of the 20 trading days prior to the Board of Directors' meeting except for the Plan MIP-SP1.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that no options were exercised in 2012.

Performance share plans

Management Incentive Plan 2010-2014 (MIP – SP1 and SP2)

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 Group key executives. This plan awards 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, subscription options 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.

Subject to the achievement of cumulative attendance and performance conditions, this plan requires, 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, the maximum number of rights to receive existing company shares at the end of the vesting periods mentioned above amounts to 269,408 performance shares.

Long-Term Management Incentive Plan (LTIP 2011)

The Shareholders' Meeting of June 8, 2011 authorized, with delegation to the Board of Directors, the allocation of free shares to employees and/or directors and officers of the Group.

Based on this delegation, on June 8, 2011, the Board of Directors approved the adoption of 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 provides 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 vesting period, the final number of Performance Units granted depends on the performance conditions, which are the same for each recipient. These conditions relate 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 accounts for two-thirds of the assessment, the conditions for obtaining 100% of the Performance Units are stricter than those contained in the corresponding covenant in the agreements relating to the Restructured Debt. For the second criterion, which accounts 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 will be reduced accordingly.

The right to the delivery of the shares and the payment of the cash bonus is 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 will be 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 delivery of the shares will be further subject to the uninterrupted employment of the recipient at the Company.

Subject to the achievement of cumulative attendance and performance conditions, this plan requires, 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.

The number of rights to receive existing company shares determined by the Board of Directors for the year ended December 31, 2011 amounts to 131,923 performance shares and for the year ended December 31, 2012 amounts to 377,780 performance shares. Therefore, the maximum number of rights to receive existing company shares at the end of the vesting periods mentioned above amounts to 1,184,277 performance shares.

6.1.5 HUMAN RESOURCES & SUSTAINABLE DEVELOPMENT

Technicolor's Human Resources & Sustainability (HR&S) 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 Group's different businesses and to reinforce global HR leadership capability, HR&S has adopted in 2010 a new operating model and has, during 2012, 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 and HR 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 its development goals. They leverage with the Company's Global Centers of Expertise and Regional Competence Centers to deliver high quality and cost-efficient services.

The 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);
- Labor Relations.

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&S, a Member of Technicolor's Executive Committee, defines HR&S strategic priorities in line with Technicolor's strategic plan, implements and adapts the HR&S model, identifies organizational needs and related resources, and pilots HR&S initiatives across all of the Group's activities.

6.1.6 TALENT AND DEVELOPMENT

Technicolor priorities in Talent and Development in 2012 were reviewed to support the implementation of the Amplify 2015 strategic roadmap. In addition to our leadership development and management development programs, several actions were undertaken to ensure the coherence of learning and development investments with the execution of the 2015 plan.

These actions have included a broad and deep analysis of all the training needs and investments in the Group and a comprehensive assessment of the evolution of jobs and competencies that are key for the execution of the 2015 plan, allowing to prepare specific competencies development projects that will be deployed from 2013 onwards. As an immediate result of these actions, a special focus was given to the topics of innovation, change management and enterprise agility through the creation of new programs and the reinforcement of these topics in existing programs.

Talent Review and Development of Leadership

The Talent Review process implemented in 2010 remains stable and is eagerly implemented in all the divisions of the Group and at all levels. The schedule of the processes has been anticipated to allow a better linkage with other internal processes such as the performance review (STEP) and the planning of learning and development activities.

The talent review process mobilizes executives from our Executive Committee and Management Committee as well as managers at all levels of the organization in a bottom approach around 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 can participate in dedicated leadership development programs during the year.

In three years, this process is more and more implemented at all level of the organizations and allow to better identify new talents.

Further to the 2012 Talent Review, the talent pool represents 10% of the exempt population of the Group.

The 2012 Leadership Development Programs have included workshops on the theme "Leadership & Influence", and Forums led by Executive Committee Members and Management Committee members in Paris and Los Angeles to discuss Technicolor's business and leadership challenges. All participants of the programs were closely accompanied by coaches and HR Business Partners, who supported them to build and execute a leadership action plan, maximizing the relevancy and the application of concepts learned in the program in their jobs. As a consequence of the Group's priorities and strategic ambitions, the focus of the Leadership Development programs on the aspects of Innovation were strengthened. A new partnership with the University of Stanford in the United States was created to launch in 2012 a program on "Innovation Management and Culture".

The first edition of this program counted with forty participants, including a mix of our Senior Leadership Team and members of our Talent Pool.

HR Development

An HR development program was created in 2011 to reinforce the people development capabilities of HR Business Partners and Managers and to support to the development of skills aligned with Technicolor vision, values and strategy. This initiative has been continued in 2012 with basic and advanced workshops on coaching and certification workshops to provide 360° feedback delivered to 26 members of the HR team.

Job and Competency Evolution Plan

In order to continue to ensure Technicolor's competitiveness and innovation capacity, a comprehensive work on 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.

Different learning tracks were designed and will be deployed in 2013 to ensure the development of key competencies.

Linked with the learning tracks, a professional accreditation program has been 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. A broader range of jobs will benefit from learning tracks and professional accreditation from 2013 onwards.

Line managers Network

Created in 2010, the Technicolor Line Managers Network gathers managers in different sites of the Group and facilitates the promotion of management practices aligned with Technicolor values and business priorities. The network activities concentrate on ensuring an efficient communication to line managers, on supporting managers to deliver important business and organization information to their teams; on offering learning opportunities to develop or to refresh people management skills; and on increasing interaction and information sharing among managers of different divisions and functions.

In 2010 and 2011, several learning activities around performance management and around our three corporate values were offered to the members of the Line Managers Network. With the objective of supporting the Amplify 2015 roadmap and the Operational Excellence Program, new learning materials were made available to the LMN in 2012. These materials focus on best practices and concrete advice for managers on three essential topics: managing change, managing creativity and innovation and organization agility.

Management Academy

The pilot phase of a new program, gathering HR and Managers at all levels, for the development of management competencies was launched in 2012. Created around management communities who meet monthly, this management curriculum includes essential topics of people management and encourages the collaboration between managers to learn and improve their own practices. Pilot groups followed the program in France, UK, Belgium, India and China. This initiative will be extended to other countries in 2013 and with the objective of ensuring the quality and the consistency of our management practices across the globe.

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 regular 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.

Disability in the Workplace

Technicolor complies with national regulations regarding the employment of disabled persons, including reasonable accommodation for all workers and accessible facilities for disabled persons. New facilities are built according to current building codes and made accessible to disabled persons.

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. 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 advise 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 2012 encompass 19,200 training seats and 43,500 hours of training.

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.

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	3
Germany	1
Italy	1
Poland	1
UK	3

Due to the sale of the Broadcast Services business and the downsizing of our Creative Services activities, The Netherlands and Spain do not have any more representatives at the European Works Council.

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 7 times in 2012.

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 2012, Technicolor entered into four collective bargaining agreements with its German employees; 10 such agreements in France; one such agreement in Belgium, one such agreement in England.

In Italy 100% of the employees are unionized, in Poland 5% of the employees are unionized. In England 2% of the employees are unionized and it is planned to establish an Employee Consultation Forum during the first quarter of 2013.

In Canada, in 2012, we entered into one collective bargaining agreement and 8% of the Group's employees were unionized. In the United States, in 2012, approximately 3% of the Group's employees were unionized and were covered by the collective bargaining agreements negotiated with the national and/or local unions. These agreements, with an average duration of three years, address salaries, employment benefits, and the working conditions and organization. In Mexico, employment agreements are renegotiated every year, in 2012 one such agreement has been signed. The proportion of employees belonging to an union is 55%. In Brazil, six such agreements were signed.

In Australia, 44.5% of employees belong to an union and two collective agreements were signed in 2012.

In China, 100% of the employees are unionized. This information is not applicable for the rest of Asia.

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. Some activities of Technicolor experience seasonal peak workloads (such as DVD Services) and require significant interim and temporary persons to support client requirements, mainly in the distribution and warehouse sites. These seasonal workers are typically hired over a period of a few months. Seasonal workers are not included in the Group headcount figures. The main countries employing seasonal workers are the United States, Mexico, Canada, and to a lesser extent Australia, and Western Europe.

Working time is managed in the Group's various sites via software such as ADID (France), Oasis (UK), Kronos (UK, Australia, Canada, US), 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, vacation etc.) is also tracked. The average rate of employee absenteeism (ratio of total days absent not including vacation days by theoretical days worked) at the Group level in 2012 was 2.3%.

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 Programme.

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 document section:

http://www.technicolor.com/en/hi/about-technicolor/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 2012 and several of them are summarized below:

- Bangalore India team developed a supporting relationship with the Vatsalya School for Special Education, which works with children suffering from cerebral palsy, autism, and associated disabilities, inviting members of the school to showcase their vocational products within the offices and also donating a variety of aid-in-kind supplies from time to time;
- Brampton Canada completed a sitewide safety railing to further reduce risks of slips, trips, and falls and to put more physical barriers between travelling pedestrians and powered industrial trucks/forklifts;
- Manaus Brazil safety department worked to make improvements to component insertion facilitation for additional presence sensing switches to eliminate risks of internal machine contact during operations;
- Melbourne Australia team developed and installed safety barriers to further separate pedestrians from powered industrial trucks/forklifts;
- Memphis USA site developed and implemented noise reduction measures in the rework/returns lines by moving the primary source point equipment up to a mezzanine level and away from the workforce, achieving an average 5 db reduction in sound pressure level.

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 Corporate Audit process, and are a core requirement in the EH&S performance measurement process.

EH&S training

In 2012, 25,331 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 2012, 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 2012:

In 2012, Technicolor experienced a 4.8% increase in work-related injury and illness incident rate (number of recordable injuries and occupational illnesses per 200,000 hours worked) from 1.05 in 2011 to 1.10 in 2012.

The work-related lost workday incident rate (number of recordable lost workday injuries and occupational illnesses per 200,000 hours worked) rebounded to 2010 levels, from 0.32 in 2011 to 0.46 in 2012.

Work Related Incident Rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Injuries	Rate	Injuries	Incident rate
2010	291	1.37	102	0.48
2011	218	1.05	67	0.32
2012	196	1.10	83	0.46

2012 Incident and Lost Workday Incident Rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Injuries	Rate	Injuries	Incident rate
Digital Delivery	6	0.26	6	0.26
Entertainment Services	188	1.26	76	0.51
Technology	0	0	0	0
Other	2	0.40	1	0.20

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 2012.

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 2012 management report a total of 36 reporting locations are included.

There were many notable environmental achievements during 2012 and several of them are summarized below:

- Guadalajara Mexico team continued the Industrial Limpia environmental award for the fifth year in a row;
- Manaus Brazil operations, as part of their carbon-neutral commitment to the Cooperative for Entrepreneurship and Reforestation of the Amazon, planted 5,000 acai seedlings to reforest a damaged habitat

and was awarded the "Green Seal", which may be used on product packaging for products manufactured at the site. The Manaus team was also awarded the "Partner of Nature" certificate and packaging seal by the Brazilian Institute for Nature Defense;

- Piaseczno Poland site improved their stormwater system with an expanded reservoir and avoided approximately 9,000 cubic meters consumption of city water by storing and reusing stormwater for site irrigation and landscaping;
- Rennes France team reduced their energy intensity as part of the move to the newly constructed research center, decreasing the ration of energy consumed to hours worked by 18%.

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 2012, the Group operated 36 main locations, most 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 36 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 2012, 25,331 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. During 2010, and in partnership with the office of the Chief Security Officer, the SBI policy and process was renewed and cascaded throughout the Group.

In 2012, two SBIs associated with EH&S aspects were reported, and no penalties or fines were incurred as a result of these SBI events.

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 2012, a total of 10 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 though 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	Digital Delivery	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

Restriction of Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipments (WEEE)

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.

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 remain a key part of Technicolor's continued efforts to improve EH&S management and performance, and to prevent accidents 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 exposing 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 program. 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 2012, six locations were audited as part of Technicolor's objective of auditing each industrial location at least every three years. As a result of these audits potential improvement items were identified and evaluated, and more importantly, appropriate associated action plans developed.

Supplier Involvement and Compliance

Through meetings 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 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 also ensure the compliance of their components and products with specific legal requirements applicable in the countries where their products are being sold. Certificates are required from suppliers as to their compliance with such regulations and standards as well as with Technicolor programs and specifications.

To ensure effective supplier assessments, Technicolor has defined 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 51 audits performed in 2012.

In light of regulations banning or restricting certain chemical substances, Technicolor implemented an extended 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.

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 €1.39 million was spent on environmental remediation projects in 2012.

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 32 of Technicolor's consolidated financial statements for 2012, 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 2012.

- 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 began prior to replacement of the concrete flooring. These works were reviewed and approved by the governing agency prior to implementation and construction activities will continue into 2013, afterwhich the soil vapor extraction process and site groundwater assessment 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 €0.692 million 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 36 operating locations, of which 19 are industrial. Prior year data are reported for the same locations when available, although some newly acquired sites may not have data values for years prior to acquisition. Given the diversity of the Group's operations, the environmental aspects and potential impacts vary by location, thus not every location is required to report on each of the established metrics.

The Corporate EH&S Organization has identified key information that is tracked and reported on either a monthly, quarterly, or annual basis. This information includes utility consumption, waste generation, recycling and disposal, air emissions, main raw materials used, and water effluent from industrial locations.

Technicolor is firmly committed to continually assessing the impacts of its facilities and products. Technicolor's goal is to continually evaluate information needs and collection processes to ensure that it remains consistent, with a focus on present activities and issues as well as anticipated future requirements.

Environment

The year 2012 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 2012. 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 2012 worldwide energy use was approximately 1,221 tera joules, a decrease of 18% compared with 2011. Of the total energy consumed, 86.1% was in the form of electricity (of which 7.6% was from renewable sources), 13.4% was in the form of fossil fuels, and 0.5% was in the form of purchased steam. When compared to total revenue, average energy use rate was 0.341 TJ/M€ across the business in 2012. In 2010, non-industrial sites were asked to provide their consumption for the first time. The non-industrial site consumption represented approximately 15% of the total 2012 consumption. For the purposes of comparison, the table below features two lines showing 2010 results according to both perimeters.

Energy consumption (terajoules or tj/m€)

	TOTAL	ELECTRICITY	FUEL SOURCES	TOTAL PER REVENUE
2010 (ref 2009)	1,369	1,021	348	0.336
2010[1] (ref 2010)	1,618[2]	1,258	354	0.398
2011	1,485[2]	1,201	279	0.430
2012	1,221[3]	1,051	164	0.341

(1) Total energy includes energy from non-industrial locations not reporting energy prior to 2010.
(2) Total energy includes about 5 TJ steam purchase.
(3) Total energy includes about 6 TJ steam purchase.

2012 energy consumption (terajoules or %)

	Total Energy	% Total Group	Electricity	% Total Segment	Fuels	% Total Segment
Digital Delivery	84.3	6.9%	65.7	77.9%	18.6	22.1%
Entertainment Services	1,109.9	90.9%	964.9	86.9%	145.0	13.1%
Technology	3.4	0.3%	3.4	100%	-	-
Other	23.0(1)	1.9%	16.7	72.6%	-	-

(1) Total energy includes about 6 TJ steam purchase.

Water

In 2012, water consumption at the Technicolor reporting locations decreased by 42% versus 2011 to 880 thousand cubic meters, primarily as a result of the Group's exit from photochemical film. When compared to total revenue, average water consumption rate was 0.246 KM^3/M€ across the business in 2012. In 2010, non-industrial sites were asked to provide their water consumption for the first time. The non-industrial site consumption represented approximately 10% of the total 2012 consumption.

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 photo-chemical film processing, DVD manufacturing, or set-top box manufacturing. Locations experiencing periodic water shortages, such as DVD manufacturing 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
2010 (ref 2009)	1,791	0.440
2010 (ref 2010)	1,962(1)	0.482
2011	1,488(1)	0.431
2012	880	0.246

(1) Total water includes water from non-industrial locations not reporting water prior to 2010.

2012 water consumption (thousand cubic meters)

	Total Consumption	% Total
Digital Delivery	49	5.6%
Entertainment Services	823	93.5%
Technology	1.6	0.2%
Other	6.4	0.7%

Process Waste Water

Within Technicolor's facilities, 10 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 2012, the amount of treated water discharged was 0.630 million cubic meters, and the total estimated amount of discharged priority pollutants was 0.3 metric ton.

In addition, due to effluent characteristics, 6 sites are required to monitor biological oxygen demand (BOD) or chemical, oxygen demand (COD), in 2012 an estimated total of 34 and 47 metric tons were discharged within process effluent respectively.

All above quantities of discharged pollutants are fully compliant with authorized limits.

Waste

Technicolor has a long-standing commitment to the principles of sound and environmentally responsible management of waste. Establishing the hierarchy of internal re-use, recycling and reclaiming followed by treatment and then landfill as the last option, Technicolor has developed and implemented programs to reduce waste generation, decrease the amount of hazardous waste, decrease waste sent to landfill, and increase recycling.

Hazardous waste is defined at each site using guidance from local governing agencies, but in general it means waste chemicals, fuels, oils, solvents, batteries, fluorescent light bulbs, or other items that may have been in contact with the hazardous material, for example, cleaning materials or empty containers. All these hazardous wastes are handled, stored, and disposed in compliance with local regulation and Group Policy.

Total waste generated was 33,450 tons, a decrease of 6,298 metric tons or 15.8% compared to 2011. The recycling rate was 81.4% improving significantly compared to 2011. When compared to total revenue, the average waste generation rate across the business was 9.35 M-Ton/M€ in 2012.

Waste (metric tons or m-ton/m€)

	Total Waste Generated	% Treated Hazardous	% Recycled	Total per Revenue
2010	38,837	5.2%	75.5%	9.54
2011	39,748	5.7%	76.4%	11.5
2012	33,450	7.6%	81.4%	9.35

2012 waste generation (metric tons or %)

	Total Waste Generated	% Total	% Treated Hazardous	% Recycled
Digital Delivery	616	1.8%	1.8%	83.9%
Entertainment Services	32,834	98.2%	7.8%	81.4%
Technology	0	-	-	-
Other	0	-	-	-

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 neighbouring 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.

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 2012, a total of 9,469 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
2010[1]	19,916
2011[1]	15,694
2012	9,469

(1) Total energy includes energy from non-industrial locations not reporting energy prior to 2010.

In 2012, Technicolor participated for the sixth 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.

Raw Material Usage

The main raw materials consumed by the Group's businesses in 2012 were:

Raw materials (metric tons)	
Polycarbonate molding plastic	23,050
Cardboard and paper packaging	12,604
Plastic packaging	1,843
Bonding resin	1,267
Polyester motion picture film	1,077

Biodiversity

All 19 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 2012, no industrial sites reported any impact on sensitive habitats.

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 36 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, 2012 to December 31, 2012.

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:

			2010			2011			2012		
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	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
Beaverton	N/A[1]	Oregon USA		X	X						
Bejing	Digital Delivery	China		X	X		X	X		X	X
Issy	Corporate	France		X	X		X	X		X	X
Brampton	Entertainment Services	Canada	X	X	X	X	X	X	X	X	X
Breda	N/A[1]	The Netherlands	X	X	X						
Burbank	Entertainment Services	California, USA		X	X		X	X		X	X
Camarillo	Entertainment Services	California, USA	X	X	X	X	X	X	X	X	X
Chiswick	N/A[1]	UK		X	X		X	X			
Conflans St.-Honorine	N/A[1]	France	X	X	X						
Coventry	N/A[1]	UK	X	X	X	X	X	X			
Detroit	N/A[1][2]	Michigan, USA	X	X	X	X	X	X			
Edegem	Digital Delivery	Belgium					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
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		X	X			
Hollywood	Entertainment Services	California, USA		X	X		X	X		X	X
Indianapolis	Digital Delivery	Indiana, USA		X	X		X	X		X	X
Kobe	N/A[1]	Japan		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	X	X	X			
Manaus	Digital Delivery	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	X	X	X			
Montreal	Entertainment Services	Canada	X	X	X	X	X	X	X	X	X
Nevada City	N/A[1]	California, USA	X	X	X						
New York	N/A[1]	New York, USA	X	X	X	X	X	X			
North Hollywood	N/A[1]	California, USA	X	X	X	X	X	X			
Ontario California	Entertainment Services	California, USA	X	X	X	X	X	X	X	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	Digital Delivery	France	X	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[3]	France		X	X		X	X			
San Francisco	Entertainment Services	California, USA					X	X		X	X
Southwick	N/A[1]	Massachusetts, USA	X	X	X						
Sydney	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Toronto (film)	N/A[1]	Canada	X	X	X	X	X	X			
Toronto (post)	Entertainment Services	Canada					X	X		X	X
Türgi	N/A[1]	Switzerland	X	X	X						
Tultitlan	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Vancouver (film)	N/A[1]	Canada	X	X	X						
Vancouver MPC	Entertainment Services	Canada					X	X		X	X
Vancouver (post)	Entertainment Services	Canada					X	X		X	X
Weiterstadt	N/A[1]	Germany	X	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 data.
(1) These sites have been closed or sold.
(2) These sites stopped operating during 2012, and their partial-year figures for the duration of their operation are included in this report.
(3) 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 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.

Two areas in which Technicolor had strong activities in the past significantly reduced in 2012: photo-chemical film processing due to the acceleration of the transition to digital cinema and the manufacturing of set-top-boxes within the European Union largely due to a loss of competitiveness subsequent to a decision from the European Commission to grant these products a zero tariff status. These two developments 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.

Conversely, as part of the transition to digital, Technicolor has had the opportunity to recover the activities of a number of companies facing financial difficulties. In so doing, the Group contributed directly to maintaining expertise, jobs and significant achievements for its customers and heritage. Additionally, Technicolor moved its several existing R&D locations in Rennes to a newly built research center building located geographically close to the former sites in order to offer its research teams a new start, providing them with a competitive and attractive environment in which to improve cooperation capabilities with the surrounding ecosystem and anchor its local and regional presence. Technicolor continues to contribute actively to regional competitiveness clusters where it operates R&D activities.

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, supporting charities, and developing new experimental technologies.

6.4 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 project 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) and *Tell Me Lies* (1968) by Peter Brook. 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.

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.

7 ADDITIONAL INFORMATION

7.1 PROPERTY, PLANT AND EQUIPMENT

7.1.1 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 2012, 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 12.2 million square feet at end 2011, to 11.1 million square feet at end 2012, or a reduction of 9%.

The key actions taken to reduce the Group's real estate footprint (including the sale of Broadcast Services) in 2012 included:

Operating Facilities	Primary Activity	Type of Action
Hilversum, Netherlands	Office	Transfer
Leeds, United Kingdom	Office	Transfer
Chiswick, United Kingdom	Office	Transfer
Saint-Cloud, France	Office	Transfer
Angers, France	Manufacturing	Closure
Mirabel, Canada	Film Lab	Closure
Venray, Netherlands	Office	Closure
Rennes – Cesson, France (rue de Bray)	Office	Closure
Rennes – Cesson, France (Belle Fontaine)	Lab	Closure
La Salle, Canada	Distribution	Closure
Toronto, Canada	Production	Closure
Vancouver, Canada	Distribution	Closure
Detroit, United States	Distribution	Closure
Glendale, United States	Office	Closure
New-York, United States (Leroy Street)	Production	Closure
Singtel, Singapore	Office	Closure
Madrid, Spain	Film Lab	Closure
Vancouver, Canada (Homer street)	Office	Closure
New-York, United States (320 West 44th St.)	Office	Sub-lease
Indianapolis, United States (100 W 103rd St.)	Office	Sub-lease
Toronto, Canada (49 Ontario Street)	Production	Sub-lease
Burbank, United States, (2255 N. Ontario Street)	Office	Sub-lease
Princeton, United States	Production	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 2012, 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
Burbank (CA, United States)	Office	Lease	224,155
Mexicali (Mexico)	Distribution	Lease	210,630
Rome (Italy)	Production	Own	197,119
Issy-les-Moulineaux (France)	Office	Lease	195,410
Rennes-Cesson (France) Les Champs Blancs	Lab	Lease	194,129

Main Operating Facilities	Primary Activity	Own/Lease	Square Feet
Indianapolis (IN, United States)	Office	Lease	179,913
Bangalore (India)	Production	Lease	169,866
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 (United States)	Production	Lease	99,447
Montreal (QC, Canada)	Production	Lease	99,150
Glendale (CA, United States)	Film Lab/Office	Lease	92,835
Beijing (China)	Office	Lease	92,127
London (United Kingdom)	Production	Lease	76 956
Toronto (ON, Canada)	Production	Lease	76,749
Princeton (NJ, United States)	Office	Lease	67,401
Bangkok (Thailand)	Film Lab	Own	65,998
Perivale (United Kingdom)	Production	Lease	50,198
Manaus (AM, Brazil)	Manufacturing	Own	50,001
Hannover (Germany)	Lab	Lease	46,780
Boulogne (France)	Production	Lease	46 285
San Francisco (CA, United States)	Production	Lease	45,843
Melbourne (Australia)	Manufacturing/Distribution	Lease	43,415
Edegem (Belgium)	Office	Lease	37,867
London Pinewood Studios (United Kingdom)	Production	Lease	36,739
Vancouver (Canada)	Production	Lease	30,220
Rome (Italy)	Office	Lease	28,755

Summary of Operating Facilities	Square Feet	Percentage of Surface
Office	929,163	8%
Lab	263,671	2%
Film Lab	105,948	1%
Manufacturing	622,914	6%
Production	1,158,574	11%
Warehouse/Distribution	8,017,544	72%
ALL PROPERTIES	**11,143,657**	**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 2012. 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 Manufacturing 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 58% in-house and approximately 42% 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. In 2012, the Group subcontracted all release printing services in North America and in Europe to Deluxe, resulting in the closure of four film laboratories in Montreal, London, Rome, Madrid. While in London a small front lab was maintained for rush orders. For more information, please refer to section 1.3.2: "Entertainment Services" of this Annual Report.

Set-Top Boxes, Gateways, and Connected Devices

In 2012, Technicolor delivered a total of about 30.1 million gateways, set-top boxes, and connected devices. Overall, around 15.3% of the Group's total volume has been manufactured in-house, with the rest of its volumes being outsourced to partners in Asia and Mexico.

The total in-house manufacturing and replication output for the Group can be found in the table below for 2012.

In-house Manufacturing and Replication	Number of Units
Entertainment Services	
DVD Replication	1.2 billion DVDs
Blu-ray™ Replication	182 million Blu-ray™ discs
Film Processing	479 million feet of film
Connected Home	
Gateways, SetTop Boxes and Connected Devices	4.6 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 *et 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.

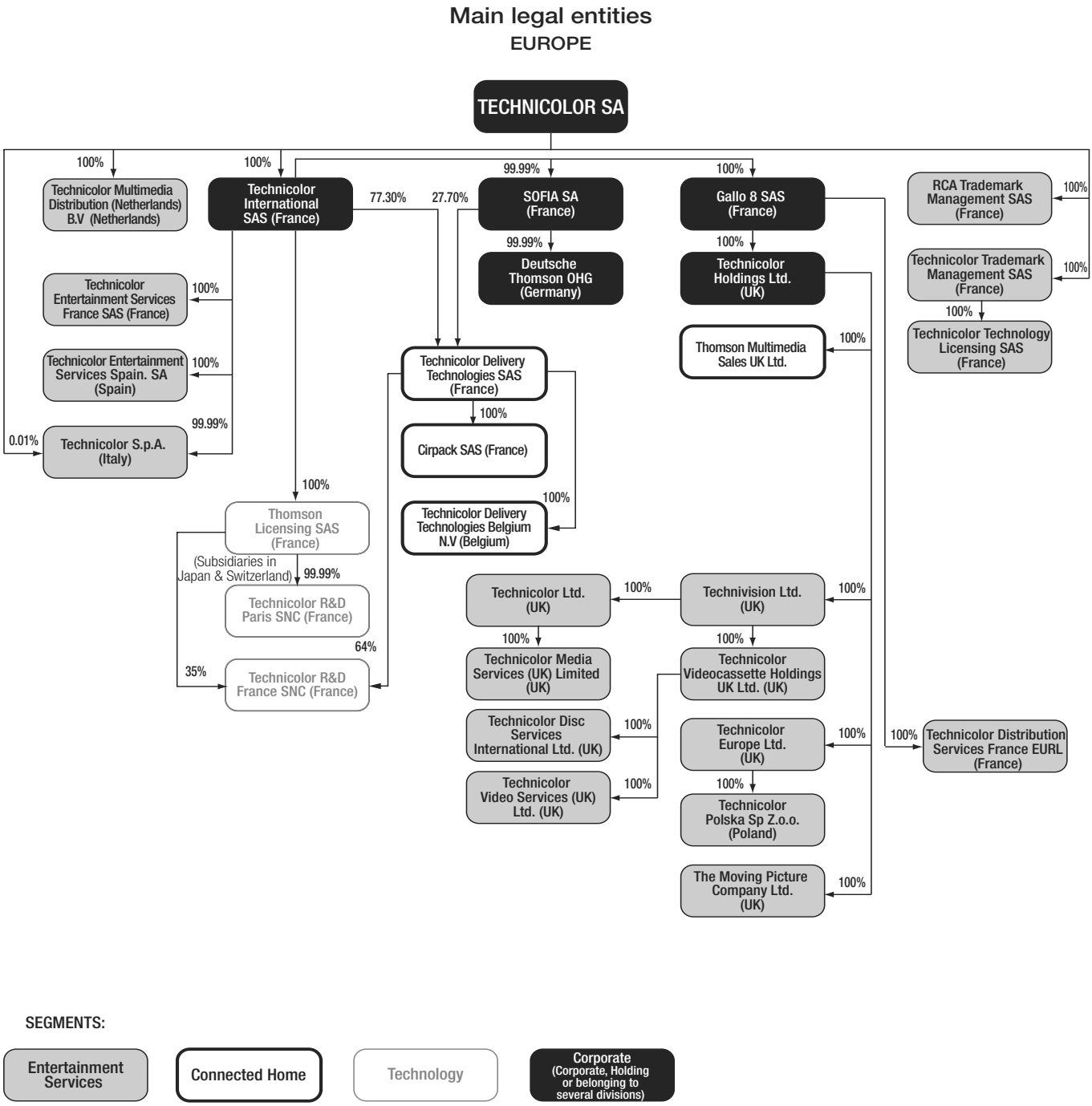
Total amount of certain non-deductible expenses under Articles 39-4 and 223 quater of the Tax Code

The non-deductible expenses referred to in Article 39-4 of the French General Tax Code amounted to €164,317.43 in 2012 for the Company and correspond to the non-deductible rents on private vehicles.

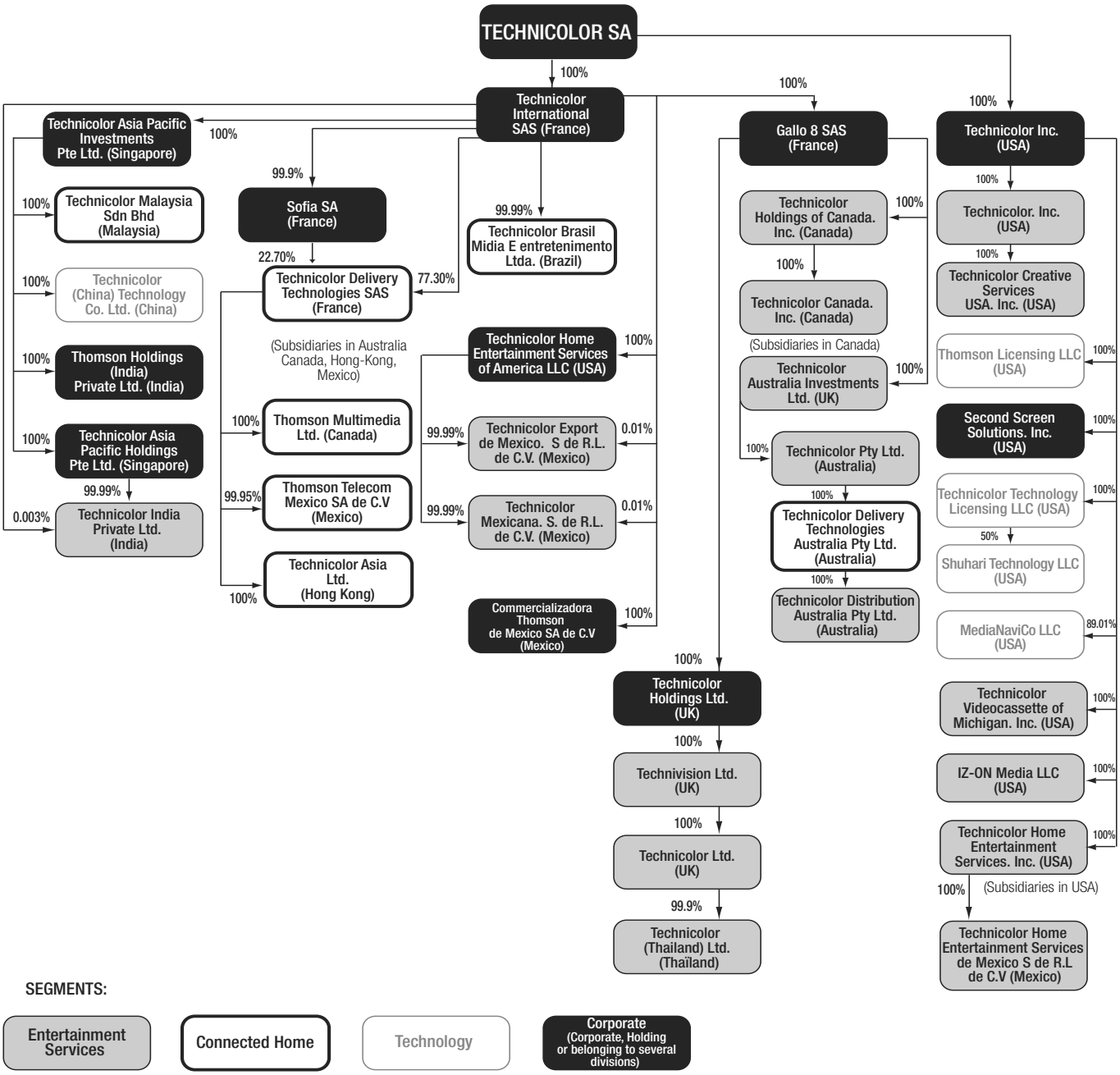
7.5 ORGANIZATION OF THE GROUP

7.5.1 LEGAL ORGANIZATIONAL CHART AS OF DECEMBER 31, 2012

At December 31, 2012, the Group included 115 consolidated subsidiaries: 96 were incorporated outside France; 19 in France (see notes 4 and 35 to the Group consolidated financial statements).



Main legal entities
ASIA AND 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 or indirectly held through Technicolor as of December 31, 2012. They have been selected based on their contribution to the Group's revenues (external and intra-group) for the entities of Entertainment Services and Digital Delivery segments. They are based on workforce for the entities belonging to Technology. Revenues from these subsidiaries represent 96% of the Group's revenues (external and intra-group) in 2012.

The list of main consolidated subsidiaries is described in note 35 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	Digital Delivery	Entertainment Services
France	▪ Technicolor R&D France SNC [2] ▪ Thomson Licensing SAS ▪ Technicolor Trademark management SAS ▪ RCA Trademark management SAS	▪ Technicolor Delivery Technologies SAS	▪ Technicolor Distribution Services France EURL ▪ Technicolor Entertainment Services France SAS
Europe excl. France		▪ Technicolor Media Services UK Ltd.	▪ Technicolor Polska sp.zo.o. ▪ MPC The Moving Picture Company Ltd. ▪ Technicolor Disc Services International Ltd. (Hammersmith) ▪ Technicolor SpA ▪ Technicolor Video Serv. (UK) Ltd. ▪ Technicolor Ltd. ▪ Thomson multimedia Distribution (Netherlands) BV
Americas	▪ Thomson Licensing LLC ▪ MediaNavi Co LLC	▪ Technicolor USA, Inc. [1] ▪ Technicolor Brasil Midia E Entretenimento LTDA ▪ Thomson Telecom Mexico, SA de C.V. ▪ Comercializadora Thomson de Mexico SA de CV	▪ Technicolor Home Entertainment Serv. de Mexico SA de CV ▪ Technicolor Export de Mexico, S. de R.L. ▪ Technicolor Mexicana, S. de R.L. de C.V. ▪ Technicolor Canada Inc. ▪ Technicolor Home Entertainment Services, Inc. ▪ Technicolor, Inc. ▪ Technicolor Videocassette of Michigan, Inc. ▪ Technicolor Creative Services USA, Inc. ▪ IZ-ON Media, LLC
Asia	▪ Technicolor (China) Technology Co., Ltd.[2]	▪ Technicolor Delivery Technologies Australia Pty Ltd. ▪ Technicolor Asia Pacific Holding Pte Ltd.	▪ Technicolor India Pvt Ltd. ▪ Technicolor, Pty, Ltd. ▪ Technicolor (Thailand) Ltd.

[1] This entity also hosts some operation of the Entertainment Services segment
[2] This entity also hosts some operation of the Digital Delivery segment

Parent company

At December 31, 2012, Technicolor SA comprised 373 employees. It hosts mainly the activities of Group management, support functions, Group treasury and part of the segments Digital Delivery and Technology. The profit and loss account of the parent company (as presented in statutory accounts) shows a gain of €2,104 million

in 2012 (compared to a net loss of €338 million in 2011) (for more information regarding the parent company, refer to Technicolor SA's statutory accounts and notes to the financial statements in Chapter 8: "Technicolor financial statements", section 8.4: "Technicolor SA's Statutory accounts" and 8.5: "Notes to Technicolor SA Statutory accounts" of this Annual Report).

Main cash flows between the Company and the subsidiaries

The Parent company ensures the financing of its subsidiaries by loans and current accounts (net receivable position of €2,643 million before depreciation at December 31, 2012) and equity instruments and, consequently, has received €332 million of dividends and €55 million of other financial income 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 parent 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 Parent 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 and Simon Beillevaire

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 to be held in 2016 for the approval of the 2015 annual accounts.

7.8 ACCOUNTING FEES AND SERVICES

(in € thousands)	Deloitte	KPMG		Mazars		Total	
	2012	2012	2011	2012	2011	2012	2011
Audit services[1]	**2,039**	-	**3,017**	**1,598**	**2,450**	**3,637**	**5,467**
■ Technicolor SA	717	-	910	760	1,038	1,477	1,948
■ Subsidiaries	1,322	-	2,107	838	1,412	2,160	3,519
Audit-Related Fees[2]	**83**	**174**	**67**	**305**	**70**	**562**	**137**
■ Technicolor SA	75	174	22	274	20	523	42
■ Subsidiaries	8	-	45	31	50	39	95
Tax fees[3]	**62**	-	**86**	-	-	**62**	**86**
■ Technicolor SA	-	-	-	-	-	-	-
■ Subsidiaries	62	-	86	-	-	62	86
Other fees	**44**	-	-	-	-	**44**	-
■ Technicolor SA	-	-	-	-	-	-	-
■ Subsidiaries	44	-	-	-	-	44	-
TOTAL	**2,228**	**174**	**3,170**	**1,903**	**2,520**	**4,305**	**5,690**

(1) Audit Fees are the aggregate fees billed by Deloitte, KPMG and Mazars 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 report on the consolidated financial statements for the year ended December 31, 2012, included on page 221 of 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 report on the annual financial statements for the same year, included on page 246 of this Registration Document is unqualified and contains the following emphasis of matter:

"Without qualifying our opinion, we draw your attention to note 2 to the fiancial 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 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 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 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, 2010, included on page 252 of the 2010 Registration Document submitted to the AMF on March 30, 2011 under the no. D. 11-0196 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 the following notes to the consolidated financial statements:

- *notes 1.2. and 3.1, which describe the impact of the financial restructuring as well as the reasons for applying the going concern assumption to approve the consolidated financial statements;*
- *notes 2.2. and 2.3., relating to the new standards effective as of January 1, 2010, and to the new interpretation IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", which the Company adopted on January 1, 2010 in advance of its effective application date".*

The Statutory Auditors' report on the parent company financial statements for the same fiscal year included on page 281 of the 2010 French Registration Document is unqualified and contains the following emphasis of matter:

"Without qualifying our opinion, we draw your attention to the notes 1.2 and 2 to the financial statements which describe the impact of the financial restructuring as well as 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 2012 CONSOLIDATED FINANCIAL STATEMENTS

8.1.1 CONSOLIDATED STATEMENT OF OPERATIONS

		Year ended December 31,	
(in € millions)	Note	2012	2011
Continuing operations			
Revenues		3,580	3,450
Cost of sales		(2,750)	(2,714)
Gross margin		**830**	**736**
Selling and administrative expenses	*(6)*	(397)	(376)
Research and development expenses	*(7)*	(132)	(128)
Restructuring costs	*(25)*	(29)	(83)
Net impairment losses on non-current operating assets	*(8)*	(10)	(188)
Other income (expense)	*(6)*	2	6
Profit (loss) from continuing operations before tax and net finance income (expense)		**264**	**(33)**
Interest income	*(9)*	4	5
Interest expense	*(9)*	(149)	(154)
Other financial income (expense)	*(9)*	(52)	(38)
Net finance income (expense)		**(197)**	**(187)**
Share of loss from associates		(5)	-
Income tax	*(10)*	(49)	(83)
Profit (loss) from continuing operations		**13**	**(303)**
Discontinued operations			
Net loss from discontinued operations	*(11)*	**(35)**	**(21)**
NET INCOME (LOSS)		**(22)**	**(324)**
Attributable to:			
Equity holders		*(20)*	*(323)*
Non-controlling interests		*(2)*	*(1)*

		Year ended December 31,	
(in euros, except number of shares)	Note	2012	2011
Weighted average number of shares outstanding (basic net of treasury shares held)[1]	*(28)*	275,885,374	211,364,435
Earnings (loss) per share from continuing operations	*(28)*		
■ basic		0.05	(1.4)
■ diluted		0.05	(1.3)
Earnings (loss) per share from discontinued operations			
■ basic		(0.12)	(0.1)
■ diluted		(0.12)	(0.1)
Total earnings (loss) per share			
■ basic		(0.07)	(1.5)
■ diluted		(0.07)	(1.4)

(1) According to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted in 2012 and 2011 to take into account the share capital increase with preferential subscription rights that occurred on August 14, 2012. The 2011 earnings (loss) per share was adjusted accordingly.

The accompanying notes on pages 145 to 220 are an integral part of these consolidated financial statements.

8.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Period ended December 31,	
(in € millions)	**Note**	**2012**	**2011**
Net income (loss) for the year		**(22)**	**(324)**
Actuarial gains and (losses)[1]	*(24)*	(65)	(29)
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		-	-
■ Fair value adjustment of the year		1	1
Fair value gains (losses), gross of tax on cash flow hedges:			
■ Reclassification adjustments when the hedged forecast transactions affect profit or loss	*(19)*	(1)	-
Currency translation adjustments			
■ Currency translation adjustments of the year		(16)	6
■ Reclassification adjustments on disposal or liquidation of a foreign operation		1	-
Total other comprehensive income[2][3]		**(80)**	**(22)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(102)**	**(346)**
Attributable to:			
■ *Equity holders of the parent*		*(100)*	*(345)*
■ *Non-controlling interests*		*(2)*	*(1)*

(1) Impact related to held for sale businesses is nil as of December 31, 2012 and December 31, 2011.

(2) No significant tax effect due to the overall tax loss position of the Group.

(3) Within the other comprehensive income, only the actuarial gains and losses will never be reclassified to income, except upon disposal. All other elements may, depending on future events, be reclassified to income.

The accompanying notes on pages 145 to 220 are an integral part of these consolidated financial statements.

8.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € millions)	Note	December 31, 2012	December 31, 2011
Assets			
Non-current assets			
Property, plant and equipment	*(12)*	350	401
Goodwill	*(13)*	478	481
Other intangible assets	*(13)*	433	459
Investments in associates and joint ventures	*(14)*	18	14
Investments and available-for-sale financial assets		7	7
Derivative financial instruments	*(21)*	-	1
Contract advances and up-front prepaid discount		42	49
Deferred tax assets	*(10)*	388	394
Income tax receivable		20	20
Other non-current assets	*(17)*	66	67
Cash collateral and security deposits	*(18)*	15	14
Total non-current assets		**1,817**	**1,907**
Current assets			
Inventories	*(15)*	112	118
Trade accounts and notes receivable	*(16)*	526	585
Income tax receivable		12	13
Other current assets	*(17)*	340	325
Cash collateral and security deposits	*(18)*	29	35
Cash and cash equivalents	*(18)*	397	370
Assets classified as held for sale	*(11)*	4	66
Total current assets		**1,420**	**1,512**
TOTAL ASSETS		**3,237**	**3,419**

The accompanying notes on pages 145 to 220 are an integral part of these consolidated financial statements.

(in € millions)	Note	December 31, 2012	December 31, 2011
Equity and liabilities			
Shareholders' equity			
Common stock *(335,543,841 shares at December 31, 2012 with nominal value of €1 per share)*	*(19)*	335	224
Treasury shares		(156)	(156)
Additional paid-in capital		940	857
Subordinated perpetual notes		500	500
Notes redeemable in shares		-	13
Other reserves		-	60
Retained earnings (accumulated deficit)		(1,142)	(1,122)
Cumulative translation adjustment		(240)	(225)
Shareholders' equity		**237**	**151**
Non-controlling interests		4	4
TOTAL EQUITY		**241**	**155**
Non-current liabilities			
Borrowings	*(22)*	1,019	1,242
Retirement benefits obligations	*(24)*	353	349
Restructuring provisions	*(25)*	1	2
Other provisions	*(25)*	76	83
Deferred tax liabilities	*(10)*	158	167
Other non-current liabilities	*(27)*	96	97
Total non-current liabilities		**1,703**	**1,940**
Current liabilities			
Borrowings	*(22)*	96	85
Derivative financial instruments	*(21)*	-	1
Retirement benefits obligations	*(24)*	35	37
Restructuring provisions	*(25)*	45	79
Other provisions	*(25)*	78	58
Trade accounts and notes payable		445	499
Accrued employee expenses		164	138
Income tax payable		13	14
Other current liabilities	*(27)*	414	361
Liabilities classified as held for sale	*(11)*	3	52
Total current liabilities		**1,293**	**1,324**
TOTAL LIABILITIES		**2,996**	**3,264**
TOTAL EQUITY AND LIABILITIES		**3,237**	**3,419**

The accompanying notes on pages 145 to 220 are an integral part of these consolidated financial statements.

8.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
(in € millions)	Note	2012	2011
Net income (loss)		**(22)**	**(324)**
Loss from discontinued operations		**(35)**	**(21)**
Profit (loss) from continuing operations		**13**	**(303)**
Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations			
Depreciation and amortization		219	261
Impairment of assets[1]	*(8)*	16	191
Net changes in provisions		(75)	1
Gain on asset disposals		-	(8)
Interest (income) and expense	*(9)*	145	149
Other non-cash items (including tax)		77	80
Changes in working capital and other assets and liabilities	*(30)*	26	20
Cash generated from continuing operations		**421**	**391**
Interest paid		(117)	(124)
Interest received		4	5
Income tax paid		(49)	(7)
Net operating cash generated from continuing activities		**259**	**265**
Net operating cash used in discontinued operations	*(11.3)*	(6)	(19)
NET CASH FROM OPERATING ACTIVITIES (I)		**253**	**246**
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(30)*	(10)	(12)
Net cash impact from sale of investments	*(30)*	17	14
Purchases of property, plant and equipment (PPE)		(80)	(106)
Proceeds from sale of PPE and intangible assets		2	5
Purchases of intangible assets including capitalization of development costs		(69)	(64)
Cash collateral and security deposits granted to third parties		(4)	(7)
Cash collateral and security deposits reimbursed by third parties		8	31
Loans (granted to) / reimbursed by third parties		(1)	1
Net investing cash used in continuing activities		**(137)**	**(138)**
Net investing cash used in discontinued operations	*(11.3)*	(5)	(20)
NET CASH USED IN INVESTING ACTIVITIES (II)		**(142)**	**(158)**
Increase in capital (net of fees paid)	*(19)*	179	-
Changes in ownership interests with no gain/loss of control, net of transaction fees		-	3
Proceeds from borrowings	*(22)*	2	4
Repayments of borrowings	*(22)*	(255)	(55)
Fees paid linked to the debt and capital restructuring	*(30)*	(1)	(9)
Hedge accounting		2	-
Net financing cash generated used in continuing activities		**(73)**	**(57)**
Net financing cash used in discontinued operations	*(11.3)*	-	-
NET CASH USED IN FINANCING ACTIVITIES (III)		**(73)**	**(57)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**38**	**31**
Cash and cash equivalents at beginning of year		**370**	**332**
Exchange gains/(losses) on cash and cash equivalents		(11)	7
Cash and cash equivalents at end of year		**397**	**370**

(1) Including €6 million and €3 million of impairment of assets as part of restructuring plans in 2012 and 2011, respectively (see note 25).

The accompanying notes on pages 145 to 220 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 interests	Total equity (deficit)
(in € millions)	Share capital	Treasury shares	Additional paid-in capital	NRS	Perpetual Notes	Other reserves	Retained earnings	Cumulative translation adjustment	Total Group equity (deficit)		
Balance at January 1, 2011	**175**	**(156)**	**641**	**278**	**500**	**87**	**(791)**	**(231)**	**503**	**2**	**505**
Variation for the year ended December 31, 2011											
Total other comprehensive income (*)	-	-	-	-	-	(28)	-	6	(22)	-	(22)
Net income (loss) for 2011	-	-	-	-	-	-	*(323)*	-	*(323)*	*(1)*	*(324)*
Total comprehensive income for 2011	**-**	**-**	**-**	**-**	**-**	**(28)**	**(323)**	**6**	**(345)**	**(1)**	**(346)**
NRS (Notes Redeemable in Shares) converted into equity (see note 19)	49	-	210	(259)	-	-	-	-	-	-	-
Tax impact on fees related to capital increase(**)	-	-	6	(6)	-	-	-	-	-	-	-
Share-based payment to employees (see note 29)	-	-	-	-	-	1	-	-	1	-	1
Other tax impacts on equity(**)	-	-	-	-	-	-	(8)	-	(8)	-	(8)
Capital increase of non-controlling interests	-	-	-	-	-	-	-	-	-	3	3
Balance at December 31, 2011	**224**	**(156)**	**857**	**13**	**500**	**60**	**(1,122)**	**(225)**	**151**	**4**	**155**
Variation for the year ended December 31, 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 notes 1.2 and 19)	109	-	70	-	-	-	-	-	179	-	179
Tax impact on fees related to capital increase (***)	-	-	2	-	-	-	-	-	2	-	2
Share-based payment to employees (see note 29)	-	-	-	-	-	5	-	-	5	-	5
Capital increase of non-controlling interests	-	-	-	-	-	-	-	-	-	2	2
BALANCE AT DECEMBER 31, 2012	**335**	**(156)**	**940**	**-**	**500**	**-**	**(1,142)**	**(240)**	**237**	**4**	**241**

(*) Refer to details in the "Consolidated Statement of Comprehensive Income".

(**) In 2011, the depreciation of French deferred tax assets has been partly allocated to equity (see note 10).

(***) In 2012, fees on capital increases has been allocated to equity for €10 million, of which €2 millionof tax effect (see note 1.2).

The accompanying notes on pages 145 to 220 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, Digital Delivery 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 21, 2013. 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 2013.

1.2 Main events of the year

Changes in Technicolor share capital

On June 20, 2012, Technicolor's shareholders approved by a large majority the resolutions relating to the transaction proposed by 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.

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 increase occurred on August 14, 2012. Vector Capital, following its participation in the two capital increases, has become the largest shareholder of Technicolor, with a shareholding of 20.9% (20.7% at December 31, 2012 after NRS redemption).

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 proceeds from disposal of the Broadcast business (see below) have been used to repay the Reinstated Debt (see note 22). 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 (see note 9).

In addition, following the redemption of 16,380,569 NRS II and NRS IIC at the end of 2012, the share capital of Technicolor SA increased by 2,669,936 shares (see note 19.1).

Disposal of Broadcast business

On March 13, 2012, Technicolor announced that it had received a binding offer from Ericsson, the world leader in communication technologies and services, for the acquisition of its Broadcast Services activity. The transaction has been closed on July 2, 2012 for a price of €19 million and a potential earn-out based on 2015 revenues of the Broadcast Services activity of up to €9 million.

Net disposal proceeds of the transaction before potential earn-out have been applied to the prepayment of the Reinstated Debt (see note 22).

Following the disposal of the Broadcast Services activity, the Group decided to reorganize its Digital Delivery operating segment and transferred the Media Services activity, formerly reported as part of Digital Delivery segment, to the Creative Services business within the Entertainment Services segment (see note 5).

Thomson Angers « règlement judiciaire » and deconsolidation

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 Angers' liquidator sued Technicolor and on November 16, 2012 an agreement was signed by which the Group will 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 our consolidated statement of operations, except for the €13 million payable to employees and booked as restructuring expenses.

European Cathode Ray Tubes (CRT) litigation

On December 5, 2012, the European Commission fined a cartel in the Cathode Ray Tubes (CRT) industry including Technicolor (Thomson at the time of the alleged acts), Samsung, Philips, LG, Panasonic and Toshiba, among others. 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 to Technicolor. This amount is classified in the "Net loss from discontinued operations" caption of the consolidated statement of operations as it relates to a business discontinued by the Group in 2005.

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, 2012 and adopted by the European Union as of February 21, 2013.

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 and for the change in accounting method for joint ventures detailed below.

2.2 Standards, amendments and interpretations effective and applied as of January 1, 2012

New standard or interpretation	Main provisions	Main impacts on the 2012 consolidated financial statements
Amendments to IFRS 1 First-time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First time Adopters	This amendment provides guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.	The application of this amendment since January 1, 2012 had no impact on the Group consolidated financial statements.
Amendments to IFRS 7 Disclosures – Transfers of Financial Assets	These amendments allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain within the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	The application of this revised standard since January 1, 2012 leads the Group to add some disclosure about transfer of financial assets in the Group consolidated financial statements.
Amendments to IAS 12 Income Taxes – Deferred tax: Recovery of Underlying Assets	This amendment applies when an asset is measured using the fair value model in IAS 40 Investment Property.	The application of this revised standard since January 1, 2012 had no impact on the Group consolidated financial statements

2.3 Change in the accounting method for joint ventures starting January 1, 2012

IAS 31 "Interest in Joint Ventures" allows to account for joint ventures either through the proportionate consolidation method or through the equity method. Until 2011, Technicolor applied the proportionate consolidation method for its joint ventures.

In view of the future IFRS 11 "Joint Arrangements" applicable at the latest, from January 1, 2014, on endorsement of the European Union, that will remove this option and require to account for joint ventures under the equity method, Technicolor opted to apply starting January 1, 2012 the equity method for the Group's joint ventures instead of the proportionate consolidation method applied until 2011. The impact of this change in accounting method is not material on Technicolor's consolidated financial statements and accordingly the comparative information for the year ended December 31, 2011 presented has not been restated. See note 14 for detailed information on joint-ventures.

2.4 Standards, amendments and interpretations that are not yet effective and have not been early adopted by Technicolor

New standard and interpretation	Effective Date	Main provisions
IFRS 9 – Financial Instruments, Classification and Measurement[1]	Annual periods beginning on or after January 1, 2015	IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.
IFRS 10 – Consolidated Financial Statements[2]	Annual periods beginning on or after January 1, 2013.	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.
IFRS 11 – Joint Arrangements[2]	Annual periods beginning on or after January 1, 2013.	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 detailed in note 2.3 above, 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, 2012.
IFRS 12 – Disclosure of Interests in Other Entities[2]	Annual periods beginning on or after January 1, 2013.	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.
IFRS 13 – Fair Value Measurement[1]	Annual periods beginning on or after January 1, 2013	IFRS 13 sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.
IAS 27 – Separate Financial Statements (2011)	Annual periods beginning on or after January 1, 2013.	Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 – Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 – Consolidated Financial Statements.
Amendments to IFRS 1 – Government Loans	Annual periods beginning on or after January 1, 2013.	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.
Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after January 1, 2013.	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.
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.
Amendments to IAS 1- Presentation of Items of Other Comprehensive Income[1]	Annual periods beginning on or after July 1, 2012	The amendments to IAS 1 only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not.

New standard and interpretation	Effective Date	Main provisions
Amendments to IAS 19 – Employee Benefits[1]	Annual periods beginning on or after January 1, 2013	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). This method, which was an option under IAS 19, is already applied by the Group; ■ 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. Main impacts of this amendment are estimated to be an increase in 2012 and 2013 pension financial costs of €3 million and the recognition of the €(1) million prior service costs in the pension liability with a counterpart in equity as of January 1, 2012.
Amendments to IAS 28, Investments in Associates and Joint Ventures[2]	Annual periods beginning on or after January 1, 2013	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.
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine[1]	Annual periods beginning on or after January 1, 2013	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.
Improvements to IFRS (May 2012)[1]	Annual periods beginning on or after January 1, 2013	The IASB issued amendments to five International Financial Reporting Standards as part of its program of annual improvements to its standards.

(1) The effective dates mentioned in the table above are the dates as defined by the IASB. They may be modified when the standards and interpretations are adopted by the European Union.

(2) IFRS 10, IFRS 11, IFRS 12, the amended IAS 27, the amended IAS 28, and the consequential amendments, have been endorsed by the EFRAG in December 2012. These standards will be applicable for the Group, at the latest, from January 1, 2014, with early application possible.

The impacts of the standards, amendments and interpretations currently studied by the IASB or IFRIC were not anticipated in these consolidated financial statements and cannot be reasonably estimated at this time.

2.5 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.

2.6 Functional and presentation currency

These consolidated financial statements are presented in euros. All financial information presented in euros has been rounded to the nearest million, unless otherwise stated.

2.7 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.

2.8 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.

2.9 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, are 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.

2.10 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 are controlled, 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 (see note 2.3 above).

2.11 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.

2.12 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.

2.13 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	
	2012	2011	2012	2011
U.S. dollar (U.S.$)	0.75809	0.77259	0.77442	0.71482
Pound sterling (GBP)	1.22444	1.19303	1.23145	1.14666
Canadian dollar (CAD)	0.76161	0.75763	0.77383	0.72239

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.

2.14 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.

2.15 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.

2.16 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 by 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.

2.17 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.

2.18 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 met 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.

2.19 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.

2.20 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.

2.21 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. They are included in current assets in "Trade accounts and notes receivable", except for maturities greater than 12 months after the balance sheet date. These 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.

2.22 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 are redeemable into a fixed number of shares (including NRS IIC, which are redeemable in cash or into a fixed number of shares at the Company option). Interests accrued on May 26, 2010 on NRS were redeemable into a fixed number of shares and were accordingly also classified into equity.

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.

2.23 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.

2.24 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.

2.25 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.

2.26 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.

2.27 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.

2.28 Equity transaction costs

Incremental and external costs directly attributable to the equity transactions are accounted for as a deduction from equity.

2.29 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.

2.30 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 as they fall due.

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 at the balance sheet date less the fair value of the related plan assets.

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 and benefit levels, discount rates and expected rates of return on plan assets.

Expenses related to interest cost and expected return on plan assets are recognized as financial expense and financial income (in note 9).

Net cumulative actuarial gains and losses of the period are immediately recognized in the provision for post-employment obligation with a corresponding debit or credit to OCI in the Statement of Comprehensive Income (SOCI).

Past service cost resulting from plan amendment are booked as an expense on a straight line basis over the average period until the benefit become vested or booked immediately up-front if benefit are vested immediately.

(b) Other long-term benefits

The obligations related to other long-term benefits (for example jubilee award) are also based on actuarial valuations. Actuarial gains and losses related to these obligations are immediately recognized in the consolidated statement of operations.

2.31 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. The recognized expense is adjusted accordingly.

2.32 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.

2.33 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.

2.34 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.

2.35 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, 2012 were approved by the Board of Directors on February 21, 2013 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, 2013.

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, 2012, the Group recognized amortization expense amounting to €103 million related to PPE and amortization expense of €76 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 2.17) that would result, if applicable, in the calculation of an impairment test in accordance with the accounting policy. 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, 2012, 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 2012 amounts to €3 million, split between PPE (€1 million) and intangible assets (impairment of €2 million). These amounts exclude impairment loss of tangible assets in the frame of a restructuring plan that amounted to €5 million in 2012 and impairment loss of assets in the process of held for sale valuation that amounted to €6 million in 2012 related to the Broadcast Services activities.

Consequently, as of December 31, 2012, the net carrying amount of PPE and intangible assets with finite useful lives amounted to €350 million and €227 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 when performing impairment tests.

Technicolor's management believes its policies relating to such 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 flow 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.

The impairment tests performed in 2012 did not result in an impairment of 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.

Following the decision to rebrand PRN into IZ-ON Media, PRN trademark was written off for €4 million.

Consequently, as of December 31, 2012, the net book value of goodwill and trademarks amounted to €478 million (excluding goodwill classified as held for sale) and €206 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 taxplanning in assessing whether deferred tax assets should be recognized.

In 2011, French Tax rules were amended by limiting the use of tax loss carryforward to only 60% of yearly taxable profit interest instead of 100% previously. As a consequence of this new rule and updated forecasts French deferred tax assets were partially written off.

In 2012, French tax rules were amended whereby the use of tax loss carry-forward is now limited to only 50% of yearly taxable profit instead of 60% in 2011 and 100% previously. In addition, in 2012, the French tax regulation limits to 85% (in 2012 and 2013) and to 75% (in 2014 and after) the deductibility of net interest expenses. As well, a surtax of 5% was extended up to 2014.

As a consequence of all the new rules, but taking into account updated forecasts within the French tax group and 2012 consumption, French deferred tax assets remained stable compared to the deferred tax assets recognized as at December 31, 2011. The remaining deferred tax assets correspond to a usage by 2026, which represents the estimated Licensing activity's predictable taxable income period based on existing licensing programmes.

As of December 31, 2012, the Group recorded deferred tax liabilities of €158 million and €388 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 24 to the consolidated financial statements and include, among others, the discount rate, expected long-term rate of return on plan assets and annual rate of increase in future compensation levels. Our assumptions regarding pension and post-retirement benefits obligations are based on actual historical experience and external data.

The assumptions regarding the expected long-term rate of return on plan assets are determined by taking into account, for each country where the Group has a plan asset, the distribution of investments and the long-term rate of return expected for each of its components. Capital markets experience fluctuations that cause downward or upward pressure on assets value and higher volatility. As a result, short-term valuation of related plan assets fluctuates, causing a corresponding increase or decrease of the provision for pension and post-retirement obligations. 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, 2012, the post-employment benefits provision amounted to €388 million. The present value of the obligation amounted to €(560) million, the fair value of plan assets amounted to €173 million and unrecognized prior service cost was €(1) million. For the year ended December 31, 2012, net pension gain was €26 million, corresponding to net periodic pension cost of €19 million and an exceptional curtailment gain of €45 million (see details in note 24).

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 32 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 27.

NOTE 4 SIGNIFICANT CHANGES IN THE SCOPE OF CONSOLIDATION

For the years ended December 31, 2012 and 2011, Technicolor's consolidated statement of financial position and statement of operations include the accounts of all investments in subsidiaries, jointly controlled entities and associates (the main ones being listed in note 35). The following is a summary of the number of companies consolidated and accounted for under the full consolidation method, the equity method and the proportionate consolidation method.

	As of December 31							
	2012				2011			
	Europe*	France	U.S.	Others	Europe *	France	U.S.	Others
Number of companies:								
Parent company and consolidated subsidiaries	36	18	15	35	40	19	14	37
Companies consolidated under the proportionate method[1]	-	-	-	-	1	-	2	5
Companies accounted for under the equity method[1]	1	1	4	5	-	1	1	-
Sub-total by region	**37**	**19**	**19**	**40**	**41**	**20**	**17**	**42**
TOTAL	**115**				**120**			

* *Except France.*

(1) Technicolor has decided to apply starting January 1, 2012 the equity method for the Group's joint ventures instead of the proportionate consolidation method applied until 2011.

4.1 CHANGES IN 2012

(a) Main business acquisitions

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 impacts of these transactions are detailed below:

(in € millions)	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**

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.

(b) Main disposal

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 millions)	**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 will 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 our consolidated statement of operations, except for the €13 million payable to employees and booked as restructuring expenses.

4.2 Changes in 2011

(a) Main business acquisition

Technicolor acquired Laser Pacific's digital postproduction assets for $11 million (€8 million at transaction date) in September 2011.

(€ in millions)	**Acquirees' carrying amount before combination**	**Fair value adjustments**	**Fair value**
Net assets acquired			
Property, plant and equipment	10	(5)	5
Trade receivables and other assets	1	-	1
TOTAL NET ASSETS ACQUIRED	**11**	**(5)**	**6**
TOTAL PURCHASE CONSIDERATION			**8**
GOODWILL			**2**

The goodwill is mainly attributable to the anticipated future synergies and to the skills of the people transferred within the Group.

(b) Main disposals

- On April 4, 2011, Technicolor sold the Grass Valley Transmission business to Parter Capital Group.
- On May 3, 2011, Technicolor sold to the FCDE (*Fonds de Consolidation et de Développement des Entreprises*) the Grass Valley Head-end business, operating under the Thomson Video Networks brand. Technicolor is committed to certain future payments to FCDE that have been recorded in Technicolor 2011 consolidated financial statements. The net capital loss related to the sale of the Grass Valley businesses amounts to €7 million in 2011 and impacts the net loss from discontinued operations.
- On July 18, 2011, Technicolor sold its remaining Screenvision Europe business.
- Technicolor launched its franchise licensing program with the establishment of Technicolor PostWorks New York. As part of the agreement, Technicolor sold its New York post production assets to PostWorks in October 2011 with no significant impact on the Group's consolidated statement of financial position and statement of operations.
- On November 2, 2011, Technicolor sold its 25.7% stake in ContentGuard to Pendrell Technologies LLC for net disposal proceeds of approximately $25 million (€18 million at the transaction date) which has been totally used to repay the Group's financial debt in December 2011. The gain related to the disposal of ContentGuard amount to €6 million and is booked in "Other income (expense)".

	Carrying amount as of the date of disposal	
(€ in millions)	**Discontinued businesses (Grass Valley and Screenvision Europe)**	**Continuing businesses (ContentGuard)**
Net assets disposed of		
Goodwill	-	12
Intangible assets	-	4
Inventories	14	-
Trade receivables	35	-
Tax assets	-	9
Other assets	28	-
Bank and cash balances	5	2
Provisions	(36)	-
Trade payables	(36)	-
Other liabilities	(10)	(9)
Deferred tax liabilities	-	(6)
TOTAL NET LIABILITIES/(ASSETS) DISPOSED OF	**-**	**(12)**
Disposal consideration		
Cash consideration received	1	18
TOTAL DISPOSAL PRICE	**1**	**18**
Costs linked to the disposals	(1)	-
Commitments to future payments	(8)	-
CTA recycled in the statement of operations	1	-
GAIN/(LOSS) ON SHARE DISPOSED OF	**(7)**	**6**

(c) Other transactions

- On August 22, 2011, Technicolor formed a new entity jointly with Dreamworks called "MediaNaviCo" (to collaborate on the M-Go VOD platform). Technicolor brought its MediaNavi start-up activity and Dreamworks invested a cash consideration representing a minority ownership of MediaNaviCo.

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, Digital Delivery and Entertainment Services. All the remaining activities (including unallocated Corporate functions) are grouped in a segment "Other" as a reconciling item.

- **Technology:**

The Technology segment is organized around the following businesses:

- Research & Innovation;
- Licensing;
- MediaNavi.

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 MediaNavi business includes the Group's platforms and applications aiming at simplifying and enriching the end-user experience for consuming digital content.

- **Digital Delivery:**

Following the disposal of the Broadcast Services activity to Ericsson completed on July 2, 2012, the Group reorganized in H1, 2012 its Digital Delivery operating segments and transferred the Media Services activity, formerly reported as part of Digital Delivery segment, to the Creative Services business within the Entertainment Services segment. Broadcast Services activity was classified as held for sale as of December 31, 2011 and its results were presented within the Digital Delivery segment in the below tables.

The Digital Delivery segment now includes mainly Connected Home business as the Broadcast Services and IPTV activities were sold in 2012 and VOIP activity was sold beginning 2013 (see note 34).

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, applications for the smart home (including home automation), and professional services.

- **Entertainment Services:**

As mentioned above, Media Services activity is now integrated into the Creative Services business to offer integrated digital workflow and stronger project management between postproduction and content delivery.

Consequently, 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 Digital Delivery 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 €(21) million and €15 million as of December 31, 2012 and 2011, respectively);
- the caption "Capital employed" is defined as being the aggregate of net both 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, 2012, one external customer within the Entertainment Services segment and one external customer within the Digital Delivery segment represent more than 10% of the Group's consolidated revenues (respectively €479 and €483 million). As of December 31, 2011, one external customer within the Entertainment Services segment and one external customer within the Digital Delivery segment represent more than 10% of the Group's revenue (respectively €490 and €403 million).

5.1 Information by business segment

(in € millions)	Technology	Digital Delivery *	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

* *Following the disposal of the Broadcast Services activity to Ericsson completed on July 2, 2012, the Group reorganized its Digital Delivery operating segment and transferred the Media Services activity, formerly reported as part of Digital Delivery segment, to the Creative Services business within the Entertainment Services segment. Accordingly, the information above has been restated and Media Services is now presented within the Entertainment Services segment.*

(1) Operating losses of Angers until June 1, 2012 are presented within the 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.

(in € millions)	Technology	Digital Delivery[1] *	Entertainment Services *	Other	Consolidation Adjustments	Total
			Year ended December 31, 2011			
Statement of operations items						
Revenues	456	1,157	1,832	5	-	3,450
Intersegment sales	4	8	1	2	(15)	-
EBITDA adjusted	**346**	**(20)**	**230**	**(81)**	**-**	**475**
Profit (loss) from continuing operations before tax and net finance income (expense)	**342**	**(251)**	**(29)**	**(95)**	**-**	**(33)**
Out of which the main non-cash items below:						
amortization of customer relationships	-	(15)	(13)	-	-	(28)
amortization of contract advances	-	-	(49)	-	-	(49)
other depreciation and amortization	(8)	(45)	(115)	(4)	-	(172)
impairment losses on non-current operating assets[2]	-	(160)	(28)	-	-	(188)
other non-cash income (expenses)	(4)	(25)	(57)	(8)	-	(94)
Statement of financial position items						
Assets						
Operating segment assets	79	373	1,096	15	-	1,563
Goodwill	-	50	431	-	-	481
Other segment assets	170	82	132	17	-	401
Total segment assets	**249**	**505**	**1,659**	**32**	**-**	**2,445**
Investments in associates				14	-	14
Unallocated assets						960
TOTAL CONSOLIDATED ASSETS						**3,419**
Liabilities						
Segment liabilities	148	442	645	472	-	1,707
Unallocated liabilities						1,557
TOTAL CONSOLIDATED LIABILITIES (WITHOUT EQUITY)						**3,264**
Other information						
Capital expenditures	(8)	(52)	(124)	(1)	-	(185)
Capital employed	132	105	709	(39)	-	907

* *Following the disposal of the Broadcast Services activity to Ericsson completed on July 2, 2012, the Group reorganized its Digital Delivery operating segment and transferred the Media Services activity, formerly reported as part of Digital Delivery segment, to the Creative Services business within the Entertainment Services segment. Accordingly, the information above has been restated and Media Services is now presented within the Entertainment Services segment. As of December 31, 2011, Media Services external revenue and EBITDA amounted to respectively €53 million and €(9) million.*

(1) Assets and liabilities of Broadcast Services have been classified as held for sale as of December 31, 2011 and are therefore presented within the unallocated assets and liabilities. Broadcast Services' statement of operations items are included in the Digital Delivery figures mentioned above.

(2) See details in note 8.

5.2 Information about geographical areas

(in € millions)	France	UK	Rest of Europe	U.S.	Rest of Americas	Asia/Pacific	Total
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
December 31, 2011							
Revenues[1]	828	202	496	1,288	439	197	3,450
Segment assets	446	134	177	1,297	283	108	2,445
Non-current assets[2]	182	94	44	917	130	76	1,443

(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 € millions)	2012	2011
Selling and marketing expenses	(120)	(127)
General and administrative expenses	(277)	(249)
SELLING AND ADMINISTRATIVE EXPENSES	**(397)**	**(376)**
OTHER INCOME (EXPENSE)[1]	**2**	**6**

(1) The line "Other income (expense)" includes the main following elements:

(a) For 2012:

- *a curtailment gain linked 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 24);*
- *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.*

(b) For 2011:

- *a settlement loss of €6 million with a third party together with €3 million one-off exit costs in the context of the reorganization of our European logistic business within our Entertainment Services segment;*
- *again on the sale of ContentGuard for €6 million;*
- *gains on disposal of various tangible and intangible assets for €3 million.*

NOTE 7 RESEARCH AND DEVELOPMENT EXPENSES

(in € millions)	2012	2011
Research and development expenses, gross	(179)	(175)
Capitalized development projects	49	42
Amortization of research and development intangible assets	(21)	(18)
Subsidies[1]	19	23
RESEARCH AND DEVELOPMENT EXPENSES, NET	**(132)**	**(128)**

(1) Include mainly research tax credit granted by the French State.

NOTE 8 NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS

(in € millions)	Technology	Digital Delivery *	Entertainment Services *	Other	Total
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[1]	3	-	-	-	3
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS[3]	**3**	**(8)**	**(5)**	**-**	**(10)**
2011					
Impairment losses on goodwill	-	(129)	(18)	-	(147)
Impairment losses on intangible assets[1]	-	(22)	-	-	(22)
Impairment losses on tangible assets	-	(9)	(10)	-	(19)
IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS[3] [4]	**-**	**(160)**	**(28)**	**-**	**(188)**

* *Following the disposal of the Broadcast Services activity to Ericsson completed on July 2, 2012, the Group reorganized its Digital Delivery operating segment and transferred the Media Services activity, formerly reported as part of Digital Delivery segment, to the Creative Services business within the Entertainment Services segment. Accordingly, the information above has been restated and Media Services is now presented within the Entertainment Services segment.*

(1) Mainly impairment of PRN trademark for €4 million. For details, see note 13 "Goodwill and intangible assets".

(2) Includes €(6) million of impairment losses related to Broadcast Services business recognized as part of the held for sale valuation process. For details, see note 11 "Discontinued operations" and note 12 "Property, plant and equipment".

(3) Additional €6 million and €3 million on tangible assets and other current assets have been written-off respectively in 2012 and 2011 in the frame of a restructuring plan, apart from impairment process. Total net impairment of assets amounts therefore to €16 million and €191 million in 2012 and 2011, respectively.

(4) Additional €5 million impairment was booked on current assets in the discontinued perimeter in 2011.

NOTE 9 NET FINANCE INCOME (EXPENSE)

(in € millions)	2012	2011
Interest income	4	5
Interest expense	(149)	(154)
Interest expense, net[1]	**(145)**	**(149)**
Financial component of pension plan expense	(13)	(15)
Exchange loss	(6)	(1)
Acceleration of amortization of the effective interest rate on the debt[2]	(20)	(2)
Change in fair value on financial instrument (loss)[3]	(1)	(7)
Other[4]	(12)	(13)
Other financial (expense) income, net	**(52)**	**(38)**
NET FINANCE INCOME (EXPENSE)	**(197)**	**(187)**

(1) In 2012 and 2011 the average effective rate was 11.80% and 11.78% respectively (see note 23.2 for more details). Interest expense includes €32 million (€30 million in 2011) due to the difference between the effective interest rate and the nominal rate of the debt.

(2) The proceeds from the capital increases that occurred in July and August 2012 and the disposal of the Broadcast business, completed on July 2, 2012, were used largely 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), the estimates of the future repayments of the debt have been adjusted using the effective interest rate method and consequently "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) Related mainly to a loss from revaluation of interest rate caps.

(4) In 2012 related mainly to bank fees and discount losses. In 2011, other expenses are mainly explained by a depreciation of a financial asset.

NOTE 10 INCOME TAX

Income tax expense is summarized below:

(in € millions)	2012	2011
Current income tax		
France	(28)	(12)
Foreign	(23)	(14)
Total current income tax	**(51)**	**(26)**
Deferred income tax		
France	-	(55)
Foreign	2	(2)
Total deferred income tax	**2**	**(57)**
TOTAL INCOME TAX (EXPENSE) ON CONTINUING OPERATIONS	**(49)**	**(83)**

In 2012, the Group total income tax expense on continuing operations, including both current and deferred taxes, amounted to €49 million compared to an expense of €83 million in 2011.

The current tax charge in 2012 was notably the result of current taxes due in France, Mexico, the U.K., Poland, Australia and India, as well as withholding taxes on income earned by our licensing activities, which were mostly credited against taxes payable in France and not in the United States. The current income tax charge amounted to €28 million in France (reflecting income taxes payable due to the limitation of the usage of tax losses carried forward, withholding taxes and the local tax "CVAE") and €23 million outside France.

The current tax charge in 2011 was notably the result of current taxes due in France, Thailand, Australia, Mexico and Italy, as well as withholding taxes on income earned by our licensing activities, which were only partially credited against taxes payable in France and in the United States, and were booked as an income tax charge. The current income tax charge amounted to €12 million in France (reflecting mainly withholding taxes and "CVAE") and €14 million outside France.

In 2012, French tax rules were amended whereby the use of tax loss carry-forward is now limited to only 50% of yearly taxable profit instead of 60% in 2011 and 100% previously. In addition, in 2012, the French tax regulation limits to 85% (in 2012 and 2013) and to 75% (in 2014 and after) the deductibility of net interest expenses. As well, a surtax of 5% was extended up to 2014.

In 2011, as a consequence of the 60% limitation new rule and updated forecasts within the French tax group, French deferred tax assets were partially impaired. The French deferred tax decreased by €63 million compared to the deferred tax assets recognized as at December 31, 2010 (of which €55 million in the consolidated statement of operations and €8 million in equity).

In 2012, as a consequence of all the new rules, but taking into account updated forecasts within the French tax group and 2012 consumption, French deferred tax assets remained stable compared to the deferred tax assets recognized as at December 31, 2011. The remaining deferred tax assets correspond to a usage by 2026, which represents the estimated Licensing activity's predictable taxable income period based on existing 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 Analysis of the difference between the theoretical and effective income tax expense

The following table shows reconciliation from the theoretical income tax expense – using the French corporate tax rate of 36.1% as at December 31, 2012 and 2011 – to the reported tax expense. The reconciling items are described below:

(in € millions)	2012	2011
Consolidated net income/(loss)	**(22)**	**(324)**
Discontinued operations	(35)	(21)
Income tax	(49)	(83)
Share of profit (loss) from associates	(5)	-
Pre-tax accounting income on continuing operations	**67**	**(220)**
Theoretical income tax using the statutory rate	**(24)**	**79**
Change in unrecognized deferred tax assets[1]	(51)	(147)
Tax credits	4	-
Effect of difference in tax rates[2]	23	(1)
Permanent differences[3]	18	(6)
Withholding taxes not recovered[4]	(8)	(2)
Other, net[5]	(11)	(6)
Effective income tax on continuing operations	**(49)**	**(83)**

(1) In 2012, it relates mainly to the depreciation of the deferred tax assets of the U.S. entities, due to the restriction on the U.S. tax losses. In 2011, net change in unrecognized deferred tax assets relates mainly to the partial deferred tax assets impairment in France for €69 million and unrecognized deferred tax assets in the U.S for €70 million.

(2) In 2012, the mother company benefited from a reduced rate taxation, resulting in a tax benefit of €17 million related to the licensing revenue (€4 million in 2011).

(3) In 2012 it includes mainly permanent differences related to assets disposals. In 2011, this amount comprises €(52) million related to impairment of non-current assets and €24 million related to assets disposals.

(4) Withholding tax not recovered related to withholding tax paid on licensing revenues but not refunded through current income tax in France and in the U.S.

(5) In 2012 and in 2011, this amount comprises €7 million and €6 million respectively related to "CVAE" of French entities.

10.2 Analysis of variations of deferred tax assets and liabilities

(in € millions)	Deferred tax assets	Deferred tax liabilities	Total, net deferred tax assets
At January 1, 2011	**488**	**(193)**	**295**
Changes impacting 2011 continuing result	(73)	16	(57)
Changes impacting 2011 Shareholder 's equity	(8)	-	(8)
Other movement *	(13)	10	(3)
Year ended December 31, 2011	**394**	**(167)**	**227**
Changes impacting 2012 continuing result	(7)	9	2
Other movement	1	-	1
YEAR ENDED DECEMBER 31, 2012	**388**	**(158)**	**230**

* *In 2011 this caption corresponds mainly to the disposal of Content Guard (€3 million net).*

10.3 Analysis of tax position by major temporary differences and unused tax losses and credits

(in € millions)	2012	2011
Tax effect of tax losses carried forwards	**1,387**	**1,344**
Tax effect of temporary differences related to:		
Property, plant and equipment	24	23
Goodwill	3	3
Intangible assets	(79)	(81)
Investments and other non-current assets	(19)	(28)
Inventories	5	4
Receivables and other current assets	8	5
Borrowings	88	79
Retirement benefit obligations	69	66
Restructuring provisions	15	23
Other provisions	23	41
Other liabilities current and non current	77	61
Total deferred tax on temporary differences	**214**	**196**
Deferred tax assets/(liabilities) before netting	**1,601**	**1,540**
Valuation allowances on deferred tax assets	(1,371)	(1,313)
NET DEFERRED TAX ASSETS/(LIABILITIES)	**230**	**227**

10.4 Expiration of the tax losses carried forward

(in € millions)	
2013	10
2014	18
2015	17
2016	21
2017	28
2018 and thereafter	3,989
TOTAL	**4,083**

NOTE 11 DISCONTINUED OPERATIONS AND HELD FOR SALE OPERATIONS

11.1 Scope of the discontinued operations

For the year 2012, there has been no change in discontinued perimeter compared to 2011.

Operations within the discontinued perimeter in 2011 are mainly the Grass Valley businesses.

11.2 Results of discontinued operations

As of December 31, 2012 and 2011, the results of these discontinued operations are as follows:

(in € millions)	Year ended December 31, 2012	Year ended December 31, 2011
Revenues	-	32
Cost of sales	-	(23)
Gross Margin	**-**	**9**
Net operating expenses and other expenses other than impairment of assets	(36)	(22)
Loss from operations before tax and finance cost and before impairment[1]	**(36)**	**(13)**
Net interest income (expense)	-	1
Other financial income (expense)	1	(4)
Income tax	-	-
Loss for the period from discontinued operations before impairment	**(35)**	**(16)**
Loss on impairment of businesses held for sale[2]	-	(5)
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**(35)**	**(21)**

(1) Mainly corresponds to the fine from the European Commission related to Thomson's former Cathode Ray Tubes (CRT) business. On December 5, 2012, the European Commission 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.

In 2011, the loss was mainly linked to Grass Valley businesses.

(2) In 2011, corresponds to an impairment loss to adjust the held for sale businesses at their fair value less costs to sell.

11.3 Net cash used in discontinued operations

	Year ended December 31,	
(in € millions)	2012	2011
Loss from discontinued operations	**(35)**	**(21)**
Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations		
Depreciation and Amortization	-	1
Impairment of assets	-	5
Net changes in provisions	(3)	(22)
(Profit)/ Loss on asset sales	(4)	7
Changes in working capital and other assets and liabilities[1]	36	10
Cash used in discontinued operations	**(6)**	**(20)**
Net interest received	-	1
NET OPERATING CASH USED IN DISCONTINUED OPERATIONS (I)	**(6)**	**(19)**
Net cash impact from sale of investments (see note 30)	(5)	(32)
Cash collateral and security deposits reimbursed by third parties	-	12
NET INVESTING CASH USED IN DISCONTINUED OPERATIONS (II)	**(5)**	**(20)**
NET FINANCING CASH USED IN DISCONTINUED OPERATIONS (III)	**-**	**-**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**(11)**	**(39)**

(1) In 2012, corresponds mainly to the accrual of the European Commission's fine for €38.6 million.

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.

Based on the latest information available to the Group regarding the selling prices of the held for sale businesses and on the non-current assets carrying values of such businesses, the Group recognized in 2012 an impairment loss of €6 million related to Broadcast Services business (not classified as discontinued). In 2011 the Group booked an impairment loss of €5 million for the held for sale businesses classified as discontinued.

11.5 Assets and liabilities held for sale

The assets and liabilities attributable to the operations not yet sold as of December 31, 2012 and December 31, 2011 have been 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, 2011, the Broadcast Services activity was classified as held for sale. This business has been sold during 2012.

As of December 31, 2012, the VoIP activity was classified as held for sale. This business has been sold on January 21, 2013 (see note 34). 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 Digital Delivery segment (see note 5).

The major classes of assets and liabilities comprising the businesses classified as held for sale are as follows:

(in € millions)	December 31, 2012	December 31, 2011
Goodwill	-	20
Intangible assets	-	3
Property, plant and equipment	-	21
Other assets	-	7
Inventories	2	-
Accounts receivable and other receivables	2	15
TOTAL – ASSETS CLASSIFIED AS HELD FOR SALE	**4**	**66**
Provisions	-	4
Retirement benefit obligations	-	1
Accounts payable and other liabilities	3	47
TOTAL – LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**3**	**52**

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

(in € millions)	Land	Buildings	Machinery & Equipment	Other Tangible Assets[1]	Total
At December 31, 2010					
Cost	8	86	1,187	235	1,516
Accumulated depreciation	-	(49)	(921)	(116)	(1,086)
YEAR-ENDED DECEMBER 31, 2010, NET	**8**	**37**	**266**	**119**	**430**
2011					
Opening net amount	8	37	266	119	430
Exchange differences	-	-	4	4	8
Additions	-	3	62	61	126
Acquisition of subsidiaries[5]	-	-	-	5	5
Disposals	(1)	-	(3)	(1)	(5)
Depreciation charge	-	(3)	(97)	(15)	(115)
Impairment loss[2]	-	(3)	(17)	(2)	(22)
Classification as held for sale[3]	-	-	(18)	(3)	(21)
Other[4]	-	-	30	(35)	(5)
Year-ended December 31, 2011, net	**7**	**34**	**227**	**133**	**401**
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[5]	-	-	2	-	2
Disposals	-	-	-	(1)	(1)
Disposal of subsidiaries[6]	(2)	-	(1)	(1)	(4)
Depreciation charge	-	(2)	(82)	(19)	(103)
Impairment loss[2]	-	-	(3)	(3)	(6)
Other[4]	-	(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**

(1) Includes tangible assets in progress.

(2) 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.

Additional to the €6 million impairment losses disclosed above, the Group recorded €6 million related to the Broadcast Services business classified as held for sale as of December 31, 2011 and therefore not included in the 2012 variations above.

In 2011, corresponds to:

- *an impairment on Entertainment Services assets for €10 million, mainly related to the end of the photochemical film printing operations in Mirabel (Canada) (€4 million) and to the reorganization of our European logistic business (€2 million);*
- *an impairment on Digital Delivery assets for €9 million, mainly related to Digital Content Delivery Services activity in the UK.*
- *It also includes a depreciation of PPE for €3 million in the frame of a restructuring plan that is not included in the impairment losses on non-current operating assets disclosed in note 8.*

(3) Refer to note 11 above for details. In 2011, Broadcast Services business has been classified as held for sale.

(4) Corresponds mainly to the transfer of tangible assets in progress to machinery and equipment.

(5) Related mainly to the acquisition of Quinta business in 2012 and to the acquisition of Laser Pacific's digital post production business in 2011.

(6) This reflects mainly the impact of the deconsolidation of Thomson Angers in 2012.

NOTE 13 GOODWILL AND OTHER INTANGIBLE ASSETS

(in € millions)	Patents and trademarks	Customer relationships	Other intangibles[1]	Total intangible assets	Goodwill
At December 31, 2010					
Cost	558	494	314	1,366	
Accumulated amortization and impairment	(238)	(365)	(251)	(854)	
YEAR-ENDED DECEMBER 31, 2010, NET	**320**	**129**	**63**	**512**	**644**
2011					
Opening net amount	320	129	63	512	644
Exchange differences	6	2	3	11	12
Additions	-	-	49	49	2
Acquisition of subsidiary	-	-	-	-	2
Disposal	-	-	(1)	(1)	-
Disposal of subsidiary[4]	(4)	-	-	(4)	(12)
Amortization charge	(29)	(28)	(28)	(85)	-
Impairment loss[2]	-	(3)	(19)	(22)	(147)
Classification as held for sale[3]	-	(1)	(2)	(3)	(20)
Other	-	-	2	2	-
Year-ended December 31, 2011, net	**293**	**99**	**67**	**459**	**481**
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**

(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) In 2012 impairment loss regarding PRN trademark (see note 13.1). The impairment on goodwill is detailed in note 13.3.
(3) In 2011, Broadcast Services business has been classified as held for sale.
(4) Relates to the disposal of ContentGuard in 2011.

13.1 Trademarks

As of December 31, 2012, trademarks total €206 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 as 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.

Following the decision to rebrand PRN into IZ-ON Media, PRN trademark was written off for €4 million.

	Technicolor®	RCA®	Total
Method used to determine the recoverable amount	Royalty relief method and discounted cash flow	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, 2012	9.1% (1)	8%	
Net amount of trademarks	**171**	**29**	200
Other trademarks			6
TOTAL NET AMOUNT OF TRADEMARKS			**206**

(1) Weighted average discount rate of the businesses using the trademark.

- For Technicolor® trademark, its recoverable value is very close to its net book value. Therefore, a 0.3% increase in the post-tax discount rate assumption would bring the recoverable value in line with the book value; likewise, a 3% fall in cash flow would bring the recoverable value in line with the book value.
- For RCA® trademark, no reasonably expected change in assumptions would result in any impairment.

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 and 2011, management didn't identify any triggering event that may result in a loss of value of such assets.

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. Following the disposal of the Broadcast Services activity to Ericsson, the Group reorganized in H1, 2012 its Digital Delivery operating segment and transferred the Media Services activity, formerly reported as part of Digital Delivery segment, to the Creative Services business within the Entertainment Services segment. Media Services activity is now integrated into Creation Services to offer integrated digital workflow and stronger project management between postproduction and content delivery. Consequently, Media Services is now tested within Creation Services for goodwill impairment review;
- in the Digital Delivery segment, one GRU is considered: Connected Home;
- 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 organisation effective as of December 31, 2012.

	Entertainment Services				Digital Delivery	Technology	Total
(in € millions)	DVD Services	Creation Services	Digital Production	IZ-ON Media (ex-PRN)	Connected Home		
As of December 31, 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

	Entertainment Services				Digital Delivery		Technology	Held for sale business	
(in € millions)	DVD Services	Post Production and Theatrical Services	Digital Production	IZ-ON Media (ex-PRN)	Media Services	Connect	Technology	Broadcast Services	Total
As of December 31, 2011									
Goodwill before impairment of the period	358	5	29	16	41	179	-	20	648
Impairment of the period	-	-	-	-	(18)	(129)	-	-	(147)
Reclassification as held for sale	-	-	-	-	-	-	-	(20)	(20)
NET AMOUNT OF GOODWILL	**358**	**5**	**29**	**16**	**23**	**50**	**-**	**-**	**481**
Technicolor trademark				174				-	174
Net amount of trademark other than Technicolor	-	-	2	4	-	-	33	-	39

(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.*

The Group recorded as of December 31, 2011 an impairment charge of €147 million on goodwill. This impairment was triggered by the following factors:

- in Media Services it is essentially the accounting consequence of the split of the Digital Content Delivery GRU into two separate business units;
- in Connect, it reflects a worsening European economic environment, the late rollout of certain new contracts and an increase in development costs.

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				Digital Delivery
	DVD Services	Creative Services	Digital Production	IZ-ON Media (ex-PRN)	Connected Home
Basis used to determine the recoverable amount	Fair-Value[1]	Fair-Value[1]	Fair-Value[1]	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, 2012	(*)	(*)	2%	2%	2%
■ as of December 31, 2011	(*)	(*)	2%	2%	2%
Post-tax discount rate applied					
■ as of December 31, 2012[2]	8%	8.5%	8.5%	9%	11%
■ as of December 31, 2011	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 11.5% to 15.3%.

(3) Following the finalization of Thomson Angers' restructuring in 2012, Technicolor determined that Connected Home value in use was higher than fair value as of December 31, 2012.

(*) 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.

Sensitivity of recoverable amounts

At December 31, 2012, among the main goodwill reporting units listed above:

- for DVD Services, a 0.9% increase in the post-tax discount rate assumption would bring the recoverable value in line with the book value; likewise, a 6% 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 IZ-ON Media (ex PRN), 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 € millions)	2012	2011
Beginning of the year	14	12
Acquisition[1]	5	-
Share of (loss)/ profit before impairment on associates and joint ventures	(5)	-
Other equity movements[2]	4	2
END OF THE YEAR	**18**	**14**

(1) Acquisition is mainly linked to an investment in Indoor Direct, owned at 50%.

(2) Impact of the change in consolidation method of joint ventures (see note 2.3).

Details of investments in associates and joint-ventures are summarized below:

	% Interest	Group's share of associates' and joint ventures net assets		Group's share of associates' and joint ventures profit (loss)	
(in € millions)	2012	2012	2011	2012	2011
SV Holdco, LLC	18.3%	9	10	(1)	-
TechFund Capital Europe	20%	4	4	-	-
Indoor Direct, LLC	50%	2	-	(4)	-
Beijing Thomson CITIC Digital Technology Co., Ltd.	50%	2	-	-	-
Others	N/A	1	-	-	-
TOTAL		**18**	**14**	**(5)**	**-**

NOTE 15 INVENTORIES

(in € millions)	2012	2011
Raw materials	44	57
Work in progress	12	15
Finished goods and purchased goods for resale	68	59
Gross value	**124**	**131**
Less: valuation allowance	(12)	(13)
TOTAL	**112**	**118**

NOTE 16 TRADE ACCOUNTS AND NOTES RECEIVABLE

(in € millions)	2012	2011
Trade accounts and notes receivable	562	622
Less: valuation allowance	(36)	(37)
TOTAL[1]	**526**	**585**

(1) Including €36 million which are past due as of December 31, 2012 (€46 million as of December 31, 2011) 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 (€526 million as of December 31, 2012 compared to €585 million as of December 31, 2011).

NOTE 17 OTHER CURRENT AND NON-CURRENT ASSETS

(in € millions)	2012	2011
Other non-current assets	66	67
Other current assets[1]	340	325
TOTAL OTHER ASSETS	**406**	**392**

(1) Detail of other current assets:	2012	2011
Value added tax receivable[*]	33	35
Research tax credit and subsidies	32	33
Prepaid expenses	35	42
Other current assets[**]	240	215
Total Other current assets	**340**	**325**

(*) 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, 2012 and 2011 other current assets include €136 million and €128 million of accrued royalty income, respectively.

NOTE 18 CASH, CASH EQUIVALENTS, CASH COLLATERAL AND SECURITY DEPOSITS

(in € millions)	2012	2011
Cash	126	210
Cash equivalents	271	160
CASH & CASH EQUIVALENTS	**397**	**370**
Of which restricted cash[1]	*42*	*45*
CASH COLLATERAL AND SECURITY DEPOSITS[2]	**44**	**49**

(1) Cash held in TCE Television Taiwan with restricted use except to pay local expenses.

(2) Cash to secure credit facilities and other obligations of the Group, out of which the current portion amounts to €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 1.04% in 2012 (1.58% in 2011); 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)

(a) Share capital

The change to the shares and the share capital since January 1, 2011 is as follows:

(In euros, except number of shares)	Number of shares	Par value	Euros
Share Capital as of January 1, 2011	**174,846,625**	**1**	**174,846,625**
Share capital increase after NRS I redemption[1]	767,249	1	767,249
Share capital increase after NRS II and NRS IIC redemption[2]	48,145,209	1	48,145,209
Share Capital as of December 31, 2011	**223,759,083**	**1**	**223,759,083**
Share capital Increase after reserved capital increase to Vector Capital[3]	47,471,506	1	47,471,506
Share capital Increase after capital increase with preferential subscription rights[4]	61,643,316	1	61,643,316
Share capital increase after NRS II and NRS IIC redemption[5]	2,669,936	1	2,669,936
SHARE CAPITAL AS OF DECEMBER 31, 2012	**335,543,841**	**1**	**335,543,841**
Weighted average number of shares outstanding (basic net of treasury stock) as of December 31, 2011	*211,364,435*		
Weighted average number of shares outstanding (basic net of treasury stock) as of December 31, 2012	*275,885,374*		

(1) In 2011, for the "NRS tranche I" (corresponding to redemption of "NRS tranche I" which was differed in 2010 to year 2011 at the option of the holders): 5,328,181 notes redeemable in shares ("NRS tranche I") corresponding to €5,328,181, were redeemed including amounts in respect of capitalized interest with 767,249 newly issued shares of the Company at a fixed rate of €1/$1.3 and € 1.1/1£ for the notes in foreign currencies.

(2) For the "Tranche II": 189,877,533 notes redeemable in shares ("NRS tranche II") corresponding to €189,877,533 were redeemed including amounts in respect of capitalized interest with 30,186,650 newly issued shares of the company at a fixed rate of € 1/$1,3 and € 1.1/1£ for the notes in foreign currencies.

For the "Tranche IIC": 112,961,194 notes redeemable in shares ("NRS tranche IIC") corresponding to € 112,961,194 were redeemed including amounts in respect of capitalized interest with 17,958,559 newly issued shares of the company at a fixed rate of € 1/$1,3 and € 1.1/1£ for the notes in foreign currencies.

(3) On June 20, 2012, Technicolor's shareholders approved the resolutions relating to the transaction proposed by 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 euros. The settlement of this capital increase occurred on July 16, 2012.

(4) 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 increase occurred on August 14, 2012.

(5) For the "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).

(b) Notes Redeemable in Shares

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.

The number of NRS issued as of May 26, 2010 were as follows:

	Number of NRS issued	Maturity
NRS I	319,218,837	31/12/2010
NRS II	200,069,100	31/12/2011 (2)
NRS IIC	119,150,196	31/12/2011 (2)
Total NRS on May 26, 2010	**638,438,133**	
NRS I redeemed by issued shares on December 31, 2010	(313,890,656)	
NRS I redeemed by issued shares on December 30, 2011	(5,328,181)	
NRS II and NRS IIC redeemed by issued shares on December 30, 2011(1)	(302,838,727)	
Total NRS to be redeemed by new shares on December 31, 2011(1)	**16,380,569**	
NRS II and NRS IIC redeemed by issued shares on December 30, 2012(1) at conversion ratio of 0.163	(16,380,569)	
TOTAL NRS ON DECEMBER 31, 2012	-	

(1) The redemption of 10,191,567 NRS II and 6,189,002 NRS IIC into shares (16,380,569 NRS in total) was deferred until December 31, 2012 at the bond holder's request. Following the July and August share capital increases, the conversion ratio was adjusted from 0.159 to 0.163 for NRS II and NRS IIC.

(2) Redemption could be deferred until December 31, 2012 at holders option.

In accordance with IFRIC 19 the equity issued (share capital, paid-in capital and NRS) in exchange for the debt extinguished has been stated at fair value using the listed price of Technicolor shares on the Euronext Paris as of May 26, 2010.

19.2 Treasury shares

	2012	2011
Number of Treasury shares at opening	**605,687**	**617,705**
Treasury shares delivered(1)	-	(12,018)
Number of Treasury shares at closing	**605,687**	**605,687**

(1) The delivery of Technicolor shares were made in 2011 in the framework of the Free Share Plan launched in 2007 for all Group 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 2012 or 2011.

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 2012, there was no significant change in non-controlling interests.

In 2011, Technicolor formed a new entity jointly with Dreamworks called "MediaNaviCo". Technicolor brought its MediaNavi start-up activity and Dreamworks invested a cash consideration representing a minority ownership of MediaNaviCo (for futher details, see note 4).

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 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.

During 2011, of the result on hedging instruments recognized in OCI at December 31, 2010, €4 million in loss was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At December 31, 2011, a gain of €0.2 million on hedging instruments was recognized in OCI.

19.7 Breach of minimum statutory share capital threshold

Due to the accumulated losses, Technicolor SA's statutory shareholders' equity was negative since December 31, 2008. As of December 31, 2012 Technicolor SA's statutory shareholders' equity is positive and amount to €1,522 million (before €500 million of other equity), subsequent to the following intra-group transaction: on December 21, 2012 Technicolor SA sold at fair value its Technicolor Licensing SAS affiliate to Technicolor International SAS, a 100% affiliate of Technicolor SA. This transaction had no impact on the consolidated financial statements.

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 Indianapolis, 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 is 10 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 in particular its liquidity risk, has been impacted by the debt restructuring. The deterioration of the Group's financial condition and the subsequent debt negotiations and *Sauvegarde* proceeding considerably increased the liquidity risk of the Group but the closing of the debt restructuring in May 2010 as well as the putting in place of two committed receivables backed credit facilities has reduced somewhat this risk.

The *Sauvegarde* proceeding did not have a direct impact on the Group's outstanding derivatives, however the events described above including the *Sauvegarde* Plan have impacted the Group's management of financial risks because the Group has had 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.

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 as described in note 23.2; they were classified as cash flow hedges.

In 2012 a total of €14 million in forecast transactions for which hedge accounting had been applied did not occur and as a result the hedges were cancelled resulting in a gain of €0.1million.

(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, 2012 there was a gain of €4 million on the outstanding hedging instruments and a loss of €4 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 2012 and 2011 this impact was a loss of €0.2 million and a loss of €1 million, respectively, booked in Other financial income (expense), net.

The ineffective portion of the interest rate caps is recognized in profit and loss. In 2012 and 2011 a loss of €0.5 million and a loss of €6 million, respectively was 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.

The Group executes operations on the over the counter derivatives markets on a short-term, cash collateralized basis.

(in € millions)	December 31, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate caps[1]	-	-	1	-
Total non-current	-	-	**1**	-
Forward foreign exchange contracts – cash flow and fair value hedges	-	-	-	1
Total current	-	-	-	**1**
TOTAL	-	-	**1**	**1**

(1) For further information, refer to details in note 23.1.

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 maximum risk is the marked-to-market carrying values shown in the table above, that is, €0.4 million at December 31, 2012 and €1 million at December 31, 2011.

NOTE 22 BORROWINGS

The tables below present information concerning Technicolor's debt at December 31, 2012 compared to previous year.

22.1 Analysis by nature

(in € millions)	December 31, 2012	December 31, 2011
Debt due to financial institutions	1,108	1,319
Bank overdrafts	1	-
Other financial debt	5	7
Accrued interest	1	1
TOTAL	**1,115[1]**	**1,327[1]**
Total non-current	*1,019*	*1,242*
Total current	*96*	*85*

(1) The nominal value is €1,236 million at December 31, 2012 and €1,500 million as of December 31, 2011 (see note 22.3).

22.2 Summary of the debt

Debt as of December 31, 2012 consisted principally of the Reinstated Debt, which includes €659 million of term loans and €435 million of notes. The details, before hedging operations, are given in the table below:

(in € millions)	Currency	Nominal Amount	IFRS Amount[1]	Type of rate	Nominal rate[2]	Effective rate[2]	Repayment Type	Final maturity
Series A1 Notes	USD	94	88	Fixed	9.35%	13.49%	Amortizing	Mar. 31, 2016
Series B1 Notes	GBP	5	4	Fixed	9.55%	14.28%	Amortizing	Mar. 31, 2016
Series C1 Notes	EUR	29	28	Fixed	9.00%	12.56%	Amortizing	Mar. 31, 2016
Series A2 Notes	USD	252	230	Fixed	9.35%	11.88%	Bullet	May 26, 2017
Series B2 Notes	GBP	13	12	Fixed	9.55%	12.45%	Bullet	May 26, 2017
Series C2 Notes	EUR	79	73	Fixed	9.00%	11.16%	Bullet	May 26, 2017
Term Loans A1	EUR	125	114	Floating[3]	7.00%	12.55%	Amortizing	Mar. 31, 2016
Term Loans A2	USD	77	70	Floating[3]	7.00%	12.93%	Amortizing	Mar. 31, 2016
Term Loans B1	EUR	335	295	Floating[4]	8.00%	11.42%	Bullet	May 26, 2017
Term Loans B2	USD	206	180	Floating[4]	8.00%	11.65%	Bullet	May 26, 2017
Reinstated Debt		**1,215**	**1,094**		**8.33%**	**11.97%**		
Other Debt		21	21	Various	3.28%	3.28%		
TOTAL		**1,236**	**1,115**		**8.25%**	**11.80%**		

(1) In Technicolor's IFRS statement of financial position the Reinstated Debt was initially recognized at fair value and then subsequently is measured at amortized cost.

(2) Rates as of December 31, 2012.

(3) 3 month EURIBOR or LIBOR with a floor of 2% +500bp with the margin stepping down if certain leverage ratios hit.

(4) 3 month EURIBOR or LIBOR with a floor of 2% + 600bp with the margin stepping down if certain leverage ratios 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 Reinstated Debt were initially recognized at fair value then subsequently revalued at amortized cost. The maturity schedule below for 2011 does not include the mandatory prepayment in 2012 from excess cashflow generated in 2011 (see note 22.3 (g) for more details).

(in € millions)	December 31, 2012	December 31, 2011
Less than 1 month	13	10
Between 1 and 6 months	37	22
Between 6 months and less than 1 year	46	53
Total current debt	**96**	**85**
Between 1 and 2 years	97	102
Between 2 and 3 years	103	110
Between 3 and 4 years	55	119
Between 4 and 5 years	885[1]	61
Over 5 years	-	1,023[1]
Total non-current debt	**1,140**	**1,415**
Total nominal debt	**1,236**	**1,500**
IFRS Adjustment[2]	**(121)**	**(173)**
DEBT UNDER IFRS	**1,115**	**1,327**

(1) Entire amount due May 26, 2017.

(2) In Technicolor's consolidated statement of financial position the Reinstated Debt was initially recognized at fair value and then subsequently is measured at amortized cost.

Technicolor's senior debt outstanding under its private placement notes and the syndicated credit facility was restructured in 2010 under the *Sauvegarde* Plan. Under this plan, the Company's debt level was reduced and the senior debt replaced by Reinstated Debt.

(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 then subsequently revalued at amortized cost.

	Amounts at December 31, 2012 with interest rate fixed for the following periods			
(in € millions)	Floating rate debt (interest fixed for less than 1 year)	1 year to 5 years	Greater than 5 years	Total
Total nominal debt	792[1]	444	-	1,236
IFRS Adjustment[2]				(121)
DEBT UNDER IFRS				**1,115**

(1) Includes €742 million (nominal amount) 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, for the hedged debt, 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.

(2) In Technicolor's consolidated statement of financial position the Reinstated Debt was initially recognized at fair value and then is subsequently measured at amortized cost.

(c) Effective interest rates

The effective interest rates on the Group's consolidated debt are as follows:

	December 31, 2012	December 31, 2011
All borrowings	11.80%	11.81%

(d) Carrying amounts and fair value of borrowings (see note 23.6)

(e) Analysis of borrowing by currency

(in € millions)	December 31, 2012	December 31, 2011
Euro	522	611
U.S. Dollar	576	688
Other currencies	17	28
TOTAL DEBT	**1,115**	**1,327**

(f) Undrawn credit lines

(in € millions)	December 31, 2012	December 31, 2011
Undrawn, committed lines expiring in more than one year	195	197

The Group has two receivables backed committed credit facilities, for a total amount of €195 million of which €100 million matures in 2013 and €95 million in 2016. Neither was drawn at December 31, 2012. The availability of these credit lines varies depending on the amount of receivables. A new credit facility to replace the one coming due in 2013 is currently under negotiation.

(g) Financial covenants and other limitations

The Credit Agreement and the Note Purchase Agreement governing the Reinstated Debt contain certain affirmative and financial covenants including covenants that in particular require that (i) EBITDA be not less than a certain multiple of net total interest on a trailing twelve month basis ("interest cover covenant") on June 30 and December 31 of each financial year, (ii) total net debt be not more than a certain multiple of EBITDA on a trailing twelve month basis ("leverage covenant") on June 30 and December 31 of each financial year, and (iii) capital expenditure be not more than a certain amount for each financial year. Each of the interest cover covenant and leverage covenant become stricter over time. The total net debt, the total net interest and the capital expenditures are all 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" excluding the impact (to the extent otherwise included in consolidated profit) of:

- other income (expense);
- depreciation, amortization and impairment of assets;
- transaction costs (related to the debt restructuring);
- 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.

The level of these covenants is as follows:

Interest cover covenant

Reference Period	Interest coverage ratio (EBITDA/total net interest)
July 1, 2009 to June 30, 2010	2.55:1.00
January 1, 2010 to December 31, 2010	2.80:1.00
July 1, 2010 to June 30, 2011	3.05:1.00
January 1, 2011 to December 31, 2011	3.40:1.00
July 1, 2011 to June 30, 2012	3.35:1.00
January 1, 2012 to December 31, 2012	3.65:1.00
July 1, 2012 to June 30, 2013	3.70:1.00
January 1, 2013 to December 31, 2013	3.80:1.00
July 1, 2013 to June 30, 2014	3.95:1.00
January 1, 2014 to December 31, 2014	4.20:1.00
July 1, 2014 to June 30, 2015	4.45:1.00
January 1, 2015 to December 31, 2015	4.80:1.00
July 1, 2015 to June 30, 2016 and for each subsequent period	4.80:1.00

Leverage covenant

Reference Date	Leverage ratio (Total Net Debt/EBITDA)
June 30, 2010	3.85:1.00
December 31, 2010	3.20:1.00
June 30, 2011	3.05:1.00
December 31, 2011	2.55:1.00
June 30, 2012	2.70:1.00
December 31, 2012	2.25:1.00
June 30, 2013	2.30:1.00
December 31, 2013	1.95:1.00
June 30, 2014	1.95:1.00
December 31, 2014	1.60:1.00
June 30, 2015	1.60:1.00
December 31, 2015 and each subsequent June 30 and December 31	1.25:1.00

Capital Expenditure covenant

Year Ending	Maximum Authorized Amount of Capital Expenditure[1] *(€ in millions)*
December 31, 2010	190
December 31, 2011	205
December 31, 2012	220
December 31, 2013	225
December 31, 2014	225
December 31, 2015	230
December 31, 2016	235

(1) For the purposes of this covenant all capital expenditures in foreign currencies will be converted at the Group's 2010 budget exchange rates.

At December 31, 2012, the calculation of these financial covenants was as follows:

Interest coverage covenant

For the twelve months ending December 31, 2012, EBITDA for the Group must be no less than 3.65 times the net interest for the period.

EBITDA	€512 million
Net Interest	€113 million
Ratio EBITDA/Net Interest	4.53:1.00

Since 4.53 is greater than the required minimum level of 3.65, the Group meets this financial covenant.

Leverage covenant

Total net debt of the Group at December 31, 2012 must be no more than 2.25 times the EBITDA for the Group for the twelve months ending December 31, 2012. For the calculation of the net debt, the accrued interest is excluded; moreover the debt and cash of the Group in foreign currencies are valued at the average exchange rate over the twelve months ending December 31, 2012.

Net Debt	€724 million
EBITDA	€512 million
Ratio Net Debt/EBITDA	1.41:1.00

Since 1.41 is less than the maximum allowed level of 2.25, the Group meets this financial covenant.

Capital Expenditure covenant

Capital expenditure for the Group cannot exceed €271 million for the financial year ending December 31, 2012. This amount consists of the maximum authorized amount of capital expenditure of €220 million plus €51 million of unused expenditure carried over from 2011. Since the total capital expenditure in 2012 was €140 million (converted at the Group's 2010 budget exchange rates) the Group meets this financial covenant.

Other Restrictions

In addition to certain information provision covenants, the Credit Agreement and Note Purchase Agreement include certain negative covenants that restrict the ability of the Company and certain of its subsidiaries to undertake various actions. These restrictions were modified in October 2011 following agreement from the required majorities of noteholders and lenders. The modifications relate principally to the restrictions concerning disposals, joint ventures and acquisitions. In particular, main modifications consisted of eliminating the annual limit on disposals of €100 million as well as the limits on the disposals of the Connected Home and Entertainment Services divisions, eliminating the limit on non-cash contributions to joint ventures and increasing the annual limit on acquisitions. These negative covenants, as modified in October 2011, 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 on any of its present or future assets;
- incur additional financial indebtedness in excess of €40 million excluding certain permitted financial indebtedness including, among others, the refinancing of the Reinstated Debt and Committed Receivables Facilities;
- grant guarantees;
- grant loans for an aggregate amount greater than €20 million except in certain cases related to deferred compensation related to disposals;
- enter into derivatives contracts, interest rate or currency hedging or treasury transactions other than as required by the Credit Agreement and Note Purchase Agreement and other than for hedging transactions arising in the ordinary course of business;
- amalgamate, merge or consolidate with or into any other person;
- substantially change the general scope of its business;
- enter into material transactions or arrangements with affiliates unless in the ordinary course of business and on an arm's length basis;
- invest in joint ventures or partnerships where the total cash investment is in excess of €25 million in cash per year;
- acquire any companies, businesses, shares or securities in excess of €50 million in cash or €200 million in shares per year;
- issue, attribute or allot any shares or redeem or repurchase any shares previously issued (other than resulting from the capital increase provided for by the *Sauvegarde* Plan and the redemption in shares of the NRS and DPN and certain other contractual arrangements); and
- for Group Members other than the Company, declare or pay any dividends or make any other distribution in respect of any class of its share capital or apply any sum for any such purpose.

The acquisitions made by the Group (see note 30 (b) for further information) in 2012 were in full compliance with the restrictions described above.

Events of Default

The Credit Agreement and the Note Purchase Agreement 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 under the Reinstated Debt. If the creditors had exercised their enforcement rights pursuant to the Reinstated Debt, the NRS and the DPN would have been prepaid in shares and cash, respectively.

The events of default pursuant to the Reinstated Debt include, among other things, and subject to certain exceptions and grace periods:

- non-payment of any amount due under the Reinstated Debt or any permitted hedging agreements;
- failure by the Company or any of the guarantors to comply with its material obligations and undertakings under the Reinstated Debt;
- certain events of insolvency;
- any auditor's report qualification made to either the Company's ability to continue as a going concern or the accuracy of the information given;
- failure by the Company or any guarantor to comply with the material obligations under the Intercreditor Agreement;
- non-payment of any financial indebtedness of any Group Member in excess of €25 million;
- acceleration of any financial indebtedness of any Group Member in excess of €25 million under the committed receivables facilities or 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 in excess of €25 million that is not set aside within 30 days; and
- any event which has a material adverse effect on the ability of the Company or its guarantors, taken as a whole, to perform their material obligations under the Reinstated Debt.

Change of control provisions

Under the terms of the Reinstated Debt, in the event of a change of control in the Company, the advances under the Credit Agreement and the outstanding principal amount of the New Notes, together with any other outstanding amounts under the Reinstated Debt, will become immediately due and payable upon an occurrence of a change of control in the Company. Further, such change of control in the Company would have triggered a mandatory redemption in shares of the NRS.

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 New Notes, each holder of the DPN, certain intra-group lenders, certain intra-group debtors and a security trustee (the Intercreditor Agreement).

Mandatory Prepayments

The Company will be 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: (i) the disposal of certain non-core assets during 2010, the proceeds of which was used to redeem the DPN; and (ii) 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 (other than any share issuances permitted under the share capital increase that maintains the preferential subscription rights (*droits préférentiels de souscription*) of shareholders under the terms of the *Sauvegarde* Plan, shares issued in redemption of the DPN and the NRS) will be applied to repay the outstanding Reinstated Debt. In addition, the Company could opt to use the proceeds received in respect of any new equity issuances to prepay all or a portion of the NRS IIC; however the Company chose to exercise its right to redeem the NRS IIC in shares on maturity at December 31, 2011 except for the small number of holders who requested the optional one year extension (see note 22), which was finally converted at the end of December 2012.
- *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 (including net disposal proceeds from sales of discontinued operations), 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.

- In respect of 2011 and subsequent financial years, 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 New 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 (in the case of a refinancing, a customary "make whole" amount must be paid to noteholders).

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. The savings in nominal interest expense will be about €13 million per year on a full year basis and about €4 million in 2012.

In 2011 the only disposal that triggered a mandatory prepayment was the sale of the Group's stake in ContentGuard for $25 million which resulted in a pre-payment in the amount of €19 million of which €17 million was recorded as a reduction of debt and €2 million, corresponding to the partial reversal of the gain recorded when the Reinstated Debt was initially recognized at fair value, was recorded as a financial loss.

In 2011 the Group generated excess cashflow as defined above in the amount of €25 million which has been used to prepay Reinstated Debt in March 2012.

Voluntary Prepayments

Under the terms of the Credit Agreement, Note Purchase Agreement and Intercreditor Agreement, 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 New Notes, including any make whole payment, under the Note Purchase Agreement.

Summary of repayments

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

(€ in millions)	2012	2011
Start of period (cumulative)	**81**	**30**
Normal scheduled principal repayments	58	32
Payments following 2011 excess cashflow	25	-
Mandatory prepayments from disposals	17	19
Mandatory prepayments from capital increases	145	-
End of period (cumulative)	**326**	**81**

(h) Fair value of the Reinstated Debt

In accordance with IAS 39 paragraph 43, the Reinstated Debt was determined initially at its fair value. The difference between the fair value of the Reinstated Debt and the nominal value has been booked as a financial non cash gain of €229 million under the line "Gain on Technicolor's debt extinguishment on May 26, 2010" of the consolidated Statement of Operations.

Because Technicolor's debt is not listed the fair value was estimated by using data from trading levels of the Group's debt at or around the issue date of May 26, 2010 by certain banks to the extent available and by using trading levels and yields at that time of debt of companies having a similar rating (CCC).

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 new debt (excluding DPN) was originally determined to be 11.89% and is currently 11.97%.

In October 2011, the Group renegotiated certain clauses of its Reinstated Debt documentation and the related fees of approximately €5 million 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.

The fair value of the Group's debt at December 31, 2012 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 Digital Delivery 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 2012, exchange rate fluctuations of all currencies had a positive translation impact of €136 million on revenue and a negative impact of €20 million on profit/(loss) from continuing operations before tax and net finance costs. These impacts were in part due to the 8% increase in the 2012 average U.S. dollar/euro exchange rate compared to the 2011 average rate. The Group estimates that this sensitivity has not significantly changed since the end of 2012.

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 the U.S. dollar and the 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 70% 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 23.1 (e) "Foreign Currency Operations" below.

(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, 2012 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 and the premiums paid on currency options are excluded from the hedging relationship and taken directly to the financial result: these amounts were nil in 2012 and €(1) million in 2011.

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/associates and (ii) to convert U.S. dollars borrowed externally or from the Group's U.S. subsidiaries/associates into euros. The forward points on these currency swaps are accounted for as interest and were nil in 2012 and nil in 2011.

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, 2012 will occur in 2013.

	2012	2011
Forward exchange contracts (including currency swaps)		
Euro	128	19
Singapore dollar	-	2
U.S. dollar	-	28
Polish zloty	5	12
Other currencies	-	-
Total forward currency purchases	**133**	**61**
Euro	(5)	(18)
Canadian dollar	-	(2)
Pound sterling	(12)	(28)
Japanese yen	(10)	(9)
U.S. dollar	(106)	(2)
Other currencies	-	(2)
Total forward currency sales	**(133)**	**(61)**
Deferred hedging gains (losses) related to forecast transactions	**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 continued operations was net revenue of U.S.$ 600 million in 2012 (net revenue of U.S.$ 383 million in 2011). 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, 2012 that is denominated in U.S. dollar or currencies pegged to the U.S. dollar.

2012

(in € millions)	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

2011

(in € millions)	Transaction	Translation	Total
Sales	62	142	204
Profit from continuing operations before tax and net finance costs	30	(8)	22
Equity Impact (cumulative translation adjustment)			28
Impact on net debt			60

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 Reinstated Debt and without taking into account hedging, cash interest charges for a full year (at the December 31, 2012 exchange rate) would be €101 million on the Reinstated Debt of approximately €1.2 billion (nominal amount rather than the IFRS amount in the consolidated statement of financial position) compared to total gross cash interest charges for 2012 of €117 million. In 2011 total gross cash interest charges were €124 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 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:

	2012	2011
Average interest rate on borrowings	11.80%	11.78%
Average interest rate after interest rate hedging	11.80%	11.78%
Average interest rate after currency swaps and interest rate hedging	11.80%	11.78%

The average effective interest rate in 2012 on the Group's consolidated deposits was 1.04% (1.58% in 2011).

(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 2012 and 2011 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 € millions)	2012	2011
Average debt	1,231	1,302
Percentage at floating rate*	60%	59%

* *See the Group's definition of floating rate in note 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.*

The Group's average deposits in 2012 amounted to €325 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, 2012 and 2011 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. The 2011 amounts do not include the mandatory prepayment in 2012 from excess cashflow generated in 2011 (see note 22.3(g) for more details).

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 € millions)	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 is measured at amortized cost

2011	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 € millions)	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	-	370	-	85	-	(285)	-	-	-	(285)
1 to 2 years	-	-	38	64	38	64	-	-	38	64
2 to 3 years	-	-	43	67	43	67	-	-	43	67
3 to 4 years	-	-	47	72	47	72	-	-	47	72
4 to 5 years	-	-	24	37	24	37	-	-	24	37
More than 5 years[3]	-	-	399	624	399	624	-	-	399	624
TOTAL	**-**	**370**	**551**	**949**	**551**	**579**	**-**	**-**	**551**	**579**
IFRS Adjustment[4]	-	-	(53)	(120)	(53)	(120)	-	-	(53)	(120)
DEBT UNDER IFRS	**-**	**370**	**498**	**829**	**498**	**459**	**-**	**-**	**498**	**459**

(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 balance sheet the Reinstated Debt was initially recognized at fair value and then subsequently is 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 Reinstated Debt consists of new variable term loans based on EURIBOR or LIBOR with a floor of 2% and new notes at fixed rates. The *Sauvegarde* Plan required that 2/3 of the term loans be hedged against interest rate risk 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, 2012 and 2011 differ from the amounts in the consolidated statement of financial position which for 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, 2012 and 2011 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 after hedging at December 31, 2012 and with EURIBOR* and LIBOR* at 3% or more

(in € millions)	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%	4	4

Maximum impact over one year on the net exposure after hedging at December 31, 2012 and with EURIBOR* and LIBOR* at 2%

(in € millions)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	(4)	(4)
Impact of interest rate variation of -1%	(4)	(4)

Maximum impact over one year on the net exposure after hedging at December 31, 2012 and with EURIBOR* and LIBOR* at 1% or less

(in € millions)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	4	4
Impact of interest rate variation of -1%	(4)	(4)

**At December 31, 2012, 3 month EURIBOR and 3 month LIBOR were 0.187% and 0.306% respectively.*

Maximum impact over one year on the net exposure after hedging at December 31, 2011 and with EURIBOR* and LIBOR* at 3% or more

(in € millions)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	1	1
Impact of interest rate variation of -1%	6	6

Maximum impact over one year on the net exposure after hedging at December 31, 2011 and with EURIBOR* and LIBOR* at 2%

(in € millions)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	(6)	(6)
Impact of interest rate variation of -1%	(3)	(3)

Maximum impact over one year on the net exposure after hedging at December 31, 2011 and with EURIBOR* and LIBOR* at 1% or less

(in € millions)	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%	(3)	(3)

** At December 31, 2011, 3 month EURIBOR and 3 month LIBOR were 1.356% and 0.581% 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, subsequent debt restructuring negotiations, and the *Sauvegarde* proceeding.

The debt restructuring in 2010 and capital increases in 2012 allowed the Group to improve its financial structure and notably 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 credit lines secured by receivables and factoring in order to assure access to liquidity; and
- spread out debt maturities with a significant portion being long-term.

As a result, the Group was able to 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. Nevertheless due to its overall level of remaining indebtedness and to the restrictions in the Group's Reinstated Debt, the Group's access to financial market remains limited.

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, 2012 and December 31, 2011, respectively. In 2011, the amounts do not include the mandatory prepayment in 2012 from excess cashflow generated in 2011 (see not 22.3(g) for more details).

	At December 31, 2012						
(in € millions)	**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.*

	At December 31, 2011						
(€ in millions)	**2012**	**2013**	**2014**	**2015**	**2016**	**There after***	**Total**
Fixed rate notes – principal	25	36	43	47	24	399	574
Floating rate term loans – principal	39	56	67	72	37	624	895
Fixed rate other debt – principal	-	2	-	-	-	-	2
Floating rate other debt – principal	21	8	-	-	-	-	29
TOTAL DEBT PRINCIPAL PAYMENTS	**85**	**102**	**110**	**119**	**61**	**1,023**	**1,500**
IFRS Adjustment							**(173)**
Debt in IFRS							**1,327**
Fixed rate notes – interest	52	49	46	41	38	15	241
Floating rate term loans – interest	69	65	61	56	51	20	322
Fixed rate other debt – interest	-	-	-	-	-	-	-
Floating rate other debt – interest	1	-	-	-	-	-	1
TOTAL INTEREST PAYMENTS	**122**	**114**	**107**	**97**	**89**	**35**	**564**

* *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, 2012 and 2011, 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)	2012	2011
A-1+	-	-
A-1	84%	100%
A-2	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)	2012	2011
A-1+	16%	14%
A-1	75%	83%
A-2	3%	-
A-3	6%	3%
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 €397 million at December 31, 2012. 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, 2012	Accounting Categories					Fair Value			
	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
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

December 31, 2011	Accounting Categories					Fair Value			
	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
Investments and available-for-sale financial assets	-	7	-	-	7	-	7	-	7
Derivative financial instruments (current and non-current assets)	1	-	-	-	1	-	1	-	1
Trade accounts and notes receivable	-	-	585	-	585	-	-	-	585
Borrowings	-	-	-	1,327	1,327				1,217
Derivative financial instruments (current and non-current liabilities)	1	-	-	-	1				1
Trade accounts and notes payable	-	-	499	-	499				499

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, 2012 and 2011, 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 RETIREMENT BENEFIT OBLIGATIONS

24.1 Summary of the benefits

	Pension plan benefits		Medical post-retirement benefits		Total	
(in € millions)	2012	2011	2012	2011	2012	2011
Opening provision	**341**	**344**	**46**	**42**	**387**	**386**
Net Periodic Pension Cost	18	19	1	2	19	21
Benefits paid and contributions	(31)	(42)	(2)	(1)	(33)	(43)
Curtailment gain[1]	(4)	-	(41)	-	(45)	-
Change in perimeter	(5)	(8)	-	-	(5)	(8)
Actuarial (gains) losses recognized in OCI[2]	62	27	3	2	65	29
Currency translation differences	-	1	-	1	-	2
Change in held for sale provision	-	(1)	-	-	-	(1)
Closing provision of continued operations[3]	**381**	**340**	**7**	**46**	**388**	**386**
Provision classified as held for sale	-	1	-	-	-	1
TOTAL CLOSING PROVISION	**381**	**341**	**7**	**46**	**388**	**387**

(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.D 54 million (€41 million at December 31, 2012 average rate) booked in the line "Other income (expenses)" of the consolidated statement of operations.

(2) In 2012 and 2011, actuarial losses are mainly explained by the decrease in discount rates over the period.

(3) Out of which current portion amounts to €35 million and €37 million for years ended December 31, 2012 and 2011, respectively.

(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, corresponding to the contributions paid, are charged in the statement of operations. The total contributions paid by Technicolor amounted to €19 million in 2012 and €22 million in 2011.

(b) Defined benefit plans

These plans mainly cover pension benefits, retirement indemnities and medical post-retirement benefits.

Pension benefits and retirements indemnities

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. Pension plans maintained by the Group are mainly the following:

- **Within the Nafta area**, the plans mainly consist of pension plans in the United States:

  The employees of Technicolor are covered by a defined benefit pension plan, funded by a trust. Technicolor's funding 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. 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.

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.

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 credits however, continue to be added to employees' account.

- **In Germany**, employees are covered by several vested unfunded pension plans. These plans mainly provide employees with retirement annuities and disability benefits.
- **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.
- **In other countries**, Technicolor mainly maintains a dedicated funded pension plan in the UK, which provides retirement annuity benefits.

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 United States of Americas. The impact is a curtailment gain of U.S.D 54 million (€41 million at December 31, 2012 average rate) booked in the line "Other income (expenses)" of the consolidated statement of operations.

(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.

24.2 Elements of the statement of operations and other comprehensive income

	Pension plan benefits		Medical post-retirement benefits		Total	
(in € millions)	2012	2011	2012	2011	2012	2011
Service cost	(6)	(6)	-	-	(6)	(6)
Interest cost	(22)	(23)	(1)	(2)	(23)	(25)
Expected return on plan assets	10	10	-	-	10	10
TOTAL NET PERIODIC PENSION COST	**(18)**	**(19)**	**(1)**	**(2)**	**(19)**	**(21)**
Effect of curtailment	4	-	41	-	45	-
TOTAL PENSION IMPACT ON NET INCOME OF THE GROUP	**(14)**	**(19)**	**40**	**(2)**	**26**	**(21)**

The financial components of pension plan expenses and expected return on assets are recognized in "Other financial income (expense)".

The effect of curtailment is recognised in "Other income (expenses)".

(in € millions)	2012	2011
Opening cumulative amount of actuarial gains and (losses) recognised in other comprehensive income (OCI)	**(30)**	**(2)**
Actuarial gains (losses) of the year recognized in OCI[1]	(65)	(29)
Change in perimeter	-	1
CLOSING CUMULATIVE AMOUNT OF ACTUARIAL GAINS AND (LOSSES) RECOGNISED IN OCI	**(95)**	**(30)**

(1) In 2012 and 2011, actuarial losses are mainly explained by the decrease in discount rates over the period (see note 24.5).

24.3 Analysis of the change in benefit obligation

(in € millions)	Pension plan benefits		Medical post-retirement benefits		Total	
	2012	2011	2012	2011	2012	2011
Change in benefit obligation						
Benefit obligation at opening[1]	**(510)**	**(533)**	**(46)**	**(42)**	**(556)**	**(575)**
Current service cost	(6)	(6)	-	-	(6)	(6)
Interest cost	(22)	(23)	(1)	(2)	(23)	(25)
Amendment	3	(1)	-	-	3	(1)
Curtailment/settlement[2]	4	1	41	-	45	1
Actuarial (gain)/ loss	(69)	(21)	(3)	(2)	(72)	(23)
Benefits paid	42	42	2	1	44	43
Currency translation adjustments	-	(6)	-	(1)	-	(7)
Change in perimeter[3]	5	37	-	-	5	37
Benefit obligation at closing[4]	(553)	(510)	(7)	(46)	(560)	(556)
Benefits obligation wholly or partly funded	*(222)*	*(213)*	-	-	*(222)*	*(213)*
Benefit obligation wholly unfunded	*(331)*	*(297)*	*(7)*	*(46)*	*(338)*	*(343)*
Change in plan assets						
Fair value at opening[1]	**166**	**187**	**-**	**-**	**166**	**187**
Expected return on plan assets	10	10	-	-	10	10
Actuarial gain/(loss)	6	(6)	-	-	6	(6)
Employer contribution[5]	7	17	-	-	7	17
Settlement	-	(1)	-	-	-	(1)
Benefits paid	(17)	(17)	-	-	(17)	(17)
Currency translation adjustments	-	5	-	-	-	5
Change in perimeter[3]	1	(29)	-	-	1	(29)
Fair value at closing[4]	**173**	**166**	**-**	**-**	**173**	**166**
Funded status (I)	**(380)**	**(344)**	**(7)**	**(46)**	**(387)**	**(390)**
Unrecognized prior service cost (II)	(1)	3	-	-	(1)	3
Recognition in held for sale (see note 11) (III)	-	1	-	-	-	1
RETIREMENT BENEFIT OBLIGATIONS (I)+(II)+(III)	**(381)**	**(340)**	**(7)**	**(46)**	**(388)**	**(386)**

(1) The 2012 and 2011 opening position of the benefit obligation and plan asset includes a portion classified in held for sale.

(2) 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.D 54 million (€41 million at December 31, 2012 average rate).

(3) The 2012 changes in perimeter reflects mainly the disposal of the Broadcast businesses and of Thomson Angers. In 2011 changes in perimeter show impacts on disposal of Grass Valley businesses in the UK, France, U.S., Germany, Switzerland and Japan.

(4) For NAFTA subsidiaries (which include U.S., Canada and Mexico):

- *pension benefits obligations amount to €134 million and €136 million, for the years ended December 31, 2012 and 2011, respectively;*
- *plan assets amount to €85 million and €88 million for the years ended December 31, 2012 and 2011, respectively;*
- *medical post-retirement benefits obligations amount to €7 million and €46 million for the years ended December 31, 2012 and 2011, respectively (nil for plan assets and nil for unrecognized actuarial prior service cost.*

For German subsidiaries, the pension benefit obligation and the net pension accrual amount to €294 million and €253 million for the years ended December 31, 2012 and 2011, respectively.

(5) Employer contributions are lower compared to last year due to a change in the US contributions rules in 2012.

Medical post-retirement benefits plans are wholly unfunded. The Group expects the overall 2013 cash payments to be equal to €30 million for defined benefits plans. The experience adjustments are the following over the last five years:

	Pension plan benefits					Medical post-retirement benefits				
(in € millions)	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
Defined Benefit Obligation	(553)	(510)	(533)	(544)	(513)	(7)	(46)	(42)	(39)	(38)
Experience adjustment in Defined Benefit Obligation	(2)	14	(12)	10	(50)	-	(1)	(3)	1	(4)
In % of defined benefit obligation	*0.4%*	*(2.7)%*	*2.3%*	*(1.8)%*	*9.7%*	*-*	*2%*	*7%*	*(3)%*	*11%*
Plan Assets Fair Value	173	166	187	172	148	-	-	-	-	-
Experience adjustment on Plan Assets	6	(6)	3	-	N/A	N/A	N/A	N/A	N/A	N/A
In % of plan assets fair value	*3.5%*	*(3.6)%*	*1.6%*	*-*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*

24.4 Plan assets

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. Asset performance is reviewed on a quarterly basis and the asset allocation strategy is reviewed on an annual basis.

The 2012 actual return on plan assets amounts to €16 million and €4 million for the year ended 2011.

Technicolor's pension plans weighted-average asset allocations by asset category are as follows:

	Plan assets allocation		Plan assets fair value allocation	
(in % and € in millions)	2012	2011	2012	2011
Equity securities	38%	38%	65	63
Debt securities	29%	30%	50	50
Insurance	21%	21%	37	35
Other	12%	11%	21	18
TOTAL	**100%**	**100%**	**173**	**166**

The fair value of the plan assets did not include any Technicolor's own financial instruments or any asset used by the Group.

24.5 Assumptions used in actuarial calculations

	Pension benefits		Medical post-retirement benefits	
	2012	2011	2012	2011
Weighted average discount rate	3.4%	4.5%	3.6%	4.6%
Weighted average expected return on plan assets	6.0%	6.5%	N/A	NA
Weighted average long-term rate of compensation increase	2.0%	1.8%	N/A	NA

Discount rate methodology for the main benefits

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	2.8%	3.7%	4.6%
Early retirement	0.7%	N/A	N/A
Medical	N/A	3.7%	N/A

Other assumptions

The long-term rates of return on plan assets (U.S. 6.5% and the UK 6.5%) have been determined for each plan in consideration of the investment policies, the expected return for each component of the investment portfolio and other local factors in the country of the plan.

Sensitivity analysis

The table below shows the sensitivity to change in healthcare costs and change in discount rate:

(€ in millions)	Sensitivity of assumptions for 2012
1% increase in healthcare costs	
Impact on medical post-retirement benefit 2013 expense	-
Impact on medical post-retirement benefit obligation as of December 31, 2012	1
1% reduction in healthcare costs	
Impact on medical post-retirement benefit 2013 expense	-
Impact on medical post-retirement benefit obligation as of December 31, 2012	(1)
0.25% increase in discount rate	
Impact on pension and medical post-retirement benefit 2013 expense	-
Impact on pension and medical post-retirement benefit obligation as of December 31, 2012	(16)
0.25% reduction in discount rate	
Impact on pension and medical post-retirement benefit 2013 expense	-
Impact on pension and medical post-retirement benefit obligation as of December 31, 2012	17

Amendments to IAS 19, Employee Benefits, applicable in 2013 require the alignment of the discount rate used for defined benefit obligation and the rate used for expected return on plan assets. The impact of this change for the Group is estimated to be an increase in 2013 pension financial cost of €3 million.

NOTE 25 PROVISIONS FOR RESTRUCTURING AND OTHER CHARGES

25.1 Restructuring provisions

(in € millions)	2012	2011
Opening provisions	**81**	**56**
Current year expense[2]	31	90
Release of provision[2]	(3)	(6)
Usage during the period[1]	(56)	(54)
Currency translation adjustment	-	-
Change in held for sale provision	-	(1)
Other movements	(7)	(4)
CLOSING PROVISIONS	**46**	**81**
Of which current	*45*	*79*
Of which non-current	*1*	*2*

(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 € millions)	2012	2011
Profit (loss) from continuing operations		
Termination costs[*]	(23)	(80)
Impairment of assets (part of a restructuring plan)[**]	(6)	(3)
Continuing restructuring expenses	**(29)**	**(83)**
Profit (loss) from discontinued operations		
Related to activities discontinued and classified as held for sale[***]	-	2
Related to activities discontinued but not classified as held for sale	1	(1)
Discontinued restructuring expenses	**1**	**1**
TOTAL RESTRUCTURING EXPENSES OF THE GROUP	**(28)**	**(82)**

(*) Termination costs are related to both employees and facilities. 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.

(***) The amounts related to activities discontinued and classified as held for sale are not presented in the variation of restructuring provision above as they are presented within "Liabilities classified as held for sale" in the consolidated statement of financial position.

25.2 Other provisions

(in € millions)	Warranty	Risk and litigation related to businesses disposed of	Other provisions related to continuing businesses[1]	Total[2]
As of January 1, 2011	**26**	**72**	**68**	**166**
Current period additional provision	7	25	17	49
Release of provision	(7)	(14)	(15)	(36)
Usage during the period	(4)	(14)	(12)	(30)
Change in held for sale provision	(1)	-	(3)	(4)
Currency translation adjustments and other	(3)	-	(1)	(4)
As of December 31, 2011	**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**

(1) Include mainly provision for risk and litigation.

(2) Split of total provisions between non-current and current:

- as of December 31, 2012, €76 million classified as non-current and €78 million as current.

- as of December 31, 2011, €83 million classified as non-current and €58 million as current.

As of December 31, 2012, total provisions for litigation amount to €55 million (€31 million as of December 31, 2011).

NOTE 26 SHARE-BASED COMPENSATION PLANS

26.1 Plans granted by Technicolor

- 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 and 2012 performance, final vesting is still conditional to senior executives staying in the company at least until June 8, 2013.

- 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.

Stock options will vest on the date the Board of Directors approves the accounts for the fiscal year ended December 31, 2012 ("the first vesting date") and become exercisable as of June 17, 2014. The duration of the plan is eight years.

For French-tax domicile beneficiaries, free shares will be acquired on the date the Board of Directors approves the accounts for the fiscal year ended December 31, 2012 ("the first vesting date", estimated to be in April 2013) and will be subject to additional two-years holding period. 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, 2012 the total number of outstanding stock options amounted to a maximum of 1,371,640 options and 1,508,861 free shares granted to employees and Directors and of 204,806 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	114,590	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	35,796	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	55,313	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	87,711	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	61,086	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]	297,620	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]	1,017,144	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]	1,211,241	63	June 2013 (50%) and March 2014 (50%)	-	-	€5.2 on average

* *Management Incentive Plan (MIP), 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 2012 and 2011:

	Number of share options	Weighted Average Exercise Price *(in euros)*
Outstanding as of December 31, 2010		**46**
(with an average remaining contractual life of 5 years – excluding free shares)	**2,210,074**	(ranging from 0 to 208.2)
Out of which exercisable	*634,484*	*148,6*
New free shares granted in 2011 (maximum number)	1,637,152	-
Delivered[1]	(5,744)	-
Paid[1]	(6,282)	-
Forfeited	(613,574)	63.9
Outstanding as of December 31, 2011		**19.4**
(with an average remaining contractual life of 6 years – excluding free shares)	**3,221,626**	(ranging from 0 to 208.2)
Out of which exercisable	*376,666*	*148.6*
Adjustment following capital increases of July and August 2012	17,000	37.7
Forfeited	(358,125)	8.6
OUSTANDING AS OF DECEMBER 31, 2012	**2,880,501**	**17.4**
(with an average remaining contractual life of 5 years - excluding free shares)		(ranging from 0 to 171)
Out of which exercisable	*354,496*	*115.4*

(1) In 2011, in the frame of the Free Share Plan, Technicolor proposed to its employees either to receive the shares vested or to be paid for the value of such shares.

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 euro)	**Stock options plan granted in 2010**
Weighted average share price at measurement date	5.5
Weighted average exercise price	4.68
Expected volatility	52%
Expected option life*	5 years
Risk free rate	1.85%
Expected dividend yield	0%
Fair value of option at measurement date	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).

26.2 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 will be granted "incentive units" corresponding to 0.44% (T2) of MediaNaviCo gains and profits after grant date of T2 (to be 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 3rd tranche (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 euro)	N/A	0.43
Fair value of option at measurement date (in euros)	**0.20**	**0.20**

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, 2011	**4,450,624**	**3,590,000**
New options granted (with an average fair value of €0.33 at grant date)	-	7,828,414
Forfeited	(1,112,656)	(2,705,000)
NUMBER OF OPTIONS OUTSTANDING AS OF DECEMBER 31, 2012	**3,337,968**	**8,713,414**

The impact of this plan on Technicolor's result is less than €1 million in 2012 and nearly nil in 2011.

26.3 Compensation expenses charged to income

The compensation expenses charged to income for the services received during the period amount to €5 million and €1 million for the years ended December 31, 2012 and 2011, respectively. The counterpart of this expense has been credited fully to equity in 2012 and 2011.

26.4 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 January 1, 2011		
(with an average remaining contractual life of 3 years)	**293,619**	**177**
Out of which exercisable	*293,619*	*177*
Forfeited	(54,018)	160
Expired (Plan 2 – expired on October 11, 2011)	(32,773)	315
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*

NOTE 27 OTHER CURRENT AND NON-CURRENT LIABILITIES

(€ in millions)	2012	2011
TOTAL OTHER NON-CURRENT LIABILITIES	**96**	**97**
Taxes payable	33	32
Current royalties	98	98
Payables for PPE and intangible assets	18	37
Other[1]	265	194
TOTAL OTHER CURRENT LIABILITIES	**414**	**361**

(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 (see note 1.2).

NOTE 28 EARNINGS (LOSS) PER SHARE

NRS I and NRS II, including the accrued interest, are equity instruments (see note 19.1), and have therefore been considered as outstanding shares, for the computation of the basic earnings 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:

	2012	2011
NUMERATOR:		
Adjusted profit (loss) "Group share" from continuing operations attributable to ordinary shareholders *(in € millions)*	15	(302)
DENOMINATOR*:		
Weighted shares *(in thousands)*	277,191	230,748
Of which		
NRS IIC[1]	1,006	19,310
Stock options[2]	300	79

* *Weighted average number of share for basic earnings is 275,885 thousands shares in 2012 and 211,364 thousands shares in 2011. For computation of the diluted earnings (loss) per share, weighted number of NRS IIC and stock options is added.*

According to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted in 2012 and 2011 to take into account the share capital increase with preferential subscription rights that occurred on August 14, 2012.

(1) In 2012, this weighted amount of shares includes 1,009 thousands new shares issued on December 30, 2012. In 2011 this weighted amount of shares included 18,354 thousands new shares issued on December 30, 2011 and 1,006 thousand shares that could be issued for the NRS IIC whose conversion was deferred until December 31, 2012, adjusted to take into account the share capital increase with preferential subscription rights that occurred on August 14, 2012.

(2) Due to Technicolor share price during 2011 and 2012 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 26).

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:

	2012	2011
NUMERATOR		
Adjusted profit (loss) "Group share" from discontinued operations attributable to ordinary shareholders *(€ in million)*	(35)	(21)
DENOMINATOR		
Weighted shares *(in thousands)*	277.191	230,748

NOTE 29 INFORMATION ON EMPLOYEES

The geographical breakdown of the number of employees of the Group at the end of the year is as follows:

	2012	2011
Europe*	4,135	5,766
North America	5,930	6,497
Asia[1]	1,960	1,975
Other countries[2]	2,614	2,704
TOTAL NUMBER OF EMPLOYEES	**14,639**	**16,942**
Number of employees in entities accounted for under the equity method	413	232
(1) Of which People's Republic of China and Hong Kong	*476*	*568*
(2) Of which Mexico	*1,618*	*1,608*

* *The decrease in the number of employees in Europe is mainly explained by the disposal of Broadcast Services activities and the deconsolidation of Thomson Angers.*

There were no employees reported under the discontinued perimeter as of December 31, 2012 and 2011.

The total "Employee benefits expenses" (including only people employed in the consolidated entities) is detailed as follows:

	2012			2011		
(in € millions)	Total Group	Discontinued operations	Continuing operations	Total Group	Discontinued operations	Continuing operations
Wages and salaries	710	-	710	833	9	824
Social security costs	103	-	103	114	3	111
Compensation expenses linked to share options granted to Directors and employees[1]	5	-	5	1	-	1
Pension costs – defined benefit plans[2]	(26)	-	(26)	21	-	21
Termination benefits and other long-term benefits[3]	19	-	19	79	(1)	80
TOTAL EMPLOYEE BENEFITS EXPENSES (EXCLUDING DEFINED CONTRIBUTION PLANS)[4]	**811**	**-**	**811**	**1,048**	**11**	**1,037**
Pension costs – defined contribution plans	19	-	19	22	-	22

(1) See note 26.

(2) The positive impact of pension costs is linked to the curtailment gain booked in 2012. See note 24.

(3) These costs were presented in restructuring expenses within continuing operations and in net loss from discontinued operations in the consolidated statement of operations (see note 25). In 2011, the significant termination benefits is due to the restructuring plans announced at the end of December 2011 (see note 25).

(4) The defined contribution expenses paid within a legal and mandatory social regime are included in Employee benefits expenses shown above.

NOTE 30 SPECIFIC OPERATIONS IMPACTING THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash impact of debt restructuring

(in € millions)	Note	2012	2011
Fees paid for debt and capital restructuring[1]	(9)	(1)	(9)
Reimbursement of borrowings to bank holders	(22)	(245)	(51)
TOTAL CASH IMPACT OF DEBT RESTRUCTURING		**(246)**	**(60)**

(1) The fees paid directly linked to the restructuring have been classified as financing cash flows as they relate to the debt and capital restructuring of the Group.

(b) Acquisition of subsidiaries, associates and investments

(in € millions)	2012	2011
Business acquisition from Quinta	(2)	-
Acquisition of 50% interests in Indoor Direct	(6)	-
Business acquisition from Laser Pacific	(1)	(6)
Technicolor Digital Cinema LLC (deferred payment)	(1)	(2)
Other	-	(4)
ACQUISITION OF INVESTMENTS	**(10)**	**(12)**
ACQUISITION OF INVESTMENTS, NET OF CASH POSITION OF COMPANIES ACQUIRED	**(10)**	**(12)**

(c) Disposal of subsidiaries and activities

(in € millions)	2012	2011
Disposals on continuing activities		
Broadcast	17	-
ContentGuard	-	18
Other disposal and cash of companies disposed of	-	(4)
Net cash impact in continuing activities	**17**	**14**
Disposals of discontinued activities		
Grass Valley activities[1]	(4)	(27)
Other disposal and cash of companies disposed of	(1)	(5)
Net cash impact of discontinued activities	**(5)**	**(32)**
TOTAL CASH IMPACT OF DISPOSALS	**12**	**(18)**

(1) Corresponds to the payment of commitments given in the disposals agreements.

(d) Changes in working capital and other assets and liabilities

Starting in 2011 the French tax authorities reimburse the Research tax credit (CIR) after a three-year period (instead a one year period for previous years' CIR). Technicolor, as it did last year, decided accordingly to sell to a financial institution its CIR for €17 million and €15 million in cash in the first half of 2012 and 2011, respectively.

This sale occurred at the end of June 2012 and 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.

On top of this transaction, the Group enters into factoring agreements during 2012 for a total amount of €21 million, of which €3 million receivables as of December 31, 2012.

NOTE 31 CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The following table provides information regarding the aggregate maturities of contractual obligations and commercial commitments as of December 31, 2012 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 € millions)	2012	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]	1,236	96	255	885	-
Finance leases[2]	-	-	-	-	-
Payables on acquisition and disposal of companies	2	-	1	1	-
Off-balance sheet obligations:					
Operating leases[3]	359	79	124	75	81
Purchase obligations[4]	171	171	-	-	-
Other unconditional future payments[5]	27	12	9	6	-
TOTAL UNCONDITIONAL FUTURE PAYMENTS*	**1,795**	**358**	**389**	**967**	**81**
Conditional future payments					
Off-balance sheet obligations:					
Guarantees given[6]	49	48	1	-	-
Other conditional future payments[7]	6	3	3	-	-
TOTAL CONDITIONAL FUTURE PAYMENTS*	**55**	**51**	**4**	**-**	**-**

* *"Total Unconditional future payments" and "Total Conditional future payments" as of December 31, 2011 amounted respectively to €2,022 million and €78 million on continuing entities.*

(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 €1,115 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) These include in particular commitments to acquire minimum volumes from Asian suppliers for €170 million.

(5) Other unconditional future payments relate in particular to (i) licensing agreements within the Digital Delivery and Entertainment Services segments and (ii) other contractual advances.

(6) These guarantees comprise:

- *guarantees given for disposal of assets for €2 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 €26 million related to ongoing tax litigations;*
- *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.*

(7) Conditional obligations mainly include contingent earn-out payments for €4 million related to past acquisitions.

Additional information:

- *Technicolor SA is committed to pay half of the soil remediation costs of Angers site;*
- *guarantees and commitments received amount to €219 million as of December 31, 2012. 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 €13 million as of December 31, 2012.*

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 € millions)	2012
Currency swaps	128
TOTAL COMMITMENTS GIVEN	**128**
Currency swaps	(128)
TOTAL COMMITMENTS RECEIVED	**(128)**

Operating leases

At December 31, 2012, commitments related to future minimum and non-cancellable lease payments are detailed below:

(€ in millions)	Minimum future lease payments[1]	Future lease payments commitments received[2]	Net value of future lease commitments
2013	79	(2)	77
2014	68	(2)	66
2015	56	(2)	54
2016	44	(2)	42
2017	31	(1)	30
After 5 years	81	(4)	77
TOTAL	**359**	**(13)**	**346**

(1) Minimum operating lease payments shown are not discounted.

(2) Includes mainly operating lease payments made by Ericsson Broadcast Services UK Limited for the subleasing of a part of the Chiswick building in UK.

The main operating leases relate to the office buildings in Issy-les-Moulineaux and Indianapolis:

- On April 22, 2008, Technicolor signed a commitment for a new operating lease for 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 2012 was €82 million (€84 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 UK, 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 38 of their subsidiaries to secure part of the Reinstated Debt.

Receivables from material contracts pledged

Receivables of Thomson Licensing SAS were pledged under a Patent Licensing Agreement dated December 23, 2009 with Koninklijke Philips Electronics N.V..

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 (iv) Technicolor Entertainment Services Spain, SA.

NOTE 32 CONTINGENCIES

In the normal 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 the course of the *Sauvegarde* proceeding, the *Mandataires Judiciaires* in charge of Technicolor's *Sauvegarde* contested the claim in an amount of €9.9 million of Banco Finantia, a Portuguese bank, due to a declaration outside of the legal time limit. Banco Finantia had acquired such 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 the claim prior to the transfer to Banco Finantia.

Banco Finantia declared its claim on the last day of the 4-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 22, 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 Company lodged an appeal with the French Supreme Court (*Cour de cassation*) on June 29, 2012.

Italian tax litigation – Videocolor transfer prices

The Company's former Italian subsidiary, Videocolor S.p.A. (Videocolor), was subject 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 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, increasing the taxable income of Videocolor in the amount of €31 million for the years 1993 through 1998.

In May 2003, Videocolor elected to benefit, in respect of the years 1993 and 1994, from the new tax amnesty, enacted by the Italian Parliament in 2003. In application of this amnesty law, Videocolor paid a total amount of €1 million, thereby ending all disputes with regard to the years 1993 and 1994. Videocolor is able to use all the tax losses originating from 1993 and the previous years.

With regard to the year 1995, the Direct Taxes Local 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 November 2006, with the Court of appeal confirming an assessment in the amount of €2 million, including penalties.

Videocolor filed an appeal to the Supreme Court based on the argument that the assessment was not founded on OCDE transfer pricing principles. In addition, the Court of appeal made a manifest error of calculation in revising the assessments and added a charge of €1.8 million that the Company is contesting with the Supreme Court.

In 2002, the Direct Taxes Local Office gave notices of two assessments with regard to 1996 and 1997 fiscal years 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 with the tax court in order to nullify these assessments. In November 2004, this tax court rejected almost all of the assessments notified by the Italian Tax authorities. The Direct Taxes Local Office appealed this decision in December 2005. In December 2007, the Court decided in favour of Videocolor, confirming the previous favorable judgment. In July 2008, the Direct Taxes Local Office appealed these rulings to the Supreme Court.

In December 2003, the Direct Taxes Local Office gave notice of an assessment with regard to fiscal year 1998 resulting in additional taxes amounting to €0.1 million and penalties amounting to €0.1 million. Videocolor appealed this assessment in March 2004 before the court of appeal which decided, in December 2005, to reject almost all of the assessments of the Italian Tax authorities. The Tax office appealed this decision. In April 2008, the Court decided in favor of Videocolor. In May 2009, the Direct Tax Office appealed this sentence to the Supreme Court. In July 2009, Videocolor filed its memorandum against the appeal of the Direct Taxes Local Office with the Supreme Court.

Technicolor sold Videocolor in February 2005, but remains responsible for the possible outcome of this dispute as a result of the guarantees given to the buyer.

Anti-dumping on televisions manufactured by Technicolor's Thailand unit

Customs authorities in eight European countries are assessing imports into the European Union by Technicolor subsidiaries of television manufactured by Technicolor in Thailand's unit. 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 in May 2004, January 2005 and February 2005 various re-assessment notices relating to antidumping duties, excluding interest and any penalties applicable in various countries of the European Union, inclundig the United Kingdom, Germany, France and Italy with an aggregate amount of around €22 million.

On March 24, 2005, the Provincial Tax Court of Milan (Italy) rendered a decision and maintained the assessment. The assessment was again maintained by the Court of Appeal in a judgment rendered in March 2008. Technicolor appealed at the Italian Supreme Court. The Supreme Court hearing took place on February 2, 2012 and issued an unfavorable decision in October 2012. The Italian Customs Authorities have requested the payment of 7.6 M€ by installments. Technicolor considers this decision as unlawful in view of European Community law and is studying how to lodge a complaint.

The French Customs Authority accepted to submit in August 2005 to the European Commission Technicolor's duty refund claim based on Article 239 of the European Community's Customs Code. In May 2007, the European Commission notified a rejection of this claim, but accepted the good faith of Technicolor. In July 2007, Technicolor filed an appeal at the 1st Instance of the European Court of Justice, which rejected in September 2009 Technicolor's position. In November 2009, Technicolor lodged an appeal at the European Court of Justice which also rejected in June 2010 Technicolor's position. Technicolor continues the legal proceedings at the national courts in France, Germany and the UK. In June 2011, the French court followed Technicolor's request and decided to transfer the case to the European Communities Court of Justice, which answered in April 2012 and sent back the case to the French court. The French Court met in September 2012, but issued an unfavorable decision early February 2013. Technicolor lodged an appeal on February 18, 2013.

Technicolor still believes that it has correctly declared and paid duty on the imported televisions concerned, and, accordingly, strongly disputes the grounds of these re-assessments.

Pegasus Development Corporation/Personalized Media Communications, LLC v. Thomson Consumer Electronics, Inc.

In December 2000, Pegasus Development Corporation ("Pegasus") and Personalized Media Communications, L.L.C. ("PMC") filed suit in the US District Court for the District of Delaware against Technicolor USA, Inc. (formerly Thomson Inc.), DIRECTV, Inc., Hughes Electronics Corporation, and Philips Electronics North America Corporation alleging infringement with respect to seven patents relating to digital satellite signal processing.

In May 2003, the US District Court for the District of Delaware stayed the lawsuit pending the re-examination of the patents at issue by the U.S. Patent and Trademark Office ("USPTO"). The USPTO has now confirmed as patentable four claims of three patents asserted against the Company in the Delaware District Court litigation.

At the end of 2011, the Court lifted the Stay and the action is proceeding. Pegasus claims damages in the form of royalties for some or all of the satellite integrated receivers/decoders ("IRD's") the Company has sold. Plaintiffs are attempting to assert three previously unasserted claims to relate back to the December 2000 filing of the Complaint. Technicolor is vigorously defending Plaintiff's claims.

Poland Tax Proceedings

To complete two requests for arbitrage on 2003 transfer prices between France and the UK on one side and Poland on the other side, the Polish entity, Technicolor Polska, submitted in June 2009 a €8 million tax refund request to the Polish Tax Authorities. At the same time, the Polish Tax Authorities launched, in 2009, an audit on the 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 R&D costs & 2004 withholding taxes resulting in additional taxes amounting to €10 million and interest amounting to €7 million. In between, Polish Tax Authorities had established a €17 million mortgage on the company's assets which also had as an indirect consequence the prevention of 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. They issued in January 2011 provisional assessments equivalent to the previous year assessments, i.e. deductibility of 2004 R&D costs and 2005 withholding taxes, amounting €5 million in principal and €3 million in interest. In August 2011, the 1st level Administrative Court of Warsaw rejected 98% of the 2010 assessments (on 2003 deductibility of R&D 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 is currently reviewing the final aspects of the proceedings. They interviewed around 20 former employees. Technicolor is waiting for its conclusions.

Technicolor Polska continues to contest the other assessments, as it does not consider them as valid.

France VAT audit

French Tax Authorities audited Technicolor SA for the fiscal year 2009 and issued, at the end of 2012, an assessment amounting €5.6 million. An amount of €1.6 million concerns VAT which was wrongly charged by a former subsidiary which was collecting a subsidy from Technicolor, as per a 2009 Share Sale Agreement. Technicolor will ask the former subsidiary to recover that VAT. An amount of €3.7 million concerns the VAT recoverability of the holding company, which Technicolor is contesting.

Taoyuan County Form RCA Employees' Solicitude Association (the "Association")

In April 2004, the Plaintiff, the Taoyuan County Former RCA Employees' Solicitude Association ("The Association"), which is a non-profit entity composed of former RCA employees (or heirs of former workers) who claim to have worked at the Company's former manufacturing facility in Taoyuan 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 the Company and General Electric International, Inc. ("GEI"). The Association is alleging they were exposed to various contaminants while living and working at the facility, which allegedly caused them to suffer various diseases, including cancer, or caused them emotional distress from fear that living and working at the facility increased their risk of contracting diseases. The Association claims damages of NTD 2.7 billion (€70 million at the December 31, 2012 closing 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. (formerly Thomson Inc.), Technicolor SA (formerly Thomson SA), and General Electric Company ("GE") as defendants. The Company is vigorously defending the case, and it is unclear how the addition of defendants will impact the progress of the case. It is the Company'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

On November 28, 2007, Technicolor USA, Inc. (US) (formerly Thomson, Inc.) received a subpoena issued on behalf of the Antitrust Division of the U.S. Department of Justice investigating alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry, including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses.

The Group sold its CPT business in 2005 and never had activity in the CDT business.

In addition, class action law suits asserting private antitrust claims 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 and others as defendants, although Technicolor was dropped as a named defendant when amended complaints were filed in the spring of 2009. In November 2011, Technicolor USA 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 to the pending class action. In October 2012, Technicolor SA, Technicolor USA, 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.

On January 9, 2008, Technicolor received a request under art 18 (2) of Council Regulation n°1/2003 from the European Commission (the "EC") also relating to anti-competitive conduct in the CRT industry from 1999 to 2005. On November 25, 2009, Technicolor received a Statement of Objections ("SO") from the European Commission. On March 3, 2010, Technicolor filed its written response to the "SO". On December 5, 2012, Technicolor was notified by the European Commission of its decision to impose a fine of €38.6 million to Technicolor. This amount is classified in the "Net loss from discontinued operations" caption of the consolidated statement of operations as it relates to a business discontinued by the Group in 2005. Following the European Commission decision, purchasers may bring individual claims against the Company seeking compensation for alleged loss suffered as a result of the anti-competitive conduct.

In parallel, 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.

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

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 manufacturing facility in Taoyuan, Taiwan that was acquired in the 1987 transaction with GE, 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. 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.

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 result of operations arising from its environmental, health and safety obligations and related risks.

NOTE 33 RELATED PARTY TRANSACTIONS

The main transactions completed with, receivable from and payable to related parties are detailed as follows:

(in € millions)	2012	2011
Statement of financial position items		
Trade receivables		
SV Holdco	3	4
Other joint-ventures	2	-
Other related parties		
■ The Weinstein Company[5]	N/A	7
Trade payables		
■ ST Microelectronics[1]	3	1
■ Thalès Group and its subsidiaries[1]	-	1
Statement of operations items		
Revenues		
Screenvision Europe	-	1
SV Holdco	11	15
Indoor Direct[2]	3	-
Other joint-ventures	2	-
Other related parties		
■ The Weinstein Company[5]	N/A	32
■ ST Microelectronics[1]	1	2
Expenses		
SV Holdco	-	(1)
Other related parties		
■ ST Microelectronics[1]	(23)	(9)
■ Thalès Group and its subsidiaries[1]	-	(4)
■ Thomson Angers[3][4]	(20)	N/A
Contractual obligations and other commitments		
Commitments given to Thomson Angers[3]	(2)	N/A

(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 in 2012, Technicolor accounts for its investment in this joint venture using the equity method. Indoor Direct 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) This amount corresponds 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) Since 2012, the Weinstein Company is not anymore related party of Technicolor.

Key Management Personnel Compensation

The 2012 and 2011 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 2012 will be paid in 2013.

Compensation expenses allocated by the Group to Members of the Executive Committee (including those who left this function during 2012 and 2011), during 2012 and 2011 are shown in the table below:

(€ in millions)	2012	2011
Short-term employee benefits[1]	14	9
Termination benefits	-	-
Share-based payment	2	-
TOTAL	**16**	**9**

(1) In addition, as of December 31, 2012, the Group has an obligation of €4 million 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 €8 million.

NOTE 34 SUBSEQUENT EVENTS

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 9 million Australian Dollars (equivalent to €7 million at closing exchange rate) and a variable amount dependent on future level of activities of the acquired business. This business has responsibilities for Warner Bros. and Paramount Home Entertainment as well as Roadshow Entertainment. The impacts of this acquisition on the consolidated financial statements have not yet been finalized, but they are not considered to be potentially significant.

On January 21, 2013, Technicolor sold its VoIP business to ANL ENTREPRISES for €2 million, subject to working capital adjustments and with a potential earn-out payment of €1 million. VoIP assets and liabilities are classified as held for sale in the Group consolidated statement of financial position as of December 31, 2012. This disposal won't have any significant impact in the Group 2013 consolidated financial statements.

NOTE 35 LIST OF MAIN CONSOLIDATED SUBSIDIARIES

The following is a list of the principal consolidated holding entities and subsidiaries:

	% share held by Technicolor (% rounded to one decimal)	
COMPANY – (Country)	**2012**	**2011**
1) Fully consolidated		
Technicolor SA (France) 1-5 rue Jeanne d'Arc, 92130 Issy-les-Moulineaux – France	Parent company	Parent company
Immobilière Le Gallo SAS (France)	(*)	100.0
MediaNavi Co LLC (U.S)	89.1	89.1
Th. multimedia Distrib.(Netherlands) BV (Netherlands)	100.0	100.0
Technicolor Disc Services International Ltd. (Hammersmith) (UK)	100.0	100.0
Technicolor Export de Mexico, S. de R.L. (Mexico)	100.0	100.0
Technicolor Home Ent.Serv LLC of America (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, S.A. de C.V. (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
Thomson Angers (France)	(**)	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 R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Videocassette of Michigan, Inc. (U.S.)	100.0	100.0
Technicolor Media Services UK Ltd. (UK)	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 U.S. 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. (UK)	100.0	100.0
Technicolor, Pty, Ltd. (Australia)	100.0	100.0
RCA Trademark Management SA (France)	100.0	100.0
Technicolor Holdings Ltd. (UK)	100.0	100.0
Technivision Ltd. (UK)	100.0	100.0
Technicolor Videocassette Holdings Ltd. (UK)	100.0	100.0
Technicolor Video Serv.(UK) Ltd. (UK)	100.0	100.0
Technicolor Ltd. (UK)	100.0	100.0
Technicolor Distribution Services France EURL (France)	100.0	100.0
Technicolor SpA (Italy)	100.0	100.0
Technicolor Entertainment Services Spain (Spain)	100.0	100.0
Technicolor (Thailand) Ltd. (Thailand)	100.0	100.0
MPC The Moving Picture Company Limited (UK) (UK)	100.0	100.0
Technicolor Europe Ltd. (UK)	100.0	100.0
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
Technicolor Network Services UK Ltd. (UK)	(**)	100.0
NOB NV (Netherlands)	(**)	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
Technicolor Network Services France SAS (France)	(**)	100.0
Gallo 8 SAS (France)	100.0	100.0

	% share held by Technicolor (% rounded to one decimal)	
COMPANY - (Country)	**2012**	**2011**
Thomson multimedia Sales UK 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
2) Accounted for under the equity method		
SV HOLDCO (U.S.)	18.3	18.8
Techfund Capital Europe (France)	20.0	20.0
Indoor Direct, LLC (U.S.)	50.0	-
Beijing Thomson CITIC Digital Technology Co., Ltd. (China)	50.0	(***)

(*) Entity merged into one other.

(**) Entity sold, liquidated or deconsolidated.

(***) Entity consolidated under the equity method since January 1, 2012 and previously consolidated by pro-rata method

8.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2012, on:

- the audit of the accompanying consolidated financial statements of Technicolor;
- 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, 2012 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.

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 fiancial statements.

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:

- On the basis of our work performed and based on the information obtained to date, and in the context of our assessment of the adequacy of the accounting policies used by your Company, we believe that Note 3.1 to the consolidated financial statements, discloses the appropriate information on the Company's situation in relation to the going concern assumption applied to approve the consolidated financial statements.

- Note 3 to the consolidated financial statements describes the situations where management of Technicolor 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 systematically 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 24 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 24 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 32.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Neuilly-sur-Seine, March 20, 2013
Deloitte et Associés
French original signed by
Alain Pons — *Partner*
Ariane Bucaille — *Partner*

Courbevoie, March 20, 2013
Mazars
French original signed by
Jean-Louis Simon — *Partner*
Simon Beillevaire — *Partner*

8.4 TECHNICOLOR SA PARENT COMPANY FINANCIAL STATEMENTS

8.4.1 STATEMENT OF OPERATIONS

		Year ended December 31	
(in € millions)	Note	2012	2011
Revenues	*(3)*	83	83
Other operating revenues		3	3
Total operating income		**86**	**86**
Wages and salaries		(58)	(58)
Other operating expenses		(70)	(68)
Depreciation, amortization and provisions		(7)	(12)
Loss from operations		**(49)**	**(52)**
Interest income		115	182
Interest expense		(179)	(229)
Dividends from subsidiaries		332	277
Other net financial losses		(270)	(580)
Net finance expense	*(4)*	**(2)**	**(350)**
Net loss after financial loss		**(51)**	**(402)**
Capital gain (loss) on asset disposals and contributions		2,165	(2)
Other exceptional expenses		(66)	(1)
Exceptional profit (expense)	*(5)*	**2,099**	**(3)**
Income tax	*(6)*	56	67
NET INCOME (LOSS)		**2,104**	**(338)**

The accompanying notes on pages 227 to 244 are an integral part of these financial statements.

8.4.2 STATEMENT OF FINANCIAL POSITION

(in € millions)	Note	December 31, 2012	December 31, 2011
ASSETS			
Non-current assets			
Intangible assets		22	24
Depreciation, amortization and provisions		(13)	(14)
Net value of intangible assets	*(7)*	**9**	**10**
Property and Equipment		15	15
Depreciation, amortization and provisions		(5)	(4)
Net value of Property and Equipment	*(7)*	**10**	**11**
Shares in subsidiaries		7,436	7,467
Provisions on shares in subsidiaries		(6,895)	(6,684)
Other shares		1	1
Other financial assets		204	81
Net value of financial assets	*(8)*	**746**	**865**
Total non-current assets		**765**	**886**
Current assets			
Trade Receivables		34	46
Current accounts and loans with subsidiaries	*(9)*	3,513	1,512
Impairment of Group company current accounts and loans		(78)	(76)
Other current assets		41	45
Cash and cash equivalents		211	145
Total current assets	*(9)*	**3,721**	**1,672**
Prepayments and deferred charges	*(10)*	**15**	**21**
TOTAL ASSETS		**4,501**	**2,579**

The accompanying notes on pages 227 to 244 are an integral part of these financial statements.

(in € millions)	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
Equity			
Common stock *(335,543,841 shares at December 31, 2012 at per value of €1.00)*	*(12)*	336	224
Additional paid-in capital	*(12)*	1,161	1,072
Other reserves		100	100
Retained earnings		(2,179)	(1,841)
Net profit for the year		2,104	(338)
Total shareholders' equity	*(12)*	**1,522**	**(783)**
Other equity instruments	*(12)*	500	520
Total shareholders' equity and equity instruments		**2,022**	**(263)**
Provisions for losses and contingencies	*(14)*	**48**	**95**
Financial liabilities			
Payables to other Group companies		1,035	1,130
Financial debts		1,226	1,480
Total financial liabilities	*(13)*	**2,261**	**2,610**
Current liabilities			
Trade payables		20	19
Other current liabilities		141	107
Total current liabilities	*(15)*	**161**	**126**
Deferred income		**9**	**11**
TOTAL EQUITY AND LIABILITIES		**4,501**	**2,579**

8.4.3 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Common Stock	Additional paid-in capital	Legal reserves	Other reserves	Retained earnings	Net income (loss) for the year	Total
At December 31, 2010	**175**	**749**	**-**	**100**	**(1,341)**	**(500)**	**(817)**
Changes in 2011							
Allocation of 2010 balance	-	-	-	-	(500)	500	-
NRS I, II and IIC redeemed into equity (December 30, 2011)	49	323	-	-	-	-	372
Net loss of the year	-	-	-	-	-	(338)	(338)
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**

The accompanying notes on pages 227 to 244 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 (M&E) 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 21, 2013. 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 2013.

1.2 Main events of the year

Changes in Technicolor share capital

On June 20, 2012, Technicolor's shareholders approved the resolutions relating to the transaction proposed by 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 gross proceeds of €94,943,012. The settlement of this capital increase occurred on July 16, 2012.

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 gross proceeds of €96,163,573. The settlement of this capital increase occurred on August 14, 2012. Vector Capital, following its participation in the two capital increases, has become the largest shareholder of Technicolor, with a shareholding of 20.9% (20.7% at December 31, 2012 after NRS redemption).

In accordance with the terms of Technicolor Group's credit agreements, 80% of the net proceeds of these capital increases and 100% of the net proceeds from disposal of Broadcast business (sold by affiliated companies of the Group Technicolor) have been used to repay the Reinstated Debt. These repayments, without penalty, took place during the third quarter of 2012. The repayments reduced debt by €162 million on a nominal basis (see note 13).

In addition, following the redemption of 16,380,569 Notes Redeemable in Shares (NRS) II and IIC at the end of 2012, the share capital of Technicolor SA increased by 2,669,936 shares (see note 12).

Disposal of Thomson Licensing SAS to Technicolor International SAS

On December 21, 2012, Technicolor SA sold its 100% direct subsidiary, Thomson Licensing SAS (the Licensing Company of Technicolor group located in France), through an intra-group transaction to another 100% affiliate (Technicolor International SAS). The sale price was the fair value of Thomson Licensing SAS determined by an independent appraiser using a Discounted Cash Flow approach backed-up by a multiple market approach. This transaction allowed Technicolor SA to recognize a net gain of €2.16 billion on disposal. After this transaction, the equity of Technicolor SA is therefore back to a positive situation, well above its share capital.

Thomson Angers "règlement judiciaire"

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 by the Court on June 1, 2012. In June 2012 Technicolor paid to Thomson Angers €2 million in order to finance the activity during the observation period and undertook some other losses for €1 million.

As no offer was presented the Court ordered on October 11, 2012 the liquidation of Thomson Angers SAS. On October 16, 2012, Thomson Angers's liquidator sued Technicolor and on November 16, 2012 an agreement was signed by which Technicolor will 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 exceptional expenses" caption of our statements of operations.

European Cathode Ray Tubes (CRT) litigation

On December 5, 2012, the European Commission has fined a cartel in the Cathode Ray Tubes (CRT) industry including Technicolor (Thomson at the time of the alleged acts), Samsung, Philips, LG, Panasonic and Toshiba, among others. 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 to Technicolor. This amount is classified in the "Other exceptional expenses" caption of our statement of operations as it relates to a business sold by the Company in 2005.

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

Going concern

The parent company financial statements for the year ended December 31, 2012 were approved by the Board of Directors on February 21, 2013 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, 2013.

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* (further to the merger of the *Conseil National de la Comptabilité* and the *Comité de la règlementation comptable*), the *Ordre des Experts Comptables* and the *Compagnie Nationale des Commissaires aux Comptes* are also applied.

The valuation methods used in the 2012 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 adverse 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.

Software acquired or developed as well as licenses are amortized on a straight-line basis over the duration of their protection or over their useful life, whichever is shorter.

(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 useful value, 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 result.

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 potential 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

Since January 1, 2005, the Company has applied recommendation No. 2003-R.01 dated April 1, 2003 concerning accounting rules and valuation of post-employment retirement obligations and similar benefits.

The costs for employee retirement pensions 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: 2.8%;
- projected long-term inflation rate: 2%;
- salary rate of increase: 3.5%.

The Company records its commitments for jubilee awards (*médailles du travail*) according to CNC bulletin (*Avis*) No. 2004-05. 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 14 companies.

Due mainly to the disposal of the Tubes activity in 2005, the Company has tax losses to carry forward indefinitely, estimated at €2,404 million as of December 31, 2012.

Exceptional income (expense)

Exceptional items include income or charges of which the nature and amount are not recurring or exceptional.

NOTE 3 REVENUES

(in € millions)	2012	2011
France	51	58
E.U. (outside France)	7	4
Other countries	25	21
TOTAL REVENUES	**83**	**83**

Revenues consist mainly in intra-group re-invoicing (€79 million), royalties on trademarks (€2 million) and other external revenues (€2 million).

NOTE 4 NET FINANCE EXPENSE

(in € millions)	2012	2011
Depreciation on financial investments, treasury shares, current accounts and risk provisions regarding subsidiaries, net of reversal[1]	(266)	(563)
Reversal of depreciation on financial investments, current accounts and provisions for risks regarding shares sold or liquidated[2]	51	230
Dividends received[3]	332	277
Net losses on foreign exchange	-	(2)
Net interest expenses	(64)	(44)
Other expenses	(11)	(18)
Subtotal	**42**	**(120)**
Transferred to exceptional result[4]	(44)	(230)
TOTAL NET FINANCE EXPENSE	**(2)**	**(350)**

(1) In 2012, impairment on financial investments (see paragraph 8.a(4)) 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).

In 2011, impairment on financial investments and current accounts mainly applies to the subsidiaries Technicolor International SAS (€ 365 million of net impairment) and Technicolor USA, Inc. (€178 million of impairment on financial investments).

(2) Include in 2012 the reversal of provisions on Japan subsidiary (now liquidated) and on some other disposal of affiliates of Technicolor SA within Technicolor group. Such reversal is transferred to exceptional income (note 5) to match with the loss on disposal of the affiliates concerned.

(3) Mainly from Thomson Licensing SAS (€319 million and €269 million in 2012 and 2011, respectively).

(4) Corresponds to transfer of charges (i) on reversal of provisions on shares in subsidiaries sold or liquidated of €51 million, and (ii) on a net loss of €7 million on debt forgiveness (part of Other expenses) regarding Thomson Angers subsidiary (see note 5).

NOTE 5 EXCEPTIONAL PROFIT (EXPENSE)

(in € millions)	2012	2011
Capital gains/(losses) on disposals of intangible and financial assets[1]	2,165	(2)
Gains/(losses) on business disposals	(2)	4
Costs of restructuring (accruals net of reversals and charges for the year)	-	(6)
Other net exceptional (charges)/income[2]	(64)	1
TOTAL EXCEPTIONAL PROFIT (EXPENSE)	**2,099**	**(3)**

(1) Technicolor SA was the direct holding of Thomson Licensing SAS until December 21, 2012 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 evaluator 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 for their fair value to Technicolor International SAS.

Include €51 million of provision reversal on affiliates disposed or liquidated mentioned in note 4 (which offset the loss on disposal or liquidation of the affiliates concerned).

(2) Including a fine of €38.6 million from the European Commission regarding Cathode Ray Tubes (see notes 1.2 and 19) and a net loss of €26 million regarding Thomson Angers subsidiary in the process of being liquidated. The loss includes 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 *vis-à-vis* 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 were they taxable separately on a standalone basis.

(in € millions)	2012	2011
Current tax booked by French subsidiaries and passed on to the holding company[1]	74	62
Subsidiaries' research tax credit	20	25
Provision for tax-integrated companies in 2012[2]	(14)	(5)
Unused foreign tax credits for 2012	(5)	(1)
Other[3]	(19)	(14)
TOTAL INCOME TAX	**56**	**67**

(1) Under French tax integration system, Technicolor owns a fiscal debt towards integrated French subsidiaries, in particular towards Thomson Licensing SAS (€62 million).

(2) Following December 2012 French Tax regulation, French Group can now only offset 50% of its taxable profit with its tax losses carried forward (instead of 60% in 2011).

In addition, the French tax regulation limits to 85% the deductibility of net interest expenses.

The provision for the income tax expense under tax integration for 2012 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 repay to subsidiaries.

In December 2012, Technicolor SA paid an installment on income tax of €10 million.

In the absence of tax integration, the Company would show net income tax expense of €20 million.

(b) Variation of deferred or latent tax bases

Certain or potential tax items to carry forward are the following:

(in € millions)	December 31, 2011	Variation	December 31, 2012
Temporarily non-deductible expenses			
■ To be deducted the following year:			
Paid vacations	4	-	4
Restructuring costs	5	2	7
Other	22	-	22
■ To be deducted at a later date:			
Provisions for retirement	7	-	7
Provisions for subsidiary risks	5	(5)	-
Impairment on current accounts	21	2	23
Other	59	2	61[1]
To be deducted			
■ Tax losses carried forward	2,482	(78)	2,404

(1) including € 43 million related to depreciation on assets.

NOTE 7 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(in € millions)	Intangible assets	Property and Equipment
At December 31, 2011		
Cost	24	15
Accumulated deprecation	(14)	(4)
AT DECEMBER 31, 2011, NET	**10**	**11**
2012		
Opening net amount	10	11
Depreciation and amortization	(1)	(1)
AT DECEMBER 31, 2012, NET	**9**	**10**
At December 31, 2012		
Cost	22	15
Accumulated deprecation	(13)	(5)
AT DECEMBER 31, 2012, NET	**9**	**10**

NOTE 8 FINANCIAL ASSETS

(a) Variation of financial assets

(in € millions)	Shares in subsidiaries	Other financial assets[1]	Total financial assets
At December 31, 2011			
Cost	7,467	183	7,650
Accumulated depreciation and impairment	(6,684)	(101)	(6,785)
AT DECEMBER 31, 2011, NET	**783**	**82**	**865**
2012			
Opening net amount	783	82	865
Acquisitions/recapitalizations	105[2]	18	123
Disposals	(136)[3]	(20)	(156)
Reclassification	-	168*	168
Impairment provisions	(258)[4]	(44)	(302)
Reversals of impairment provisions	47[5]	1	48
At December 31, 2012, net	**541**	**205**	**746**
At December 31, 2012			
Cost	7,436	349	7,785
Accumulated depreciation and impairment	(6,895)	(144)	(7,039)
AT DECEMBER 31, 2012, NET	**541**	**205**	**746**

* *In 2012, two current loans of €168 million with affiliates Technicolor Videocassette Holdings (UK) and Technicolor Europe Ltd., were reclassified from caption "current accounts" short-term to "others financial assets" long-term (See note 9).*

(1) In 2012, includes €1 million of other shares held by the company, €198 million of borrowings (of which €33 million outside the Group), €6 million of collateral and guarantees (see due dates for these receivables in note 8.b below).

(2) Corresponds mainly to recapitalizations of subsidiaries, notably Technicolor USA, Inc. (€105 million).

(3) Corresponds mainly to the disposal of Thomson Licensing SAS of which book value was €43 million, Immobilière Le Gallo SAS for €48 million, Technicolor R&D France SNC for €15 million and to the liquidation of Thomson Japan Acquisition, Inc. for €27 million.

(4) In 2012, impairment on shares in subsidiaries concerns mainly the subsidiaries Technicolor USA, Inc. (€151 million) and Technicolor International SAS (€93 million).

(5) In 2012, reversals of impairment on financial investments concern mainly the subsidiaries Technicolor R&D France SNC (€15 million) and Thomson Japan Acquisition, Inc. (€27 million) following their disposal and liquidation, respectively.

Accumulated impairment of Technicolor's treasury shares as of December 31, 2012 amounted to €97 million.

Accumulated impairment of current accounts and loans to subsidiaries amounted to €78 million as of December 31, 2012.

(b) Maturities of gross receivables included in other financial assets

(in € millions)	
2013	1
2014 and later	250
TOTAL	**251**

Accumulated impairment of gross receivables amounted to €47 million as of December 31, 2012.

(c) Subsidiaries and investments at December 31, 2012

(in € millions, 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	-	29[2]	1,543	(158)	687
Technicolor International SAS	100.00	87,041,097	3,015	472	427[2]	2,198	280	2,745
Thomson Multimedia Distribution (Netherlands) BV	100.00	500	162	-	(7)	55	5	20
Industrial companies								
Thomson Angers SAS	100.00	4,630,001	289	-	N/A[1]	N/A[1]	N/A[1]	-
Thomson Television España SAU	100.00	9,928,478	128	-	(56)	-	-	56
Other companies								
Technicolor Trademark Management SAS	100.00	9,004,000	90	37	37	-	9	133
RCA Trademark Management SAS	100.00	1,668,025	25	25	38	20	11	-
Thomson Investment India Ltd.	51.00	51	4	2	2	-	-	-
TechFund Capital Europe FCPR	20.00	500	3	3	4	-	-	-
Thomson Sales Scandinavia AB	100.00	7,000	14	2	2	-	1	-
Miscellaneous	N/A	N/A	6	0	N/A	N/A	N/A	N/A
TOTAL	**N/A**	**N/A**	**7,436**	**541**	**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.

(1) Thomson Angers is in the process of being liquidated.

(2) In 2011, a portion of goodwill and customer relationship (47M€) was reallocated from Technicolor USA, Inc. to Technicolor International SAS. In 2012 this presentation was no more retained.

NOTE 9 CURRENT ASSETS

Net current assets with maturities of less than one year amount to €3,710 million.

Current assets are mainly related to current accounts of Group's subsidiaries. In 2012, current accounts increase of €2 billion due to the sale of Thomson Licensing SAS, which was settled by a current account movement.

In 2012, two current loans of €168 million with affiliates Technicolor Videocassette Holdings (UK) and Technicolor Europe Ltd., were reclassified from the "current accounts" caption (short-term) to "others financial assets" (long-term) (see note 8).

NOTE 10 PREPAYMENTS AND DEFERRED CHARGES

In 2012 this caption comprises essentially prepaid charges on treasury hedging instruments caps (see note 13) and expenses incurred for the purpose of renegotiating some terms of the debt restructuring agreement.

NOTE 11 ACCRUED INCOME

(€ in millions)	2012	2011
Loans	9	6
Accounts receivable (primarily with related entities)	7	6
Other operating receivables	31	31
TOTAL	**47**	**43**

NOTE 12 SHAREHOLDERS' EQUITY AND EQUITY INSTRUMENTS

(a) Capital and additional paid in capital

On 31 December 2012, the capital of Technicolor SA was €335,543,841 (335,543,841 shares with a par value €1). Changes in capital and additional paid in capital were as follows:

(in € other than for number of shares)	Number of shares	Nominal value	Capital in euros	Additional paid-in capital in euros	Total in euros
At January 1, 2011	**174,846,625**	**1**	**174,846,625**	**748,690,889**	**923,537,514**
Share capital increase after NRS I, II, IIC redemption[1]	48,912,458	1	48,912,458	323,376,246	372,288,704
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[2]	47,471,506	1	47,471,506	47,471,506	94,943,012
Share capital increase with preferential subscription rights[2]	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[3]	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**

(1) In accordance with the Sauvegarde Plan, on May 26, 2010, the company issued Notes Redeemable in Shares (NRS) for a total of €638 million (NRS I, II and IIC). 313,890,656 NRS I and the accrued interest were redeemed into share capital on December 31, 2010. The NRS I, whose conversion had been postponed to December 31, 2011, the NRS II and IIC, including accrued interest were redeemed into new shares leading to a capital increase of €49 million plus an additional paid in capital of €323 million, on December 31, 2011. The redemption upon the request of their owners of 10,191,567 NRS II and 6,189,002 NRS IIC has been postponed to December 31, 2012.

(2) On June 20, 2012, Technicolor's shareholders approved the resolutions relating to the transaction proposed by 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, 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 (see note 1.2).*
- *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 (see note 1.2).*

(3) 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).

(b) Treasury shares

	2012	2011
Carrying amount (in euros)[1]	**1,171,495**	**699,926**
Number of treasury shares	**605,687**	**605,687**
Of which:		
Allocated/sold in the year	-	*(12,018)*

(1) The gross value of treasury shares held at December 31, 2012 was €98,100,191, depreciated by €96,928,696.

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 plans

- 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 and 2012 performance, final vesting is still conditional to senior executives staying in the company at least until June 8, 2013.

- 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 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.

Stock options will vest on the date the Board of Directors approves the accounts for the fiscal year ended December 31, 2012 ("the first vesting date") and become exercisable as of June 17, 2014. The duration of the plan is eight years.

For French-tax domicile beneficiaries, free shares will be acquired on the date the Board of Directors approves the accounts for the fiscal year ended December 31, 2012 ("the first vesting date", estimated to be in April 2013) and will be subject to additional two-years holding period. 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, 2012 the total number of outstanding stock options amounted to a maximum of 1,576,446 options and 1,508,861 free shares granted to employees and Directors. The details of these options are disclosed hereafter.

	Type of plan	Grant date	Number of options initially granted	Number of options outstanding(2)	Initial number of beneficiaries	Vesting date	Contractual option life	Exercise price(2)
Plan 3	Subscription options	Sept. 22, 2004	736,659	319,396	574	50% as of Sept. 22, 2007 50% as of Sept. 22, 2008	10 years	€ 131.38
Plan 4	Purchase options	April 19, 2005	71,940	35,796	93	50% as of April 19, 2008 50% as of April 19, 2009	10 years	€ 170.99
Plan 5	Purchase options	Dec. 8, 2005	199,317	55,313	390	50% as of Dec. 8, 2008 50% as of Dec. 8, 2009	10 years	€ 145.60
Plan 6	Subscription options	Sept. 21, 2006	273,974	87,711	485	50% as of Sept. 21, 2008 50% as of Sept. 21, 2009	8 years	€102.53
Plan 7	Subscription options	Dec. 14, 2007	130,710	61,086	482	50% as of Dec. 14, 2009 50% as of Dec. 14, 2010	8 years	€85.64
MIP* Free Share	Free Shares (existing shares)	June 17, 2010	492,020(1)	297,620	64	April 30, 2013 for France June 17, 2014 for other countries	-	-
MIP* Options	Subscription options	June 17, 2010	1,216,700(1)	1,017,144	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€ 6.52
LTIP Free Share	Free Shares (existing shares or shares to be created)	April 28, 2011 and June 30, 2011	1,637,152(1)	1,211,241	63	June 2013 (50%) and March 2014 (50%)	-	-

* *Management Incentive Plan (MIP) 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, and calculated on the basis of the average share price on the 20 trading days preceding the Board of Directors' meeting, except for the MIP (the exercise price was set at €6.52 after 2012 adjustments).

In accordance with Article L. 225-184 of the French Commercial Code, no option has been exercised at December 31, 2012.

(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.

NRS (Notes Redeemable in Shares)

On May 26, 2010, €638 million of NRS were issued by way of set-off debts of senior creditors. The number of NRS issued and redeemed was as follows:

	NRS I maturity 12/31/2010	NRS II maturity 12/31/2011[1]	NRS IIC maturity 12/31/2011(1)	Total NRS
Number of bonds issued on May 26, 2010	**319,218,837**	**200,069,100**	**119,150,196**	**638,438,133**
NRS I redeemed by issued shares on December 31, 2010	(313,890,656)	-	-	(313,890,656)
TOTAL NRS ON DECEMBER 31, 2010	**5,328,181**	**200,069,100**	**119,150,196**	**324,547, 477**
NRS I, II, and IIC redeemed by issued shares on December 30, 2011	(5,328,181)	(189,877,533)	(112,961,194)	(308,166,908)
TOTAL NRS ON DECEMBER 31, 2011	**-**	**10,191,567**	**6,189,002**	**16,380,569**
NRS II, and IIC redeemed by issued shares on December 27, 2012	-	(10,191,567)	(6,189,002)	(16,380,569)
TOTAL NRS ON DECEMBER 31, 2012	**-**	**-**	**-**	**-**

(1) NRS II and NRS IIC holders could defer the redemption until December 31, 2012.

At December 27, 2012, NRS II and IIC submitted for redemption were repaid through an increase in shareholders' equity for €3 million and an issue premium of €17 million. These NRS gave the right to 0.163 share in repayment of capital and payment of interests on capital (coupon of 10%).

(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, 2012 shareholders' equity is positive and amounts to €1,522 million, prior to the €500 million TSS.

Due to the accumulated losses, Technicolor SA's shareholders' equity was negative from December 2008 to December 2011. As Technicolor SA is under a Sauvegarde Plan, Article L225-48 of the French Commercial Code (rules for Limited Liability company in case of loss in excess of half of the share capital) is not applicable to Technicolor SA until the end of the plan which will end on February 17, 2017(Article L. 225-248 al.5 of the French Commercial Code).

NOTE 13 FINANCIAL DEBTS

Financial debts are set out below:

	2012
Borrowings (see details below)	1,215
Other debt[1]	11
TOTAL	**1,226**

(1) Interest rate and maturity are not yet defined for this debt.

(a) Borrowings

Currency	Amount[1] *(in € millions)*	Type of rate	Nominal rate Average
USD	346	Fixed	9.35%
USD	283	Floating[3]	7.73%[2]
GBP	18	Fixed	9.55%
EUR	460	Floating[3]	7.73%[2]
EUR	108	Fixed	9.00%
TOTAL	**1,215**		

(1) Nominal values, accrued interest included.
(2) Rate at December 31, 2012.
(3) 3-month EURIBOR/LIBOR with a floor of 2% and an average margin of 5.73%. The margin steps down if certain leverage ratios are hit.

(b) Main features of Technicolor SA's debt

By maturity

(in € millions)	December 31, 2012	December 31, 2011
Current debt (under one year)		
Fixed-term borrowing	31	38
Bonds	49	25
Other debt to subsidiaries	838	973
Other debt to third parties	29	11
Sub-total current debt	**947**	**1,047**
Non-current debt (more than one year)		
Fixed-term borrowing	441	857
Bonds	693	548
Other debt to subsidiaries	180	158
Sub-total non-current debt	**1,314**	**1,563**
TOTAL DEBT	**2,261**	**2,610**

Financial covenants and other limitations

The fixed-term loans and new bonds contain financial covenants requiring that (i) the Group's EBITDA[1] shall not be smaller than a given multiple of net total interest of the Group on a twelve-month basis on June 30 and December 31 of each financial year (the "interest cover covenant"), (ii) total net debt is not more than a certain multiple of EBITDA on a trailing twelve month basis ("leverage covenant") on June 30 and December 31 of each financial year, and (iii) that the Group's total capital expenditure shall not be more than a certain amount in each financial year. These financial covenants become more restrictive each year.

At December 31, 2012, Technicolor met all its covenants.

(1) EBITDA is contractually defined and includes a certain number of adjustments.

(c) Details of Technicolor SA's Reinstated Debt

At December 31, 2012 the Reinstated Debt was as follows:

(in € millions)	Amount in local currency	Currency	Amount in euros[1]	Interest rate type	Interest rate	Maturity
Bonds	332	USD	252	Fixed	9.35%	2017
Bonds	11	GBP	13	Fixed	9.55%	2017
Bonds	79	EUR	79	Fixed	9.00%	2017
Fixed-term loan	335	EUR	335	Floating	EURIBOR +600bp[2]	2017
Fixed-term loan	272	USD	206	Floating	LIBOR +600bp[2]	2017
Bonds	124	USD	94	Fixed	9.35%	2016
Bonds	4	GBP	5	Fixed	9.55%	2016
Bonds	29	EUR	29	Fixed	9.00%	2016
Fixed-term loan	125	EUR	125	Floating	EURIBOR +500bp[2]	2016
Fixed-term loan	102	USD	77	Floating	LIBOR +500bp[2]	2016
TOTAL	**N/A**	**N/A**	**1,215**	**N/A**	**N/A**	**N/A**

(1) Exchange rate as of December 31, 2012.

(2) This margin steps down if certain leverage ratios are hit, the EURIBOR and LIBOR rates used are subject to a minimum level of 2%.

Maturity of Reinstated Debt

(in € millions)	2012
Within one year	91
1 to 2 years	95
2 to 3 years	103
3 to 4 years	53
4 to 5 years	884
More than 5 years	-
TOTAL DEBT	**1,226**

Analysis of Reinstated Debt by currency

(in € millions)	2012
Euro	575
U.S. dollar	633
Other currencies	18
TOTAL	**1,226**

(d) Interest rate caps

In April 2010, in anticipation of the finalization of the Reinstated Debt, Technicolor 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 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, 2012 was almost nil.

NOTE 14 PROVISIONS FOR LOSSES AND CONTINGENCIES

(in € millions)	As of December 31, 2011	Increases	Usage during the period	Reversals and reclassifications	As of December 31, 2012
Provisions for retirement benefit	**7**	**1**	**-**	**(1)**	**7**
Other provisions for contingencies					
Subsidiaries and other risks	5	-	-	(5)	-
Restructuring measures relating to employees	5	14	(12)	-	7
Related to activities disposed of [1]	76	1	(3)	(44)[2]	30
Other	2	3	-	(1)	4
Sub-total	**88**	**18**	**(15)**	**(50)**	**41**
TOTAL PROVISIONS FOR LOSSES AND CONTINGENCIES	**95**	**19**	**(15)**	**(51)**	**48**

(1) Provision relating to the disposal of businesses, especially the Tubes activity.

(2) Reclassification of a provision for contingencies as a depreciation of other financial assets for €41millions.

NOTE 15 CURRENT LIABILITIES

"Current liabilities" mainly consist of debts with a maturity of less than one year (notably tax and social security liabilities, trade payables and a fine from the European Commission regarding Cathode Ray Tubes industry for €38.6 million, (see note 19). There are also in this caption, debts to subsidiaries regarding the disposal of Grass Valley business with a maturity date to December 30, 2016 (€59 million).

Trade payables split by payment terms are as follows:

As of December 31, 2012 *(in € millions)*	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 provisions)	**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**

As of December 31, 2011 *(in € millions)*	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 provisions)	**12.1**	**3.8**	**1.6**	**0.2**	**0.5**	**18.2**
Of which French suppliers	9.6	2.1	1.4	0.2	0.5	13.8
Of which Foreign suppliers	2.5	1.7	0.2	-	-	4.4
TOTAL[1]	**12.1**	**3.8**	**1.6**	**0.2**	**1**	**18.7**

(1) Excluding fixed assets payables.

In 2012, the average number of days for the payment of suppliers is 64 days.

NOTE 16 ACCRUED CHARGES

(in € millions)	2012	2011
Bond loans and loans from private institutions	1	1
Trade payables	7	7
Tax and social security liabilities	29	29
Other debts	24	17
TOTAL	**61**	**54**

NOTE 17 INFORMATION ON AVERAGE NUMBER OF EMPLOYEES

	2012	2011
Engineers and managers	309	333
Employees and supervisory staff	79	88
TOTAL	**388**	**421**

NOTE 18 CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE COMMITMENTS

(a) Off balance-sheet contractual obligations and commercial commitments

(in € millions)	December 31, 2012	December 31, 2011
Unconditional future payments		
Operating Leases	59	67
Other unconditional future payments	1	1
TOTAL UNCONDITIONAL FUTURE PAYMENTS	**60**	**68**
Conditional future payments		
Guarantees given regarding undertakings by related entities	167	106
Other conditional future payments	4	3
TOTAL CONDITIONAL FUTURE PAYMENTS	**171**	**109**

Technicolor would be liable for 50% of any depollution costs of Thomson Angers factory site, should it be imposed by a public authority or a Court decision, until the property is sold.

As part of its business activities, Technicolor may issue performance guarantees for its subsidiaries as well as comfort letters. The main performance guarantees have been made to Warner, Anglia TV, Verizon Group, BSkyB and AstroGroup.

Technicolor's liabilities to its employees relating to Individual Training Rights were considered as non-significant on December 31, 2012.

(b) Commitments relating to financial instruments

(€ in millions)	December 31, 2012	December 31, 2011
Cap[1]	634	641
Currency futures (banks and subsidiaries)	1,197	669
TOTAL UNDERTAKINGS GIVEN	**1,831**	**1,310**
Cap[1]	634	641
Currency futures (banks and subsidiaries)	1,200	673
TOTAL UNDERTAKINGS RECEIVED	**1,834**	**1,314**

(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. In addition, the guarantor 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 UK, 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 38 of their subsidiaries to secure part of the Reinstated Debt.

Receivables from material contracts pledged

Receivables of Thomson Licensing SAS were pledged under a Patent Licensing Agreement dated December 23, 2009 with Koninklijke Philips Electronics N.V..

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 the course of the Sauvegarde proceeding, the *Mandataires Judiciaires* in charge of Technicolor's *Sauvegarde* contested the claim in an amount of €9.9 million of Banco Finantia, a Portuguese bank, due to a declaration outside of the legal time limit. Banco Finantia had acquired such 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 the claim prior to the transfer to Banco Finantia. Banco Finantia declared its claim on the last day of the 4-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 22, 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 Company lodged an appeal with the French Supreme Court (*Cour de cassation*) on June 29, 2012.

France VAT audit

French Tax Authorities audited Technicolor SA for the fiscal year 2009 and issued, at the end of 2012, an assessment amounting €5.6 million. An amount of €1.6 million concerns VAT which was wrongly charged by a former subsidiary which was collecting a subsidy from Technicolor, as per a 2009 Share Sale Agreement. Technicolor will ask the former subsidiary to recover that VAT. An amount of €3.7 million concerns the VAT recoverability of the holding company, which Technicolor will vigorously contest.

Cathode Ray Tubes ("CRT") Investigations

On November 28, 2007, Technicolor USA, Inc. (US) (formerly Thomson, Inc.) received a subpoena issued on behalf of the Antitrust Division of the U.S. Department of Justice ("DOJ") investigating alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry, including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses. Technicolor sold its CPT business in 2005 and never had activity in the CDT business.

In addition, class action law suits asserting private antitrust claims 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 (Thomson at the time of the alleged acts) and others as defendants, although Technicolor was dropped as a named

defendant when amended complaints were filed in the spring of 2009. In November 2011, Technicolor USA 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 to the pending class action. In October 2012, Technicolor SA, Technicolor USA, 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.

On January 9, 2008, Technicolor received a request under Art. 18 (2) of Council Regulation n°1/2003 from the European Commission (the "EC") also relating to anti-competitive conduct in the CRT industry from 1999 to 2005. On November 25, 2009, Technicolor received a Statement of Objections ("SO") from the European Commission. On March 3, 2010, Technicolor filed its written response to the "SO". On December 5, 2012, Technicolor was notified by the European Commission of its decision to impose a fine of €38.6 million to Technicolor. This amount is classified in exceptional result caption of the statements of operations of Technicolor SA as it relates to a business discontinued by the Group in 2005.

Following the European Commission decision, purchasers may bring individual claims against the Company seeking compensation for alleged loss suffered as a result of the anti-competitive conduct.

In parallel, 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.

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 2012 financial year amounted to €655,270. The amounts due to non-resident for French tax purposes are subject to a withholding tax.

Compensation expenses paid to CEO of Technicolor SA amount to €1.25 million in 2012.

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.

The main related party transactions and the amounts due to these companies are as follows:

(in € millions)	2012	2011
Shares in subsidiaries net of provisions	541	778
Trade receivables	33	44
Other receivables	3,600[1]	1,436
Financial debt	1,035	1,130
Other debts	66	62
Financial income	443	455
Financial expense	60	58

(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

	Mazars		Deloitte		KPMG	
(in € millions)	2012	2011	2012	2011	2012	2011
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

No significant event occurred between December 31, 2012 and February 21, 2013.

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 € millions, except number of shares, earning per share and number of employees)*	2012	2011	2010	2009	2008
I - FINANCIAL POSITION AT YEAR END					
a) Share capital	336	224	175	1,012	1,012
b) Number of shares issued	335,543,841	223,759,083	174,846,625	269,890,028	269,890 028
c) Maximum number of shares to issue in the future:					
Share-based payment	1,485,337	1,494,156(1)	1,911,757(1)	7,389,930	9,544,340
Free shares	1,211,241	1,494,270(1)	431,100(1)	174,460	368,000
Notes Redeemable in Shares (NRS)	-	2,604,511	51,523,126	-	-
II - STATEMENTS OF OPERATIONS					
a) Revenues (excluding VAT)	83	83	98	114	146
b) Profit (Loss) before tax, amortization and provisions	2,260	(52)	(265)	152	240
c) Income tax profit	56	67	66	53	45
d) Profit (Loss) after tax, amortization and provisions	2,104	(338)	(500)	(572)	(2,327)
e) Dividend paid and distributions	-	-	-	-	-
III - EARNING (LOSS) PER SHARE*(2) (3)					
a) Profit (Loss) after tax, but before amortization and provisions	8.60	0.09	(0.79)	0.76	1.05
b) Profit (Loss) after tax, amortization and provisions	7.81	(1.93)	(1.97)	(2.12)	(8.62)
c) Dividend paid and distributions	-	-	-	-	-
IV - EMPLOYEES					
a) Average number of employees	388	421	483	542	630
b) Wages and salaries	39	41	52	54	71
c) Social security costs	19	17	23	21	24

* Changes in the number of shares in capital during 2012:

As of January 01, 2012	223,759,083 shares
■ Increase in capital on July 16, 2012	47,471,506 shares
■ Increase in capital on August 14, 2012	61,643,316 shares
■ NRS redemption on December 27, 2012	2,669,936 shares
As of December 31, 2012	335,543,841 shares

The average number of shares in capital during the year 2012 was 269,294,871.

(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 years 2008 and 2009

(3) 2012 "earning (loss) per share" are calculated per reference to the average number of share during the year.
Previous years statements 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)€.
"Eearning (loss) per share" for years 2008 and 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, 2012

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 31,2012, 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, 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

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.

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 :

- On the basis of our work performed and based on information obtained to date, and in the context of our assessment of the adequacy of the accounting policies used by your Company, we believe that note 2 to the financial statements discloses, in particular, the appropriate information on the Company's situation in relation to the going concern assumption applied to approve the financial statements.
- 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 20, 2013
Deloitte et Associés
French original signed by
Alain Pons
Partner
Ariane Bucaille
Partner

Courbevoie, March 20, 2013
Mazars
French original signed by
Jean-Louis Simon
Partner
Simon Beillevaire
Partner

8.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS – GENERAL MEETING OF SHAREHOLDERS HELD TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECECEMBER 31, 2012

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, of 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 year, of agreements and commitments that have already been approved by previous shareholders' meetings.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the year

Pursuant to Article L225-40 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.

An amendment to the governance agreement that was concluded on July 10, 2012 between your Company and Vector Capital IVL.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, 2012. 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 (formerly Petalite Investments S.à.r.l).

AGREEMENTS AND COMMITMENTS ALREADY AUTHORIZED IN PREVIOUS FISCAL YEARS

We inform you that we have not been advised of any agreement nor commitment previously approved by the Shareholders' Meeting which remained in force during the fiscal year.

The Statutory Auditors

Neuilly-sur-Seine, March 20, 2013
Deloitte et Associés
French original signed by
Alain Pons
Partner
Ariane Bucaille
Partner

Courbevoie, March 20, 2013
Mazars
French original signed by
Jean-Louis Simon
Partner
Simon Beillevaire
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 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 consolidated financial statements of the year 2010 and the Statutory Auditors' reports on the consolidated financial statements are contained in the chapter 9: «Financial Statements» of the Registration Document of the year 2010 (pages 158 to 263); 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); and
- The annual accounts of the Company for the year 2010 and the Statutory Auditors' reports on the annual accounts are contained in the chapter 9: «Financial Statements» of the Registration Document of the year 2010 (pages 265 to 292).

The Registration Document of the year 2010 was filed with the *Autorité des marchés financiers* on March 27, 2012 under No. D.12-0224.

The Registration Document of the year 2010 was filed with the *Autorité des marchés financiers* on March 30, 2011 under No. D.11-0196.

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	136
1.2	Declaration by the persons responsible	Chapter 7, section 7.9.1	136
2.	**STATUTORY AUDITORS**		
2.1	Name and address	Chapter 7, sections 7.7.1 and 7.7.2	134 ;135
2.2	Resignation or departure of Statutory Auditors	N/A	
3.	**SELECTED FINANCIAL INFORMATION**		
3.1	Historical financial information	Chapter 1, section 1.1	6
3.2	Interim financial information	N/A	
4.	**RISK FACTORS**	Chapter 3	45
5.	**INFORMATION ABOUT THE ISSUER**		
5.1	History and development of the Company		
5.1.1	Legal and business name	Chapter 1, section 1.2.1	8
5.1.2	Place of registration and registration number	Chapter 1, section 1.2.1	8
5.1.3	Incorporation date of an issuer's length of life	Chapter 1, section 1.2.1	8
5.1.4	Domicile, legal form, applicable legislation, country of incorporation, registered office's address and telephone number	Chapter 1, section 1.2.1	8
5.1.5	Main events in the development of the Company activities	Chapter 1, section 1.2.2	8

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and chapters of the Annual Report	Page No.
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, 30 and 34 to the consolidated financial statements	161 ;173 ;174 ; 210 ;218
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	
6.	**BUSINESS OVERVIEW**		
6.1	Principal activities		
6.1.1	Nature of transactions made by the Company and its principal activities	Chapter 1, sections 1.2.3 and 1.3	9; 13
6.1.2	New products/services launched on the market	Chapter 1, section 1.3	13
6.2	Principal markets	Chapter 1, section 1.3 and Chapter 2, section 2.2	13; 24
6.3	Exceptional events	N/A	
6.4	Dependency from certain contracts	Chapter 2, section 2.10.3 and Chapter 3, section 3.3	38; 50
6.5	Competitive position	Statements regarding competitive position (preambule)	3
7.	**ORGANIZATIONAL STRUCTURE**		
7.1	Brief description	Chapter 7, sections 7.5.1 and 7.5.2	131 ;133
7.2	List of main subsidiaries	Chapter 7, section 7.5.1 and chapter 8, section 8.2 Note 35 to the consolidated financial statements	131; 219
8.	**PROPERTY, PLANTS AND EQUIPMENT**		
8.1	Material tangible fixed assets important or planned	Chapter 7, section 7.1 and chapter 8, section 8.2 Note 12 to the consolidated financial statements	126; 143
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Corporate Headquarters:
1-5, rue Jeanne d'Arc
92130 Issy-les-Moulineaux – France
E-mail: webmaster@technicolor.com
Tel.: +33 (0)1 41 86 50 00 – Fax: +33 (0)1 41 86 58 59

Technicolor Inc.
6040 Sunset Blvd
Hollywood, CA 90 028
USA
Tel.: +1 (323) 817 6600

www.technicolor.com

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