2015 REGISTRATION DOCUMENT

including the Annual Financial Report

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Société Anonyme with a share capital of €411,977,199
Registered Office: 1-5 , rue Jeanne d'Arc
92130 Issy-Les-Moulineaux
Nanterre Register of Commerce and companies No. 333 773 174

2015 REGISTRATION DOCUMENT
including the Annual Financial Report

This Registration Document (Document de Référence) was filed with the Autorité des marchés financiers (AMF) on March 24, 2016 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.amffrance.org) and on the website of Technicolor (www.technicolor.com).

FORWARD-LOOKING STATEMENTS

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

This Registration Document 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 292 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 293 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 79 *et seq.*).

This Registration Document 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 Registration Document 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:

- *IHS Screen Digest, FutureSource Consulting, PwC*, Wilkofsky Gruen Associates, Thomson Reuters, Strategy Analytics, Statista, *Magna Global, IDATE, Parks Associates,* IAB, *Nielsen, eMarketer, Harvard Business Review, McKinsey*, IDC, and *Visual Effects Society* for overall market trends in the *Media & Entertainment* and Technology industries;
- *Futuresource Consulting* for information on DVD replication and distribution services;
- *IHS Screen Digest, Parks Associates, Generator Research*, IDC, *Gartner,* IDG and Informa for information on consumer electronics (TV, Tablets, smartphones);
- *Parks Associates, Dell'Oro Group* and *Infonetics Research* for information on set-top-boxes, DSL and cable modems, routers & gateways.

1 PRESENTATION OF THE GROUP AND ITS ACTIVITIES

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1.1 SELECTED FINANCIAL INFORMATION

The following selected consolidated financial data are derived from the Company's consolidated financial statements as of and for each of the years ended December 31, 2015, 2014 and 2013. 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 Registration Document. The basis of preparation of the consolidated financial statements and the Company's significant accounting policies are discussed in notes to 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 Registration Document. 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 euros)	2015	2014	2013
Statement of Operations (selected items) [1]			
Revenues from continuing operations	3,652	3,332	3,450
Adjusted EBITDA [2]	565	550	537
Profit (loss) from continuing operations before tax and net finance income (expense)	264	302	224
Net finance income (expense) [3]	(87)	(117)	(288)
Income tax	(55)	(48)	(41)
Net income (loss) from continuing operations	121	137	(111)
Net income (loss) from discontinued operations [1]	(43)	(9)	19
Net income (loss)	78	128	(92)
Profit (loss) from discontinued operations [1]			
■ Discontinued results related to the Grass Valley businesses	-	(1)	18
■ Discontinued results related to the other discontinued businesses	(43)	(8)	1
Earnings per Ordinary Share			
Weighted average number of shares outstanding – (basic net of treasury stock) [4]	357,355,262	347,817,962	347,598,670
Earnings (loss) (Group share) per share from continuing operations *(in euros)*			
■ Basic	0.35	0.41	(0.31)
■ Diluted [4]	0.34	0.41	(0.31)
Total earnings (loss) (Group share) per share *(in euros)*			
■ Basic	0.23	0.38	(0.25)
■ Diluted [4]	0.22	0.38	(0.25)
Balance sheet (selected items)			
Total non-current assets	2,497	1,674	1,624
Total current assets (excluding cash and cash equivalents)	1,419	1,063	1,031
Cash and cash equivalents	385	328	307
TOTAL ASSETS	**4,301**	**3,065**	**2,962**
Total non-current liabilities	1,885	1,589	1,606
Total current liabilities	1,750	1,257	1,237
Shareholders' equity	662	223	119
Of which share capital	*411*	*336*	*335*
Non-controlling interest	4	(4)	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**4,301**	**3,065**	**2,962**
Dividends / distributions			
Dividends / distributions per share *(in euros)*	0.05	-	-

(1) 2015, 2014 and 2013 are presented in accordance with IFRS 5 and therefore presents activities abandoned or sold separately from continuing activities. For the year 2015, there has been no change in discontinued perimeter compared to 2014 and 2013. It mainly comprised Cathode Ray Tubes activities sold in 2004 and 2005, and TV activities (please refer to section 2.9.7 "Profit (Loss) from discontinued operations" for more details on this topic).

(2) Please refer to the definition In section 2.9.9: "Adjusted indicators" of Chapter 2: "Operating and Financial Review and Prospects" of this Registration Document.

(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) Refer to note 29 of the Group's consolidated financial statements for more information on the dilutive instruments affecting earnings per share on a diluted basis.

1.2 HISTORY AND STRATEGY OF THE COMPANY

1.2.1 COMPANY PROFILE

Legal and business name:
TECHNICOLOR

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

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

The Company is registered with the Register of Commerce and Companies *(Registre du commerce et des sociétés)* of Nanterre under No. 333,773,174. Its APE Code, which identifies a company's type of business and activities, is 7010Z, corresponding to the business of corporate administration.

Date of incorporation and term of the Company: Technicolor (formerly Thomson) was formed on August 24, 1985. It was registered on November 7, 1985 for a term of 99 years, expiring on November 7, 2084.

Fiscal year: January 1 to December 31.

Stock Exchange: The Group is listed on Euronext Paris exchange (symbol: TCH). In March 2011, Technicolor voluntarily delisted from the New York Stock Exchange. Thereafter, the Group's American Depositary Shares ("ADS") remained traded on the Over-the-Counter ("OTC") Pink market until 2014, when the Group upgraded to OTCQX International Premier, a premium listing service for OTC securities (symbol: TCLRY).

For more information, please refer to Chapter 5: "Technicolor and its shareholders", section 5.2.1: "Markets for the Company's securities" of this Registration Document.

Activity: Technicolor, a worldwide technology leader operating in the Media & Entertainment industry, is at the forefront of digital innovation. Technicolor's activities are organized in three operating segments, namely Connected Home, Entertainment Services, and Technology. All other activities and corporate functions (unallocated) are presented within the "Other" segment. For a detailed description of the Group's segments, please refer to section 1.2.3: "Organization". In fiscal year 2015, Technicolor generated consolidated revenues of €3,652 million. As of December 31, 2015, the Group had 16,720 employees in 32 countries.

1.2.2 HISTORICAL BACKGROUND

Technicolor has been contributing to the development of video technologies, products and services for more than one hundred years. The Group is a worldwide leader in the development of technologies and the supply of digital production (visual effects and animation), video and sound postproduction and distribution solutions and services for a variety of leading content creators, Pay-TV operators and Over-the-Top and Network Service Providers.

Changes in Businesses

Over the past ten years, Technicolor's scope of activities shifted towards technologies, products and services related to content creation and distribution for the Media & Entertainment industry through a series of acquisitions and disposals.

In 2012, Technicolor sold its Broadcast Services activity and used the proceeds to reduce debt. End 2012, the Group also sold its SmartVision business (television-over-IP), while entering into an agreement to sell the Cirpack softswitch operations (voice-over-IP), completed in 2013.

In 2014, Technicolor consolidated its Digital Production, Postproduction and Digital Distribution businesses into a single division named Production Services in order to allow the division to increase its operating efficiency, while bringing together a broader range of services to its content creator customers. The Group also completed during the year the acquisition of Mr. X, a leading North American provider of high-end Visual Effects ("VFX") to premier television and international film clients.

In 2015, Technicolor announced its strategy to focus its Production Services division on Visual Effects, Animation and Postproduction Services activities and proceeded to several structural enhancements, including the shutdown of most Media Services activities, the deconsolidation of Digital Cinema activities through a joint venture agreement with Deluxe, and the exit of legacy activities. The Group also completed the disposal of IZ-ON Media. During the year, Technicolor strengthened its market positions in VFX and Animation, with the acquisitions of OuiDO Productions, a French-based production house specialized in animated TV series, and Mikros Image, a French leading production and postproduction services company specialized in animated feature films and VFX for Advertising, with main locations in Paris (France) and Montreal (Canada). The Group also expanded its DVD Services activities with the addition of the packaged media replication and distribution activities of two new major customers in North America. In order to support these customers, the Group acquired relevant North American optical disc manufacturing and distribution assets from Cinram Group, Inc.

Debt refinancing

Technicolor restructured its debt in connection with a *Sauvegarde* Plan approved by the Nanterre Commercial Court in February 2010. The resulting term loans and private placement notes (the "Reinstated Debt"), maturing in 2016 and 2017, were partly refinanced in July 2013 with the issuance of new term loans (the "Term Loan Debt"), at a lower interest rate and maturing in 2020, by Tech Finance & Co. SCA ("Tech Finance"), a special purpose vehicle incorporated in Luxembourg that is consolidated by Technicolor, but in which Technicolor holds no interest.

This refinancing process was completed in the first semester of 2014: in February 2014, Technicolor entered with certain lenders in a cashless exchange of an additional portion of its Reinstated Debt against the issuance of incremental Term Loan Debt issued by Tech Finance, and, in May 2014, fully reimbursed the remainder of its Reinstated Debt out of its cash. Accordingly, the Nanterre Commercial Court declared in June 2014 that the *Sauvegarde* Plan execution was finalized by anticipation.

Technicolor successfully completed in April 2014 and June 2015 two repricing transactions allowing the Group to significantly reduce the interest rate on its Term Loan Debt, while gaining more operating flexibility through certain amendments to the Term Loan facilities.

The foregoing refinancing and repricing transactions simplified Technicolor's debt structure, generated interest savings, further extended the Group's debt maturity profile, and enhanced its financial and operational flexibility.

For more information about the refinancing and the Group's debt covenants, please refer to Chapter 2.10: "Liquidity and Capital resources" and to Chapter 8: "Financial Statements", section 8.2: "Main events of the year".

Strategic Acquisitions

In the second half of 2015, Technicolor completed two large, strategic acquisitions related to its Connected Home segment and its Production Services division. These acquisitions were consistent with the objectives set as part of its Drive 2020 strategic plan, aiming in particular to, in Connected Home, improve its scale by pursuing capital-efficient consolidation opportunities, and, in Production Services, grow its offering in the Animation, Games, Brand and Advertising segments through organic market share growth complemented with inorganic initiatives.

- In September 2015, Technicolor announced the acquisition of London-based The Mill, the world's largest VFX and content creation studio for Advertising and Brand, for a total consideration of €253 million. This acquisition provides immediate scale on a worldwide basis in Visual Effects for Brand and Advertising and complements strongly the portfolio of brands of Technicolor, while adding specialist industry segment offering and expertise across emerging technologies such as Virtual Reality.
- In November 2015, Technicolor completed the acquisition of Cisco Connected Devices, the Customer Premise Equipment ("CPE") business of Cisco for initial consideration of USD600 million reduced after price adjustments to USD532 million (equivalent to €498 million) in a stock and cash transaction. The addition of Cisco's complementary product portfolio and expertise in Cable and IP technologies reinforces Technicolor's market leading positions and immediately increases its industrial and technological scale across all major geographies, particularly in North America, the largest market in volume and value. Simultaneously to the acquisition, Technicolor and Cisco entered into a strategic partnership for the purpose of developing and delivering next generation video and broadband technologies.

Financing

In September 2015, Technicolor announced that the acquisitions of Cisco Connected Devices and The Mill would be financed through an incremental term loan, a capital increase with preferential subscription rights, and the use of cash-on-hand. In addition, the acquisition of Cisco Connected Devices was partly financed through the delivery to Cisco of Technicolor newly-issued shares upon closing of the transaction:

- on October 7, 2015, Technicolor completed the syndication of USD200 million and €197 million incremental Term Loan Debt (i.e. €374 million equivalent aggregate principal amount) issued by Tech Finance & Co. SCA, maturing in 2020 and priced in line with existing loans at LIBOR/EURIBOR +400 bps, subject to a 1% LIBOR/EURIBOR floor;
- on November 13, 2015, Technicolor completed a capital increase with preferential subscription rights, raising gross proceeds of €227,369,479.50, through the issuance of 48,376,485 new shares;

- on November 20, 2015, following the closing of the Cisco Connected Devices acquisition, Technicolor issued 21,418,140 new shares to Cisco, equivalent to USD150 million at the time of the agreement.

Following these transactions, Moody's and S&P confirmed their ratings on Technicolor's Term Loan Debt. Moody's maintained the Group's long-term credit rating at B1, with a positive outlook, and S&P at B+, with a stable outlook.

1.2.3 ORGANIZATION

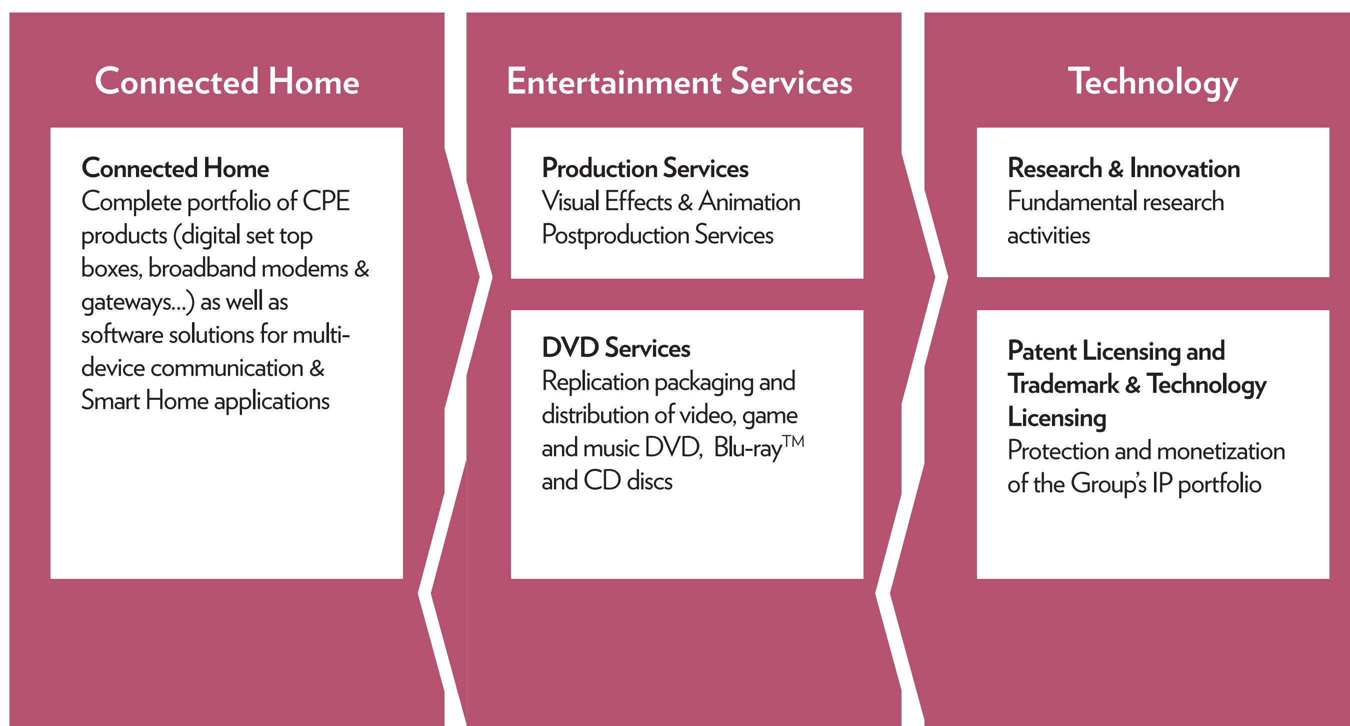
Technicolor is a worldwide technology leader operating in the Media & Entertainment ("M&E") industry. The Group develops technologies that make the centerpiece of the solutions and services offered today to its business clients (content creators and distributors, Pay-TV operators and Over-the-Top and Network Service Providers) and that will be embedded in mass-market services, devices and platforms, making its innovation have a broader reach than solely its own product categories. The Group's Intellectual Property ("IP") portfolio is especially rich in image and video compression and processing, networking and communication, content management, interactivity, user interaction, security, displays, storage and optical technologies. The Research & Innovation division aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences.

In the Connected Home segment, Technicolor is a leader in the design and supply of solutions enabling the delivery of digital video entertainment, data, voice and Smart Home services to Pay-TV operators and Network Service Providers.

In the Entertainment Services segment, Technicolor is a leading provider of services to content creators and distributors, including Visual Effects/Animation and video and sound Postproduction Services ("Production Services"), as well as the replication, packaging and distribution of DVD, Blu-ray™ and CD discs ("DVD Services").

In the Technology segment, Technicolor operates its fundamental research activities ("Research & Innovation"), a world-class Patent Licensing and Trademark & Technology Licensing business, with unique expertise to patent the Group's innovation and monetize its IP portfolio, which includes all of patents, software, hardware, content or trademark that underpins a technology, product or service.

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



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

Connected Home (40% of 2015 Consolidated Revenues)

The Connected Home segment, which generated consolidated revenues of €1,451 million in 2015 (40% of the Group's consolidated revenues), designs and supplies solutions enabling the delivery of digital video entertainment, data, voice and Smart Home services across the Cable, Satellite, Telecom and Over-the-Top ("OTT") markets. Connected Home offers a complete portfolio of cutting-edge Customer Premise Equipment ("CPE") to Pay-TV operators and Network Service Providers ("NSP"), including digital set top boxes, broadband modems and gateways, managed wireless tablets and other Connected Devices. The segment also develops software solutions enabling multi-device communication in the field of the Internet of Things ("IoT"), as well as applications for the Smart Home (home automation, home security, energy management…) and related professional services. In 2015, Connected Home shipped a total of 31.8 million products, down from an all-time high of 34.5 million units sold in 2014.

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

Entertainment Services (46% of 2015 Consolidated Revenues)

The Entertainment Services segment, which generated consolidated revenues of €1,676 million in 2015 (46% of the Group's consolidated revenues), supports content creators from creation to postproduction (Production Services), while offering global distribution solutions through its replication and distribution services for DVD, Blu-ray™ and CD discs (DVD Services).

The Entertainment Services segment is organized around the following divisions:

- Production Services: full set of award-winning services around Visual Effects and Animation activities, as well as digital video and sound Postproduction Services;
- DVD Services: replication, packaging and distribution of video, game and music DVD, Blu-ray™ and CD discs.

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

Technology (14% of 2015 Consolidated revenues)

The Technology segment, which generated consolidated revenues of €511 million in 2015 (14% of the Group's consolidated revenues), is responsible for driving technology to commercialization in a selected number of domains, especially video, audio, interoperability, local networks and machine learning/digital personalization.

Technicolor generates revenues by licensing its Intellectual Property ("IP") portfolio that addresses the highly scalable elements of the market ecosystem such as Consumer Electronics ("CE") devices and media-related services. According to the Group's estimates, over 50% of CE manufacturers worldwide integrate Technicolor's IP.

The Technology segment is organized around the following divisions:

- Research & Innovation;
- Patent Licensing;
- Trademark & Technology Licensing.

The Research & Innovation division includes the Group's fundamental research activities, which are recorded as a cost center in the Technology segment. Patent Licensing and Trademark & Technology Licensing generate revenues by licensing the Group's IP portfolio.

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

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 is a global leader in Media & Entertainment technologies, products and services, with best-in-class operating businesses, driving market adoption of Technicolor-developed technologies.

Technicolor takes advantage of a dual business model:

- **operating businesses:** each of Technicolor's operating businesses, including Connected Home, Production Services and DVD Services, is a market leader in its respective market. Technicolor's operating businesses benefit from longstanding reputations and deep expertise, best-in-class operational efficiency and cost structure, and experience in developing new technologies in collaboration with the Group's Research & Innovation labs. Through these operating businesses, Technicolor provides services and products to the most influential ecosystem players within the Media & Entertainment industry, including studios, TV broadcasters, Advertising companies, Game publishers, Pay-TV operators, Network Service Providers, and Over-the-Top services providers;
- **developing and licensing innovative technologies and IP:** innovation is pivotal in the Group's strategy. Through its Research & Innovation centers and operating businesses, Technicolor is able to generate industry-leading and relevant innovations. The Group is able to influence the ecosystems in which it participates and drive the adoption and the monetization of its technologies, due to its recognized expertise in next generation video technologies and the market leading positions of its operating businesses in the Media & Entertainment sector. Additionally, Technicolor benefits from expansive licensing reach and growing demand for innovative technologies, due to the proliferation of Connected Devices and Over-the-Top ("OTT") services in its core Media & Entertainment market segments. These operating businesses are key to promote and drive adoption of Technicolor-developed technologies. In addition, through its operating businesses, the Group's Research & Innovation labs are exposed to market-relevant innovation opportunities, which allow them to focus on developing technologies that have the highest potential for adoption and monetization.

In February 2015, Technicolor announced the launch of the Drive 2020 strategic plan with the objective of maintaining and extending the Group's leadership position in next generation video and audio technologies, driven by the strength of its operating business. After one year of implementation, Technicolor has decided to focus on video technologies where it benefits from a strong expertise and track record and which offer the most attractive return prospects.

Under the Drive 2020 plan, Technicolor is pursuing a cross-portfolio strategy based on three key pillars:

1. grow operating businesses through continued innovation and market share expansion;
2. strengthen leadership in Intellectual Property ("IP") Licensing and expand into Technology Licensing;
3. expand leadership position to serve adjacent markets in Media & Entertainment.

Grow operating businesses through continued innovation and market share expansion

Technicolor is pursuing a strategy to strengthen its leadership positions across its Connected Home, Production Services and DVD Services operating businesses.

In Connected Home, the Group executed on its strategy to participate in consolidation through the acquisition of Cisco Connected Devices, the Customer Premises Equipment ("CPE") business of Cisco. Further to the acquisition of Cisco Connected Devices, Technicolor has materially increased its industrial scale, market share and global customer and device reach. This acquisition also positions Connected Home as a market leader in the Network Service Providers CPE market, notably in the U.S. where the Group needed to strengthen its position. This acquisition has also increased its positions in Latin America and Europe, and provides Connected Home with a significant business and technology leadership position and a meaningful role in the evolution of the CPE market globally. Further, Connected Home continues to deliver industry leading products, including the industry's first major 4K set top box contract (announced in 2014 with Tata Sky, India's leading Direct-to-Home TV service provider), and the announcement of the world's first High Dynamic Range ("HDR") set top boxes. Technicolor's objective is to develop solutions that deliver amazing experiences, while managing technological complexity into an easy-to-use package.

In Production Services, Technicolor will drive market share expansion in Creative Services via both organic and inorganic growth pathways. In September 2015, Technicolor acquired The Mill, a global leader in Visual Effects for the Brands and Advertising industry. This acquisition is highly complementary to Technicolor's established position as a leader in Creative Services for the Media & Entertainment industry under its Production Services division and flagship brands MPC, Mr. X and Mikros Image. The acquisition of The Mill provides further market scale, technology and creative talent and expertise to the Group's Production Services division, and reinforces its position as leader in Creative Services across multiple verticals, while positioning Production Services for further organic market share growth. At the core of Production Services' organic growth strategy is a continued focus on innovation, driven by significant growth in next generation content creation services, including Virtual Reality ("VR") and Augmented Reality ("AR"), as well as Over-The-Top video, which segments will be primary drivers of innovation and consumer behavior for the foreseeable future. Further, Production Services is exploring developments in a cloud-based production platform which aims to improve workflow efficiency, enable global collaboration, enhance customer service, while improving talent and capacity utilization and reducing costs.

In DVD Services, the Group will maintain its leading market position through the addition of new customer relationships in core client verticals, and maintaining ongoing best-in-class operational efficiency to generate a sustained level of cash. For example, Technicolor has added the replication and distribution of packaged media products of two large customers to its North American portfolio in November 2015. The volume of packaged media generated by these customers substantially increases Technicolor's revenue base in the DVD Services division. In order to support these customers, Technicolor has acquired relevant North American optical disc manufacturing and distribution assets from Cinram Group, Inc. This will allow the Group to serve additional customers in North America and bolster the long-term continuity and efficiency of the packaged media supply chain for Technicolor and its customers in North America.

Strengthen leadership in IP Licensing and expand into Technology Licensing

Throughout its history, Technicolor has been at the forefront of technology innovations in the Media & Entertainment segment. The Group will continue to dedicate a significant portion of its efforts to develop and bring to market innovations that are pragmatic, relevant and improve and enhance consumer experiences with Media & Entertainment.

Through its active participation in standardization bodies and industry alliances, Technicolor promotes the adoption of its technologies into industry standards, allowing the Group to derive licensing revenues from a large base of licensees. For example, Technicolor is a member of the UHD Alliance formed in January 2015, which aims to promote consumer awareness of Ultra High-Definition ("UHD") video and related technologies such as High Dynamic Range ("HDR") and Wide Color Gamut ("WCG"). In addition, the Group seeks to complement its patent portfolio via partnerships. Technicolor actively files patent applications and manages and optimizes its Research & Innovation and patent filing activities to ensure that its IP portfolio is oriented towards promising technology areas with high monetization potential.

Technology Licensing is a nascent growth area for Technicolor. Through its Technology Licensing business, the Group creates, markets and licenses video technology solutions for Consumer Electronics devices, services and applications. Technicolor aims to develop a Technology Licensing business of meaningful scale, focused on providing core and next-generation video solutions to the Media & Entertainment industry, while also enhancing the Trademark Licensing program value, and generating market-focused and pragmatic assets. The Technology Licensing business also leverages the significant relationship and segment influence that Technicolor has via its operating businesses and Patent Licensing activities to create industry partnerships and alliances that promote adoption of the Group's technologies overall.

Expand leadership position to serve adjacent markets in Media & Entertainment

Technicolor will leverage its market leadership in its core businesses to enter and expand activities in adjacent markets.

In Connected Home, Technicolor aims to grow by leveraging its customer relationships and product development expertise to provide a broader range of products and services, including OTT devices, which can potentially be bundled with the Group's existing OTT technologies, and to potentially provide a range of network core solutions, diversifying the Group's existing services and expanding the scope of the Group's activities.

Over the next five years, the Production Services division aims to leverage its client relationships and technical expertise to grow its offering in the Animation, Games and Brands and Advertising segments, while expanding its geographic reach. In addition, Production Services will build on its reputation as a comprehensive provider of Visual Effects, Animation and Postproduction services by serving the growing Over-The-Top segment and the production market for Virtual Reality and Augmented Reality original content.

In DVD Services, Technicolor aims to diversify its DVD/Blu-ray™ replication and distribution businesses by building a leadership position in global logistics, direct fulfillment and freight management services.

1.3 BUSINESS OVERVIEW

The table below sets forth the contribution to the Group's consolidated revenues of its segments for 2014 and 2015. In accordance with IFRS, revenues from continuing operations exclude the contribution of discontinued operations.

in million euros (except percentages)	2015	% of total	2014	% of total
Revenues from continuing operations				
Connected Home	1,451	40%	1,382	41%
Entertainment Services	1,676	46%	1,432	43%
Technology	511	14%	490	15%
Other	14	0%	28	1%
TOTAL	**3,652**	**100%**	**3,332**	**100%**

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

1.3.1 CONNECTED HOME

Technicolor is a leader in the design and supply of solutions enabling the delivery of digital video entertainment, data, voice and Smart Home services across the Cable, Satellite, Telecom and Over-the-Top ("OTT") markets. The Connected Home segment offers a complete portfolio of cutting-edge Customer Premise Equipment ("CPE") to Pay-TV operators and Network Service Providers ("NSP"), including digital set top boxes, broadband modems and gateways, managed wireless tablets and other Connected Devices. The segment also develops software solutions enabling multi-device communication in the field of the Internet of Things ("IoT"), as well as applications for the Smart Home (home automation, home security, energy management…) and related professional services. Connected Home had approximately 2,250 employees at end December 2015, of which around 450 employees in the Group's Manaus (Brazil) manufacturing facility.

The Connected Home segment generated consolidated revenues of €1,451 million in 2015, accounting for 40% of the Group's reported consolidated revenues. By region, North America and Latin America remained the segment's largest markets in 2015, representing 32% and 30% of revenues respectively, while Europe, Middle-East & Africa and Asia-Pacific accounted for 23% and 16% of revenues respectively. Connected Home shipped a total of 31.8 million products in 2015 compared to an all-time high of 34.5 million units sold in 2014. By product category, digital set top boxes represented 57% of total volumes in 2015 (2014: 59%), while broadband modems and gateways and other Connected Devices represented 43% of total shipments (2014: 41%). High Definition products accounted for 79% of total digital set top box revenues in 2015 (2014: 79%). Technicolor was the first company to ship Ultra High Definition ("UHD") set top boxes at the beginning of 2015. UHD represented less than 1% of the Group's digital set top box volumes in 2015. Including shipments previously done by the Cisco Connected Devices business, Connected Home delivered to date more than 500 million CPE products to its customers worldwide, of which over 300 million set top boxes and 200 million modems and gateways.

In November 2015, Technicolor completed the acquisition of Cisco Connected Devices, the Customer Premise Equipment business of Cisco for initial consideration of USD600 million reduced after price adjustments to USD532 million (equivalent to €498 million) in a stock and cash transaction. The addition of Cisco's complementary product portfolio and expertise in Cable and IP technologies reinforces Technicolor's market leading positions and immediately increases its industrial and technological scale across all major geographies, particularly in North America, the largest market in volume and value. Simultaneously to the acquisition, Technicolor and Cisco have entered into a strategic partnership that will allow both companies to develop and deliver next generation video and broadband technologies, with cooperation on IoT solutions and services. By combining their strengths and expertise in video, from content creation to in-home delivery, the two companies will accelerate innovation and forge a leading entity that Pay-TV operators and NSPs can rely on for next generation connected home experiences.

Solutions

The Connected Home segment offers four sets of solutions to Pay-TV operators and Network Service Providers:

- broadband modems and gateways, which are access devices designed for both Cable and Telecom operators to allow the delivery of multiple-play services (video, voice, data, and mobility) to their residential and business subscribers over fixed and wireless networks (cable, xDSL, fiber, 4G LTE). Connected Home offers a complete range of broadband CPE devices, including high-end triple-play gateways capable of running rich applications, business gateways dedicated for the small and mid-size enterprise market, integrated access devices, double-play wireless gateways with data and VoIP functionalities, as well as Wi-Fi gateways;
- digital set top boxes, which are designed for Satellite, Cable and Telecom operators to enable the delivery of digital video entertainment and advanced services to their subscribers over broadcast, broadband, and hybrid IP networks. Connected Home offers a wide range of products including digital set top boxes in Standard ("SD"), High ("HD") and Ultra High ("UHD") Definition, hybrid set top boxes, which enable NSPs to offer access to Broadcast/Internet TV and OTT services, media servers, which are able to stream content to multiple devices/screens in the home, as well as media gateways that merge the functionalities of a media server and a broadband gateway as the single access point for all video, voice and data services in the home. Products rely on modular and flexible system architecture to cover any network access (cable, satellite, terrestrial, IP) and content media formats (SD, HD, UHD, MPEG-2, H.264, HEVC, etc.);
- other connected life devices, which are developed around new services for the Smart Home, and include high quality video distribution over Wi-Fi networks, as well as security, monitoring and automation control screens;
- services, which are typically comprised of software residing both on CPE devices and in the cloud, together allowing NSP and Pay-TV operators to reduce operating costs via diagnostic services which can, as an example, help troubleshoot Wi-Fi issues occurring to their subscribers at home, as well as grow revenue per user via Smart Home offerings such as "IZE", Technicolor's collection of Digital Life services.

Industry Trends

Global Internet traffic is growing, fueled by increasing video consumption by consumers, particularly through Over-the-Top services platforms, and the introduction of next-generation enhanced video formats such as 4K/Ultra HD. IP video is set to reach 1 zettabyte per year by 2017, accounting for 80% of global IP traffic and is fueling demand for CPE products. With the increasing amount of video that will cross global IP networks in the next few years, the need for content recommendation and personalization will be crucial and households will demand greater connectivity speed, which will drive transition to new standards and technologies (HEVC, DOCSIS 3.1, Fiber…). The Smart Home and Internet of Things ecosystems increase stickiness and generate additional revenue as the market today is pushing operators to go beyond triple-/quad-play offerings and increasingly rely on Smart Home to add new services and increase Average Revenue Per User ("ARPU").

Innovation

As the CPE industry is evolving towards more powerful, more open and more complex devices, the market is also shifting towards value sharing between on-premise and cloud-based solutions. This is beginning with virtualization and will ultimately lead to virtual CPE, likely in a hybrid model with intelligence on both the CPE and cloud sides. This trend is seen as a transformation of the operators' networks rather than a revolution. Technicolor, as a leader in CPE, will inevitably remain highly relevant during the design of these new networks, as tight integration with the CPE will be required and proven expertise valued. For instance, Technicolor knows better than anyone else which piece of CPE software (*e.g.* a service or a function) should better run in the premise or in the cloud. In order to take a leadership position during and after this transformation phase, the Group is investing in innovation and introducing new products and solutions for its customers, with a focus on:

- continuous improvement of the speed and perceived quality of end-user experience with next generation CPE wireless and broadband technologies (802.11ac, DOCSIS 3.1, G.fast, 10G-PON, LTE-Advanced);
- Technicolor's position in DOCSIS 3.1 has been significantly reinforced by the Cisco Connected Devices acquisition. The Group demonstrated at the INTX tradeshow a DOCSIS 3.1-based cable device, currently in lab testing with major Cable operators, which will enable NSPs to achieve simultaneous upstream and downstream gigabit speeds, while conserving bandwidth and maintaining energy efficiency;
- Technicolor unveiled new, innovative Ultra Broadband solutions at the Broadband World Forum tradeshow, with a G.fast gateway capable of 1 Gbps over traditional copper line, a fiber-to-the-distribution-point ("FTTDp") solution, and revolutionary modular gateway;
- new and advanced solutions to come, that pave the way toward virtual CPE, with an end-to-end platform running in the CPE and the cloud, terminating IoT in the CPE and with advanced API/SDK in the cloud for third parties to develop their own services on top of it;
- new vertical services (*e.g.* based on IoT companion devices or standalone within the CPE, like the Wi-Fi Doctor apps, showcased at the Broadband World Forum tradeshow), with service intelligence running into the cloud on top of the end-to-end platform and with reusability in a virtual CPE environment;
- a full virtual CPE ecosystem development and first Virtual Network Functions ("VNFs") brought to market soon for enterprise and residential.

In parallel, Technicolor will also continue leveraging its leadership in next-generation video technologies to bring new solutions to the market and offer differentiated products and services to its NSP customers. The Group believes that trends such as the emergence of OTT offerings in the Pay-TV space and the shift to 4K/UHD, High Dynamic Range ("HDR") and Wide Color Gamut ("WCG") content formats are challenges to be addressed by the industry in the next five years. To prepare for these technology changes, Technicolor has been investing in innovation and introducing new products and solutions for its customers, with a focus on immersive technologies (4K/UHD, HEVC, HDR, WCG) and OTT services:

- regarding Ultra HD, Technicolor demonstrated its leadership in the 4K marketplace, showcasing the very first 4K HDR live broadcast, with backward compatibility, at the IBC tradeshow, and having several 4K STB deployments already;
- in OTT, Technicolor is a leader in bringing technologies from the Mobile world into the Pay-TV universe, with the development of Android-based set top boxes by leveraging its experience gained on tablets and early OTT trials. The Group unveiled at the IBC tradeshow a new range of Android-based OTT set top boxes, with a small and innovative design. Technicolor also announced a collaboration with Canal+ Group to create next gen content experiences, which began with the launch of the "Cube S", a hybrid set top box (terrestrial/IP) that takes full advantage of OTT delivery to give access to more than 150 TV channels, as well as on-demand and catch-up TV services. The "Cube S" is an example of the new user-friendly designs that Technicolor will bring to the market.

Technicolor has started to work on the next big wave, which consists in bringing even more WoW effect to the video consumer with audio immersive solutions on one side (*e.g.* bringing innovation in MPEG-H) and Virtual Reality on the other side, with demos made at the IBC tradeshow.

Technicolor also continued its focus on developing innovative solutions and services for the Smart Home. The Group is a Premier member the AllSeen Alliance, the broadest cross-industry consortium dedicated to enabling and driving the adoption of an open-software framework to support the Internet of Everything ("IoE"). Technicolor chairs the Alliance and co-chairs the Marketing Committee.

Market Position

Following the completion of Technicolor's acquisition of Cisco Connected Devices business and Arris' purchase of Pace, Technicolor is the top-two player in the global CPE market. In 2015, Technicolor achieved a market share of c.15% worldwide (sources: Dell'Oro, Infonetics, Technicolor estimates). As the market number three player claims less than half of the Group's market share, Technicolor is thus the only true match to Arris in the CPE market. The Group's market position differs depending on market segments and geography. In 2015, by product category, Technicolor was number one worldwide in value for broadband modems and gateways, with industry-recognized leadership in wireless and broadband technologies for Cable and Telecom operators, while it was also number two worldwide in volume for digital set top boxes, with leading positions in the Satellite segment and across emerging markets, in particular in Latin America.

Technicolor's key competitors in the CPE market include Arris, Huawei, Samsung, ZTE, Sagemcom, Humax, Netgear and ZyXEL.

Technicolor's customer base includes most of the largest Pay-TV and Network Service Providers worldwide. The Group's top 20 customers make up roughly 45% of the total market, and Technicolor holds a healthy market share position at each. The Group's acquisition of Cisco Connected Devices expands its global reach and sets it up well for continuing success as many customers are also experiencing industry consolidation, both between and among different geographies. Technicolor's main customers include DirecTV, Comcast, Charter, Time Warner Cable, Cox, Rogers, Shaw, CenturyLink, America Movil, Televisa, Liberty Global, Canal+, Telecom Italia, Telefonica, Vodafone, Telstra and China Telecom.

Regional Segmentation

North America

In 2015, consolidated revenues in the North America region ("NAM") amounted to €463 million, representing 32% of Connected Home revenues (2014: 34%). Connected Home shipped a total of 6.7 million products in the region (2014: 9.5 million). Shipments were primarily dominated by digital set top boxes, which accounted for 63% of total volumes (2014: 63%), while broadband modems and gateways and other Connected Devices represented 37% of total volumes (2014: 37%).

The NAM market is the largest market worldwide, representing more than 40% of the global home CPE market in value. North America, as a trendsetter market, is the most advanced for technology, being a frontrunner in media servers and IP client architecture in the home, the first to introduce Reference Design Kit ("RDK"), a pre-integrated software bundle that provides a common framework for powering CPE products from NSPs, and at the bleeding edge for next generation wireline and wireless Ultra Broadband technologies.

Technicolor is a well-established player in the North American market with its solutions for Cable, Satellite and Telecom operators. In set top boxes, Technicolor offers a complete product portfolio ranging from lower-end digital-to-analog adaptors ("DTAs") to higher-end HD set top boxes, as well as many different forms of media consuming clients and server devices. Technicolor has a proven technology leadership for high-end broadband CPE devices and this translates in high shipments in the region. The Group is also gaining traction on other solutions such as Home Security tablets and controllers, thus expanding its addressable market for high-end devices.

With the successful acquisition of the Cisco Connected Devices business, Technicolor's percentage of revenues generated in North America is finally commensurate with the global CPE market, notably increasing the Group's exposure to Cable customers.

Latin America

In 2015, consolidated revenues in the Latin America region ("LATAM") totaled €430 million, accounting for 30% of Connected Home revenues (2014: 32%). Connected Home shipped a total of 10.9 million products in the region (2014: 11.3 million). Shipments were mainly dominated by digital set top boxes, which accounted for 70% of total volumes (2014: 71%), while broadband modems and gateways and other Connected Devices represented 30% of total volumes (2014: 29%).

The LATAM market is a dynamic market that benefits from the ongoing expansion of the middle-class across the region, which drives increased demand for Broadband and Pay-TV services. While Satellite set top boxes still represent an estimated 43% of the market in value, broadband modems and gateways for Telecom and Cable operators are also very robust segments, due to the development of broadband Internet access across Latin America. A move up market is now an established trend within this region, as shown by the massive shift to Wi-Fi, started mid-2011 and continuing over the 2012-2015 period, and a definitive shift to Ultra Broadband services, in particular with DOCSIS 3.0 in Cable. In set top boxes, HD products are dominating market share.

Technicolor is well established in the region, with a high market share both in value and volume. The Group is an important player in the market for Satellite set top boxes and is also a leader in the LATAM broadband market.

Europe, Middle-East, Africa

In 2015, consolidated revenues in Europe, Middle-East & Africa ("EMEA") totaled €330 million, representing 23% of Connected Home revenues (2014: 20%). Connected Home shipped a total of 6.9 million products in the region (2014: 7.3 million). Shipments remained dominated by broadband modems and gateways for Cable and Telecom operators, accounting for 73% of total volumes (2014: 80%), while digital set top box shipments rose significantly year-over-year and accounted for 27% of total volumes (2014: 20%).

The EMEA market is well balanced among all product categories. This market has been and remains still challenging as a result of a difficult macroeconomic environment, with Pay-TV operators and Network Service Providers remaining cautious on their capital spending.

Asia-Pacific

In 2015, consolidated revenues in the Asia-Pacific region ("APAC") amounted to €228 million, accounting for 16% of Connected Home revenues (2014: 14%). Connected Home shipped a total of 7.2 million products in the region (2014: 6.4 million). Shipments were primarily dominated by digital set top boxes, which accounted for 70% of total volumes (2014: 76%), while broadband modems and gateways and other Connected Devices contributed 30% to total volumes (2014: 24%).

The APAC market is large, with sustained growth across the region. The largest segments of this market are digital Cable set top boxes and broadband Telecom gateways. The transition to digital is a key growth driver in the region, with some large markets such as India still ongoing.

Integration of Cisco Connected Devices

The Cisco Connected Devices acquisition, announced in July 2015, was well received by the Group's customers, who welcome having a key supplier with additional scale and enhanced investment and innovation capabilities.

Technicolor expects significant economies of scale from the acquisition and announced a target of cost synergies at EBITDA level in excess of €130 million per annum on a run-rate basis, anticipated to be reached by 2018. The synergies are expected to mostly come from 3 sources:

- reduction in Cost of Goods Sold, as the doubling of the segment's size will yield better purchasing conditions with the Group's suppliers. Technicolor is confident that besides better components pricing, significant savings can be achieved through better efficiency of supply chain flows, as Cisco's supply chain was not optimized for a high volume business. This should positively impact profitability as well as working capital;
- reduction in G&A expenses, with an immediate impact in 2016, as no Cisco corporate support functions were transferred in the transaction, and the overall G&A/sales ratio is expected to improve materially as the activity gets fully integrated with the Connected Home segment;
- better R&D efficiency, with the elimination of duplicate line of products.

While sales synergies are also expected, the Group conservatively did not include any in its €130 million target but has nevertheless started to reinforce its sales team on a worldwide basis, with a particular emphasis on North America.

In order to be operational and fully efficient upon closing, the Group launched a specific integration task force at the end of July. In early October, the Group extended employment offers to Cisco employees within the scope of the transaction. A total of 714 employees decided to join Technicolor, corresponding to a satisfactory acceptance rate of 96.5%, including 100% of senior management.

The transaction was closed in November 2015 and the implementation of the strategic partnership agreement between Technicolor and Cisco has started, and covers existing video and broadband products as well as new businesses like the Internet of Things and CPE virtualization ("vCPE").

Upon closing, a new, fully integrated organization was announced and implemented. The new Connected Home segment has been operating as a single entity post-closing, with full financial consolidation.

In order to ensure a smooth transition towards steady state for supply chain and the associated IT infrastructure, Technicolor and Cisco have entered into Transition Services Agreements ("TSAs"), whereby Cisco will keep operating a few services so that business continuity is guaranteed while systems migration occurs. Technicolor has the ability to terminate each TSA with a one month notice. The Group anticipates that most TSAs will be terminated by the fourth quarter of 2016.

1.3.2 ENTERTAINMENT SERVICES

The Entertainment Services segment supports content creators from creation to postproduction ("Production Services"), while offering global physical distribution solutions through its replication and distribution services for DVD and Blu-ray™ discs ("DVD Services"). In 2015, Technicolor announced its strategy to focus its Production Services division on Visual Effects, Animation and Postproduction Services activities and subsequently proceeded to make several structural enhancements impacting the Entertainment Services segment, including the shutdown of most Media Services activities, the deconsolidation of Digital Cinema activities (after the closing of a joint venture agreement with Deluxe), and the exit of legacy activities (Film Services). The Group also completed the disposal of IZ-ON Media, which was transferred from the Entertainment Services segment to the Other segment during the year.

The customer base in Entertainment Services is made of a variety of actors in the Media & Entertainment industry ("M&E") and has a wide geographic coverage. Technicolor has strong intimacy with a number of key studio clients based on the West Coast of the United States, resulting in a significant geographic concentration for the segment, particularly in the DVD Services division. Over the past years, Technicolor has strategically increased its exposure to non-studio customers in its Production Services division, including TV broadcasters, advertising and production companies, game publishers, as well as Video-on-Demand ("VOD") and Over-the-Top ("OTT") players, while expanding its activities in other selected markets.

In 2015, the Entertainment Services segment generated consolidated revenues of €1,676 million, accounting for 46% of the Group's reported consolidated revenues. Entertainment Services had approximately 12,515 employees at end December 2015.

Production Services

Through its Production Services division, Technicolor provides a full set of award-winning services around Visual Effects ("VFX") and Animation activities, as well as digital video and sound Postproduction Services.

Technicolor offers Visual Effects and Animation services for feature films, TV series, advertising and video games. Its main asset is a team of talented VFX artists and supervisors working with state-of-the-art technology and creative tools. The Group's VFX facilities offer pre-visualization, asset building, texturing, animation, rigging, rotoscoping, lighting, match move and compositing. On the Animation side, Technicolor offers solutions for the creation of high-quality CGI ("Computer-Generated Imagery") animation and helps customers turn their ideas into reality thanks to the talents of its experienced teams in Hollywood (California), Montreal (Canada), Paris (France) and Bangalore (India). In 2015, the Group expanded its global offering in Animation through the acquisition of OuiDO Productions, a French-based production house specialized in animated TV series based upon evergreen IP like *Alvin and The Chipmunks* and *Sonic the Hedgehog*. Through its Postproduction Services activities, Technicolor supports its clients from the camera capture on the production set through creation of final distribution masters. The Group offers on-set services, color correction, VFX integration and sound. The Production Services division had approximately 6,270 employees at end December 2015, including approximately 3,200 digital artists.

Technicolor's customer base includes major and independent film studios, but also non-studio customers such as TV broadcasters, independent content producers, game publishers, as well as OTT service providers developing their own original content. In the past few years the Group has been strategically strengthening its market position with leading studios while also increasing its exposure to non-studio customers.

In VFX for feature films and TV series, Technicolor's key customers include all major Hollywood Studios, independent film studios such as Legendary, MGM and Constantin Films, TV broadcasters such as Showtime, History Channel and FX Networks, and OTT service providers Netflix and Amazon. In VFX for advertising, key customers include all global advertising networks such as WPP, BBDO/Omnicom, Publicis, TBWA and Saatchi & Saatchi, production companies, smaller agencies, and brands. In Animation, key customers are DreamWorks Animation, Nickelodeon, Electronic Arts, Activision, Square-Enix, and Rockstar Games. In Postproduction Services, key customers include all major Hollywood studios, independent film studios, TV Broadcasters including ABC, AMC, CW, FX Networks and HBO, as well as OTT service providers Amazon and Netflix. Customer agreements are typically project-specific, with longer-term contracts where possible.

In Visual Effects, Technicolor's key competitors are ILM, Weta, Double Negative/Prime Focus, Sony Imageworks, and Framestore. In Animation, key competitors are Virtuos, Bardel Entertainment, CGCG, DQ Entertainment, and Prana Studios. In Postproduction Services, key competitors include Deluxe, a number of boutique vendors, as well as the in-house facilities of certain major Studios, depending on market segment and geography.

Technicolor believes that it is the leading VFX provider for feature films and for advertising worldwide, and among the top-2 leading vendors in the worldwide Postproduction market (*source: Technicolor estimates*), with customer-facing facilities mostly in North America and Europe. Generally speaking, based on its current and targeted customer base, Technicolor believes the transition to digital offers significant opportunities. The Group can leverage its unique complementary portfolio of activities and its expertise in video and sound technologies including emerging technologies such as Virtual Reality and generate innovative problem solving solutions to deliver superior services to its customers, while generating major efficiency improvement.

The demand for VFX and Animation services has increased significantly over the past years, driven by the strong development of premium content across all segments. Technicolor has focused its investments in these activities to benefit from the market growth. In 2015, the Group provided over 9,000 VFX shots for feature films, 3,000 VFX shots for TV content and 150,000 VFX shots for advertising. The Group also developed over 5,000 assets for the top selling video games and TV series, and created more than 2,500 minutes of animation for leading animated TV shows, feature films and video games. The digital postproduction market is relatively mature and the demand is mainly driven by new theatrical and TV productions and commercials. Technicolor's strategy in Postproduction Services is to focus on key locations and to increase its market share with tentpole movies, while reinforcing its leading position on premium content for TV broadcasters and OTT service providers.

Technicolor is managing its Production Services division to capture growth opportunities and position itself among the top leaders of the market in each business category. The Group has notably set out the objective to expand its position across the Visual Effects and Animation markets and aims at further diversifying Production Services into creative Brand and Advertising, Games and Feature Animation.

Technicolor is building a strong portfolio of leading companies in video production addressing all market segments and supporting its growth strategy. Under the Technicolor brand, the Group is providing award-winning video and sound Postproduction Services, with facilities across the globe to theatrical and broadcast productions. The London-based MPC provides high-end, high-class VFX services for VFX-heavy studio tentpole movies and Advertising customers. MPC joined the Group in 2005 and has grown organically at a significant pace over the past 5 years. It operates today VFX studios in Amsterdam, Bangalore, London, Los Angeles, Mexico City, Montreal, New York, Paris, Shanghai and Vancouver. MPC has developed a strong franchise in VFX for feature film and is one of the top leaders in that field and developed a solid VFX activity for Advertising, and started recently to develop its first productions in Virtual Reality. Under the Mr. X brand, a leading North American VFX provider acquired in the second half of 2014, with facilities in Toronto and New York, Technicolor serves as a VFX provider to premier television and international film clients. This addition of Mr. X expanded the Group's VFX services globally to high-end television and international film markets. MPC continues to address leading projects for both its studio and advertising customers, while Mr. X focuses on high-concept TV production, genre features and international film co-production.

Technicolor has accelerated its expansion in video production with the acquisition of Mikros Image in June 2015 that strengthens its position in the Animation market, offering a tested production pipeline for feature animation. Mikros Image also provides a leading position in France's Advertising market. In September 2015, Technicolor acquired London-based The Mill that provides immediate scale on a worldwide basis in VFX for Brand and Advertising and complements strongly the Group's portfolio of brands. The Mill is the world's largest company in VFX for the Advertising market, with specialist industry segment offering and expertise across emerging technologies such as Virtual Reality. The Mill has operations in key advertising markets (New York, Los Angeles, Chicago, London) and its client base includes advertising agencies (e.g. TBWA, Saatchi & Saatchi), global brands (e.g. Unilever, Coca-Cola, Nike), as well as entertainment & production companies (e.g. BBC, Sky). The Mill owns and operates Beam, a workflow management and digital distribution network for advertising content.

While reinforcing its strong portfolio of brands, Technicolor is also extending the range and depth of its product and service offerings, and developing new innovative solutions to support the transition of its customers to digital, while working on efficiency improvements through workflow digitization and automation. The Group offers its customers recognized state-of-the-art technologies and creative tools and is regularly awarded by the industry.

Technicolor's excellence in servicing its clients and the M&E industry in general has been recognized with several awards and nominations.

In 2015, Technicolor's VFX teams for feature films, under the MPC brand, were nominated at the Hollywood Post Alliance Awards ceremony in the Best VFX category for their work on *Into the Woods* (Disney). They also get one Oscar nomination in the Best VFX category for their work on *The Martian* (Fox). VFX teams for broadcast, under the MPC brand, won the Best Compositing award at the Visual Effects Society Awards ceremony for their work on *Games of Thrones: The Watchers on the Wall* (HBO), while being nominated, under the Mr. X brand, in the Best Supporting VFX, Best Created Environment and Best Compositing categories for their work on *Penny Dreadful* (Showtime) and *Vikings* (History). VFX teams for commercials, under MPC and The Mill brands, received several awards at the British Arrows Craft ceremony, winning notably Gold Crafts in three different categories (Best VFX, Best Animation, Best CGI) for their work on a 100% photo-real orangutan for British energy company SSE's *Maya* spot. Postproduction teams received a number of awards and nominations, including an Academy Award for Best Sound Mixing for their work on *Whiplash* (Sony) and an Emmy Award for Outstanding Sound Editing on the TV special *Houdini: Night 1*. At the Hollywood Post Alliance Awards ceremony, they also won, for the second straight year, the Outstanding Color Grading Award in the feature film category for their work on *Birdman* (Fox).

In 2015, Technicolor's VFX teams, under the MPC brand, completed work on feature film projects such as *Furious 7* (Universal), *The Martian* (Fox), *Spectre* (Sony), *Terminator Genisys* (Paramount), *Batman v Superman: Dawn of Justice* (Warner), *Monster Trucks* (Paramount), *The Hunger Games: Mockingjay Part 2* (Lionsgate), *Goosebumps* (Sony) and *Fantastic Four* (Fox). During the year, VFX teams continued work on *The Jungle Book* (Disney), while they also started working on new theatrical projects such as *X-Men: Apocalypse* (Fox), *Pirates of the Caribbean: Dead Men Tell No Tales* (Disney), *Tarzan* (Warner), *Ghostbusters* (Sony), *The Finest Hour* (Disney), *Independence Day: Resurgence* (Fox) and *Suicide Squad* (Warner). Under the Mr. X brand, Technicolor's VFX teams completed work on new seasons of premium TV series such as *Penny Dreadful* (Showtime), *The Strain* (FX), *Vikings* (History) and *Marco Polo* (Netflix). In Postproduction Services, Technicolor's teams confirmed their key contribution to tent-pole movies, completing work on feature films such as *Avengers: Age of Ultron* (Disney/Marvel), *Insurgent* (Lionsgate), *Terminator Genisys* (Paramount), *Fantastic Four* (Fox) and *Ant-Man* (Disney/Marvel). They also continued to lead the premium TV series market, completing work on new seasons of strong TV franchises including *Criminal Minds* (CBS), *The Vampire Diaries* (CW), *Scandal* (ABC) and *Banshee* (HBO) for leading broadcasters, as well as on successful original content for OTT service providers such as Amazon (*Bosh*, *Mozart in the Jungle*) and Netflix (*Daredevil*, *Narcos*, *Sense8*). In Animation and Games, Technicolor's teams worked on popular video games such as *Call of Duty: Black Ops III* (Activision), *NBA 2K16* (Take-Two), *Rise of the Tomb Raider* (Square Enix) and *FIFA 16* (Electronics Arts), while they continued work on DreamWorks Animation TV series projects for Netflix, including *All Hail King Julien*, *Dinotrux* and *The Adventures of Puss in Boots*. During the year, Mikros Image also completed work on animated feature films including *Mune: Le Gardien de la Lune* and *Le Petit Prince* (Onyx Films), the latter now ranking as the best performing title of all time at the international box office for a French animated movie.

DVD Services

Technicolor is the worldwide leader in the replication, packaging and distribution of video, game and music DVD, Blu-ray™ and CD discs for global content producers. The Group provides turnkey integrated supply-chain solutions including mastering, replication, packaging, direct-to-retail distribution of both new releases and catalog products, returns handling and freight management, as well as procurement and selected other retail inventory management and related services. DVD Services' deeply integrated customer relationships and highly scalable, optimized low cost operational platform are strong assets to the Group.

In November 2015, Technicolor further strengthened its market leading position with the addition of the packaged media replication and distribution activities of two new major customers in North America. In order to support these customers, the Group acquired relevant North American optical disc manufacturing and distribution assets from Cinram Group, Inc. for approximately €40 million. The transaction allows Technicolor to serve additional customers in North America and enhance its market-leading support to an expanded customer base. Additionally, this bolsters the long-term continuity and efficiency of the packaged media supply chain for the Group and its customers in North America.

Technicolor sold a total of 1,308 billion DVD, Blu-ray™ and CD discs in 2015 compared with 1,315 billion discs in 2014. The Group has annual capacity to produce approximately 3 billion DVD, Blu-ray™ and CD discs, allowing the flexibility to respond to the seasonal demand for packaged media. Operations are supported by approximately 12 million square feet of dedicated replication and distribution space, with unique capability for the timely delivery of discs to more than 40,000 locations.

Technicolor runs strategically positioned key replication facilities in Guadalajara (Mexico) and Piaseczno (Poland), while packaging and distribution in the United States and Europe are supported by a multi-region/multi-site facility platform. In the U.S., the Group operates primarily from its Memphis (Tennessee) facility, while continuing to grow its existing low-cost packaging and distribution platform in Mexicali (Mexico), located on the U.S. border. With the Cinram transaction, Technicolor has added additional facilities in North America, in particular an integrated replication and distribution facility in Huntsville (Alabama). The DVD Services division had more than 6,200 employees at end December 2015.

With its replication facilities mainly located in low cost countries, a flexible workforce and a highly variable cost structure (particularly across raw materials and freight costs), Technicolor believes it has the most efficient cost base in the packaged media industry. However, the Group is continuously looking for further operational improvements. In 2015, Technicolor pursued a selective investment policy making additional investments primarily relating to ongoing productivity improvements for output and efficiency of existing replication and distribution equipment and processes, as well as various other cost savings projects.

While at an industry level, global shipments of packaged media products have declined in recent years and are expected to continue to decline, Technicolor believes it is well positioned to outperform overall market trends, driven by increased penetration of existing customers and the addition of new customers.

Technicolor's key customers include major Hollywood Studios such as Warner Bros., The Walt Disney Company, Paramount, Universal, Fox and Lionsgate, independent film studios, software and games publishers, and major music publishers including Universal Music Group and Warner Music Group. Most major customers are covered by multi-year contracts (generally, two to four years), which typically contain volume and/or time commitments. Major client relationships typically consist of multiple contractual arrangements for specific types of services within particular geographical areas.

Technicolor's main competitors are Sony DADC, Arvato, and the remaining European operations of Cinram, as well as independent local replicators.

Selected major feature film titles produced by Technicolor in 2015 included *Jurassic World* (Universal), *Avengers: Age of Ultron* (Disney/Marvel), *The Hobbit: The Battle of the Five Armies* (Warner), *Inside Out* (Disney), *Furious 7* (Universal), *Interstellar* (Paramount), *American Sniper* (Warner), *Big Hero 6* (Disney), *Mission: Impossible Rogue Nation* (Paramount), *Minions* (Universal) and *Ant-Man* (Disney/Marvel). In Video Games, key titles included *Call of Duty: Black Ops III* (Activision), *Star Wars: Battlefront* (Electronics Arts), *Rise of the Tomb Raider* (Square Enix), *Halo 5* (Microsoft) and *FIFA 16* (Electronics Arts).

1.3.3 TECHNOLOGY

The Technology segment comprises principally the Group's Research & Innovation ("R&I") activities, as well as its Licensing Division, which includes Technicolor's Patent, Trademark and Technology Licensing businesses. R&I is accounted for as a cost center within Technology.

Technicolor generates its revenues by licensing its Intellectual Property ("IP") portfolio to Consumer Electronics ("CE") devices and media-related services. According to the Group's estimates, over 50% of CE manufacturers worldwide incorporate Technicolor's IP.

The Group's market reach is significant as more devices consume video technologies. This enables the Group to expand its licensing franchises into product categories such as smartphones and tablets. Technicolor's relevance continues to increase as these devices need enhanced video compression technologies, given that they often operate with limited bandwidth, and differentiated technologies to provide more value to end-users. The Group also continues to drive adoption of its technologies by partnering with other key industry players and by incorporating its research into industry standards such as AVC, HEVC, ATSC and DVB to enhance the value of these portfolios.

In 2015, the Technology segment generated consolidated revenues of €511 million, accounting for 14% of the Group's reported consolidated revenues. The Technology segment had approximately 500 employees in Research & Innovation and Licensing at end December 2015.

Research & Innovation

Strategy and Vision

R&I aims to fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences. A solution-driven-portfolio is built to serve content creators, particularly Hollywood Studios, Network Service Providers and Consumer Electronics manufacturers when facing the technology challenges of emerging formats and digital platforms. R&I is also working in close collaboration with the Intellectual Property team in order to create high quality assets to nurture existing and future licensing programs. R&I employs more than 250 world-class researchers as of December 31, 2015, with a mix of scientists and engineers with skills spanning from video compression, color science, computer vision and computer graphics, to emerging fields such as virtual/augmented reality, cognitive science, human/computer interaction, network virtualization, IoT devices/sensors and deep/machine learning.

In terms of organization, and as part of a transformation process initiated two years ago, R&I has been elevated to a corporate level with the business units engaged as innovation stakeholders. Under this model, R&I and the businesses sustain a joint project portfolio driven to maximize impact with a clear path to deployment.

At the core of the Group's research agenda lie three large strategic axes:

- *Media Formats* aims to enhancing the end user experience by providing High Dynamic Range ("HDR") and Wide Color Gamut ("WCG") solutions, whether to enable new ways to color correct the artistic content in postproduction or to design a complete HDR video delivery chain with backward compatibility as the differentiating feature relative to competition. These efforts rely on Technicolor's long-standing background in color science and video compression, as well as in all related video format standardization activities. All these efforts have delivered market viable solutions to Production Services, Technology Licensing, and Connected Home, and have created valuable inventions to sustain the Patent Licensing business;
- *Immersive Media* is the fastest emerging trend in industry with a wide range of research activities around Virtual Reality ("VR") and Augmented Reality ("AR"). These disruptive technologies have the potential of transforming not only the way users will consume content but also how they will interact with it, building a bridge between the Media & Entertainment and Gaming industries. VR will redefine the rules of storytelling with technology needs going from 360 degree content capture and processing to real-time content rendering in the end device to provide a full immersive experience. A bit farther away on the horizon but expected to fully complement VR, AR will enhance the entertainment experience by allowing the computer generated assets to interact with the environment surrounding the viewer;
- *Digital Life Experiences* explores a vast range of business opportunities for expanding Connected Home device functionalities and services benefiting from emerging IoT technologies. In this field, R&I develops cutting-edge technologies in machine/deep learning that analyze sensor and/or network data to infer user behavior. Applications could range from elderly care to network monitoring functions to personalized user experiences. R&I work expands as well to the virtualization of Customer Premises Equipment ("vCPE") in anticipation of next generation gateway solutions in which most of the software intelligence will be moved into the cloud.

In addition to its core research pillars, Technicolor conducts a number of agile or exploratory programs with the ambition to foster new-to-market innovation proposals that allow significant competitive advantage. This is only possible thanks to its long term commitment to research and its ability to assemble creative teams with diverse technical expertise. Worth mentioning as an example is the extensive work conducted by R&I towards the exploration of Light Field technologies. Dedicated research in this field has led to numerous inventions, including notably a new Light Field representation format, based on beams instead of rays, and a way to transport and compact the scene information. This format allows for a better representation independent of the acquisition system, and opens up new perspectives for high quality rendered images. Future emergence of Light Field workflows will likely be at the core of Augmented Reality solutions, allowing to modify focus or viewpoint, both in post-production or real-time AR mass-market consumer devices.

R&I pioneering work continues to be a key contributor to the Group's patent portfolio and the delivery of technology breakthroughs that can strengthen current businesses and create new opportunities for Technicolor. The Group remains passionate about making its research tangible and driving technology to commercialization in the areas most important to its customers and business interests.

As innovation time to market shortens year after year, R&I teams carefully monitor emerging trends to understand where the Media & Entertainment industry is headed. In 2015, Technicolor presented 63 publications in prestigious peer-reviewed scientific conferences. The Group invests in a forward-looking, ambitious research agenda for tomorrow, fostering open research with industrial partners and academics to transform current ecosystems.

Industry Standards

Technicolor is a proactive participant in standardization bodies, promoting the adoption of the Group's innovative Immersive Audio/Visual technologies in consumer electronics, delivery networks and in-home connectivity, including HDR and 3D Audio. This reinforces the business activities of the Entertainment Services, Connected Home and Technology segments. Industry standards are adopted through a formal negotiated standards process, whereby government entities, industry standards-setting bodies, trade associations, and others evaluate and then prescribe the use of a technology. Technicolor's participation in and contribution to developing industry standards is driven by the Group's belief that promoting the adoption of its technologies, which provide beneficial and efficient commercial solutions, in several key industry standards will support their introduction to the market place and consumer adoption. As part of this process, Technicolor develops relationships with partners, developing cooperation within the industry ecosystem in order to promote innovative technologies and transition research into the market.

Technicolor continues to be an active proponent of the companies' video coding technology in MPEG/ITU's HEVC ("High Efficiency Video Coding") and SHVC ("Scalable High Efficiency Video Coding") standards developed by the MPEG (ISO) and ITU standards bodies. This active role is also key to monitoring the development of next video coding standards. From the beginning, the Group has chaired/co-chaired core experiments during development of these standards and has contributed innovative technologies. Technicolor also continues its strong participation and contribution to DVB standardization, equally taking key chair positions, striving to facilitate cross-body coherency with respect to objectives. These technologies extend the standard to support for more colors and different display generations, two areas with potential for significant impact on the Consumer Electronics market. Technicolor was instrumental in driving forward developments in High Dynamic Range, proposing for example, high performance and bandwidth optimizing encoding schemes. In addition to the factors of 4K resolution, wider color gamut and higher frame rates, HDR is a key contributing factor to perceived UHD TV image quality and these factors represent the essential attractiveness vector for consumers, as concerns future display functionality. Committed to enabling HDR across all aspects of content creation and distribution, Technicolor has made available the High Dynamic Range single-layer solution for testing by key ecosystem partners. The solution, which is compatible with MPEG HEVC standards, creates a video which benefits from improved compression efficiency over unprocessed HDR files. It is also backwards compatible with legacy Standard Dynamic Range ("SDR") displays. Technicolor has submitted the solution for standardization to the Motion Picture Experts Group ("MPEG") and the Advanced Television Systems Committee ("ATSC").

In 2014 and 2015, Technicolor's sustained investment in ATSC 3.0 resulted in a marked increase in technical contributions and a heightened presence of the Group within the ATSC community. More than forty technical contributions have been submitted to the working groups, advocating for the HEVC and SHVC video compression standards, the MPEG-H immersive audio standard and MPEG-MMT transport open standards. To bring further value to ATSC, the Group's innovations enabling fast channel change and audio robustness have also been proposed. An integrated demonstration of these technologies over-the-air in March 2015 and at the following NAB tradeshow highlighted Technicolor's readiness. This was followed in November 2015 by a live, over-the-air ATSC proposed technology transmission test of Technicolor's technology, in partnership with Sinclair Broadcast Group. Adoption of these technical contributions will support the Group's future digital television licensing program. HEVC, SHVC and MMT have been adopted in ATSC 3.0 Candidate Standards A/341 and A/331.

Technicolor continued to develop and promote ground breaking technology in digital audio, targeting an immersive audio experience including interactive audio control by the listener and additional audio features requested by broadcasters and content providers. The Group has led this field from the outset introducing revolutionary technology in MPEG-H 3D Audio and co-authoring the Draft International Standard text of MPEG-H 3D Audio phase 1. In 2014, Technicolor's complementary technology proposal for very low bitrate coding was selected as one of the winning proposals in an amendment to the MPEG-H 3D Audio. To accelerate the adoption of this standard by the market, Technicolor, Fraunhofer and Qualcomm continued to work together in the MPEG-H Audio alliance, showcasing integrated technology demonstrations focused on operational deployment. MPEG-H audio has been selected by South Korea's governing agencies as the codec for Korea's next-generation broadcast system (based on ATSC 3.0) and is being documented for the ATSC 3.0 system, for which trials are expected in South Korea during 2016.

In January 2015, Technicolor drove efforts in the Ultra High Definition ("UHD") Alliance, which is a coalition of studios, Consumer Electronic manufacturers and technology companies to establish a UHD quality certification and logo program for content and devices. The UHD Alliance set out the level of quality to be achieved by video entertainment branded as "Premium UHD" through targeting and combining standards which are in video technologies including 4K, high dynamic range, wider color gamut and immersive 3D audio. These initiatives are likely to drive future monetization activities in Technology Licensing.

Evolution of immersive audiovisual technologies is creating the conditions for revitalizing existing platforms such as Blu-ray™ of the BDA ("Blu-ray Disc Association"). This has inspired the next generation optical disc format, extending the number of pixels and enhancing interactivity, requiring performance improvement of optical discs towards higher density recording and transfer rates. Technicolor samples of higher density Blu-ray™ discs have contributed to setting the physical parameters of the next generation higher recording capacity Blu-ray™ discs, enabling the continued development of Blu-ray™. Content-wise, the enrichment of picture quality with WCG and HDR offers new market opportunities beyond 4K resolution. The Group has proposed remapping metadata to ensure consistent views on legacy and new displays, thereby allowing content owners such as Studios, to preserve artistic intent. This proposal to BDA is an application of the Technicolor contribution approved by MPEG (HEVC extension) in 2014. Market deployment of these immersive technologies will be partially leveraged through licensing.

Technicolor has progressively intensified its engagement with other key standards bodies working on mechanisms to enable new immersive audio/video experiences. This is particularly notable with respect to the SMPTE ("Society of Motion Pictures and Television Engineers") where HDR, WCG and the future HDR ecosystem are central subjects, to which Technicolor is promoting its vision of an Open ecosystem. An integral part of the Technicolor contribution is the role of metadata in assuring the highest achievable quality of the consumer experience across the diversifying elements of the ecosystem. To this end, Technicolor is the leader in developing the relevant SMPTE standard. The Group has renewed its technical activities within the Consumer Technology Association ("CTA"), which was formerly known as the Consumer Electronics Association ("CEA"). The HDMI Forum is also a focus of Technicolor as it is now addressing HDR technology, which is essential to allow the provision of true high-quality signals from a Blu-ray™ player or set top box to a display.

Technicolor has started down a few paths to push the traditional envelope of these technologies for the benefit of the consumer. One path is to explore leveraging these technologies in a "connected car" ecosystem by developing applications for seamless integrations of content and extension of user experiences. Another path is to develop technologies to provide an augmented-reality/virtual-world environment for the next generation of search and recognition applications.

Patent Licensing and Trademark & Technology Licensing

Technicolor's Licensing Division generated consolidated revenues of €490 million in 2015 (13% of the Group's consolidated revenues). As of December 31, 2015, this division employed approximately 230 people principally based in France and in the United States. Technicolor has a strong worldwide portfolio that constitutes a significant corporate asset.

Technicolor generates revenues by licensing its Intellectual Property. Licensing revenues are comprised of fixed license fees (payable in one or more installments) and/or running royalties on products sold by licensees based on agreements providing the right to incorporate the Group's patented technologies. A significant portion of Technicolor's Licensing revenues in 2015 was generated by the MPEG-2 patent pool, which is administrated by the MPEG LA consortium.

Patent Licensing

As of December 31, 2015, Technicolor's patent portfolio consisted of approximately 40,000 patents and patent applications worldwide, primarily in the fields of video compression and image processing, communications, user experience, security, and displays. In 2015, Technicolor filed 572 initial patent applications for new inventions compared to approximately 700 in 2014. The Group was also granted around 1,500 patents in 2015 compared to more than 1,700 patents in 2014. At the end of 2015, around 56% of the Group's patent portfolio had a remaining lifetime greater than 10 years. The Patent Licensing team works closely with Technicolor's Research & Innovation division, as well as the development centers within the Group's operating businesses, identifying valuable inventions for which patents may be pursued. Technicolor is now organized around four key pillars in its Patent Licensing business: Digital TV, Video Coding, Mobile Communications and Connected Home, and is maximizing its efforts to increase the performance of licensing programs derived from these pillars. In addition to supporting licensing programs, Technicolor seeks protection of its operating businesses by building a strong exclusive and defensive portfolio.

As part of the decision to reorganize its Patent Licensing around four key pillars, Technicolor has reconsidered its worldwide filing policy to focus on high quality patent assets relevant to these areas and to target geographies that are important for the licensing business going forward. This revised filing policy will be implemented in 2016 onwards.

Over the past few years, Technicolor has been intensifying its Patent Portfolio Management Policy to increase the technology relevance and quality of its large portfolio, while maintaining cost control. With this work completed, Technicolor is ready to streamline its patent portfolio in line with the portfolio monetization strategy around the four pillars aforementioned. Technicolor may divest non-strategic patent assets to facilitate dissemination of its latest technologies. The primary objective of this effort is to focus on high quality patents and produce the strongest assets in the areas in which Technicolor competes.

The Patent Licensing team detects uses of Technicolor's patents in third parties' products through reverse engineering. Once detected, the team negotiates with, and grants to, third parties the right to use the Group's patents for manufacturing and selling their products as appropriate. Rather than licensing individual patents, Technicolor's standard licensing policy is to grant the right to use the patent portfolio as applicable to particular licensed products, providing licensees with the ability to understand their rights on a product-centric basis. Licensing agreements are usually renewable and have a typical duration of five years. Royalties are primarily based on unit sales volumes.

In 2015, the licensing program that generated the most revenues was MPEG-2, which is licensed through the MPEG LA pool, of which Technicolor is an important member. This program contributed to 59% of Licensing revenues in 2015. The Group expects this program to contribute to its Licensing revenues until mid-2016, when Technicolor will receive the last proceeds from the patent pool under its currently contracted arrangements.

Technicolor also derives licensing revenues through its participation in other patent pools such as Premier BD for Blu-ray™ technologies, Uldage for Japanese Television and HDMI. Revenues are also generated through bilateral agreements related to Licensing programs directly managed by the Group, including video coding, digital televisions, digital set top boxes mobile phones and tablets. The Patent Licensing team continually works on exploring new licenses, as well as renewals of existing licenses where appropriate.

In addition to licensing patents generated by in-house research and development, Technicolor also leverages its expertise by licensing patents held or created by third parties. In 2015, Technicolor and Sony announced a joint Patent Licensing program for Digital Television ("DTV") and Computer Display Monitors ("CDM"). Technicolor will be the exclusive Patent Licensing agent of the combined portfolio that covers DTV and CDM. The license is offered for the convenience of both existing and new licensees, enabling them to obtain a single license as an alternative to negotiating separate licenses. Through this agreement, the Group not only secures and develops its long term revenues in the DTV program and generates revenues from the CDM program, but also demonstrates its agility to create ad-hoc partnerships in IP and Licensing.

Technicolor works with advanced standards such as HEVC, ATSC 3.0 and DVB, which are implemented in existing products and will be implemented in future products, and contributes to improve standards and technologies in the field of Video Coding including HDR through major technical contributions. Technicolor has been investing in compression technologies for years and has built significant IP assets in that field. In early 2016, Technicolor signed a material license agreement for the use of its patents related to HEVC technologies with a significant industry player. With this first deal, Technicolor demonstrates its ability to obtain better return and faster results on a stand-alone basis than through one of the existing patent pools formed to monetize the HEVC standard (MPEG LA and HEVC Advance). Through this agreement, the Group is also seeking to pave the way for the industry to adopt the HEVC standard and, as a further incentive for rapid adoption, Technicolor has chosen to focus the royalty collection on devices.

Based on its solid IP portfolio in the field of smartphones and tablets, Technicolor launched a program in that field and signed in 2013 its first smartphone licensing agreement with Sony. This agreement has been established as an Intellectual Property collaboration agreement, strengthening Technicolor's Patent Licensing initiative in the field of smartphones. Under this agreement, the Group is the exclusive licensor of the combined portfolio including Sony assets spanning a broad array of technologies such as LTE, WCDMA, UMTS, Wi-Fi, haptics, video compression, software, user interface, LCD and AMOLED. In 2014, Technicolor signed a second licensing agreement with LG for the use of the Group's patents and technologies across LG's mobile devices, including smartphones and tablets.

Technology and Trademark Licensing

In addition to its Patent Licensing activities, Technicolor has developed a Trademark Licensing business, monetizing valuable brands such as RCA™ and Thomson™, which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business. These brands have a strong historical heritage and foothold in their respective territories. They have demonstrated their capacity to stretch beyond their historical scopes, allowing the continuation of recurrent revenue models beyond their traditional core markets. Technicolor has secured the further development of the Trademark Licensing business in the transition into the digital world.

Technicolor is also developing an offer to license technology, including algorithms, software libraries and services, as well as hardware designs to Consumer Electronics manufacturers and other partners. The development of this Technology Licensing approach aims at offering a new revenue stream to the Group and at shortening the licensing cycle. The Patent Licensing approach mainly consists in granting licenses for a given application after the market adoption of the corresponding family of products and services, while the Technology Licensing approach is an initiative to bring innovations to the market 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 also provides new opportunities in the future for patent licensing of products and services embedding these technologies.

Technicolor was a pioneer in the development of a Trademark Licensing business, building for the Group a strong expertise and a clear market leadership in this field. The Group complements the pure Trademark license by allowing its partners to benefit from its innovation capacity for Media & Entertainment, offering technologies, software and industrial design to its licensees, and leveraging its extensive Intellectual Property portfolio focused on video technologies, as well as its strong competencies in product design. In 2014, Technicolor secured long-term contracts with most of its existing brand licensees. The Group extended market coverage of its Trademark licensing activities to a number of new categories of products such as household appliances, tablets and IT products and continues to license its trademarks for smartphones, home networking and automation solutions. Technicolor also further expands its Trademark Licensing programs into new geographies, with a particular focus on emerging territories.

Technicolor's new Technology Licensing initiatives went live in 2013 in the field of Image Fidelity and Enhancement such as the Color Certification Program and the Image Certification program. The Group's Certification programs gained traction in 2015 with the signature of new licensing agreements in its Color Certification Programs with Asus, MSI and HP All-in-One. In the second half of 2015, BenQ also joined the Color Certification Program. In the first quarter of 2015, Technicolor signed the Group's first technology licensing deal in the mobile industry, partnering with Chinese mobile device manufacturer TCL on the launch of its latest premium smartphone, *IDOL. 3*, which embeds the Group's Color Enhance technology. In the first half of 2015, Technicolor continued to make progress around its HDR offering by supporting HDR content development and distribution across the entertainment ecosystem and making available the new HDR single-layer solution for testing by key ecosystem partners and HDR grading services. At the end of 2015, Technicolor and Philips joined forces to collaborate on the development and go to market plans for HDR technology solutions. Technicolor will lead the partnership and the parties will jointly offer a unique, best-in-class proposition to the market that allows HDR delivery, with full backwards compatibility to Standard Dynamic Range displays. Both companies have been able to gain traction with System-on-Chip ("SoC") vendors and this partnership will increase the strength of the joint solution on the market and allow new innovative features to be added.

1.3.4 OTHER

"Other" operations are as follows:

- unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as sourcing, Human Resources, IT, finance, marketing and communication, corporate legal operations and real estate management, and that cannot be strictly assigned to a particular business within the three operating segments;
- post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs;
- IZ-ON Media, which was transferred from the Entertainment Services segment to the Other segment in the first quarter of 2015. Technicolor completed the disposal of IZ-ON Media in the second quarter of 2015.

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.

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".

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2.1 OVERVIEW

Technicolor is a worldwide technology leader operating in the Media & Entertainment ("M&E") industry. The Group develops technologies that make the centerpiece of the solutions and services offered today to its business clients (content creators and distributors, Pay-TV operators and Over-the-Top and Network Service Providers) and that will be embedded in mass-market services, devices and platforms, making its innovation have a broader reach than solely its own product categories. The Group's Intellectual Property ("IP") portfolio is especially rich in image and video compression and processing, networking and communication, content management, interactivity, user interaction, security, displays, storage and optical technologies. The Research & Innovation division aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences.

In the Connected Home segment, Technicolor is a leader in the design and supply of solutions enabling the delivery of digital video entertainment, data, voice and Smart Home services to Pay-TV operators and Network Service Providers.

In the Entertainment Services segment, Technicolor is a leading provider of services to content creators and distributors, including Visual Effects/Animation and video and sound Postproduction Services ("Production Services"), as well as the replication, packaging and distribution of DVD, Blu-ray™ and CD discs ("DVD Services").

In the Technology segment, Technicolor operates its fundamental research activities ("Research & Innovation"), a world-class Patent Licensing and Trademark & Technology Licensing business, with unique expertise to patent the Group's innovation and monetize its IP portfolio, which includes all of patents, software, hardware, content or trademark that underpins a technology, product or service.

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

2.2 TRENDS IN TECHNICOLOR ECO-SYSTEMS

The recent and rapid technology-driven evolution of consumer interaction with digital content, devices and services has resulted in significant shifts in the landscape of today's connected digital world ecosystem. As this digital world has evolved, Technicolor expects the following key trends to have a material impact on its businesses, its customer activities, and ultimately, on the evolution of digital consumer behavior:

- proliferation of Over-the-Top ("OTT") services, devices, and tools;
- democratization of content creation and distribution, as content creators become increasingly diverse and content creation tools become increasingly available;
- story-telling and quality content resonate across new emerging technologies;
- windows and business models for content continue to rapidly evolve;
- traditional Pay-TV business model and ecosystem continue to gradually erode;
- democratization of technology: cloud infrastructure and open source software models reduce barriers to entry for technology development;
- Internet of Things ("IoT") becomes real;
- data driven decision-making and "Big Data" services proliferate;
- Technology Licensing becoming an important technology monetization model.

Over the next five years, OTT devices and services will continue to proliferate globally, resulting in significant market disruption and further democratization of content production and distribution. Additionally, the bandwidth that needs to be carried across the networks of Internet Service Providers will inevitably increase. OTT devices using Internet Protocol networks will enable a continued shift in the profile and capabilities of devices in the living room, blending the role of traditional set top boxes with home gateways, with potentially profound and beneficial implications on the role of devices and services in the home.

Digital content distribution via OTT and social media channels has democratized the content creation, aggregation and distribution markets, making content widely available at significantly lower cost, with the potential for wide reach and significant penetration. Digital media channels are taking increasing share of overall content viewership, utilizing data analytics tools, content recommendation engines, social and viral marketing optimization technologies, as well as audience segmentation and curation tools to drive viewership, advertising reach, placement and penetration. Within the next five years, we will see the rise of new "studios" within the ranks of current digital distributors as these companies experiment in original content creation. While audiences, content types and creative services will fragment as a result of these trends, the volume of quality content consumed and available for consumption will only increase.

Creative story-telling and better content quality will continue to resonate with consumers despite changes in distribution channels, technologies and formats. We believe that growth in the consumption of short-form content, games, and viral content formatted for social media will complement and not supplant long-form content.

Beyond currently emerging visual display technologies such as High Dynamic Range ("HDR") and Wide Color Gamut ("WCG"), the next significant technology development in media creation is in the area of Augmented Reality ("AR") and Virtual Reality ("VR"). We believe that the impact of Augmented Reality and Virtual Reality will be profound and will fundamentally change the way consumers engage and interact with content, whether Media & Entertainment-related or connected to a brand experience. Augmented Reality has the potential to change the nature of the personal computing platform and, at its extreme, to impact the nature of our engagement with physical world.

In the immediate term, content produced for these technologies will predominantly be in shorter form interactive experiences and will be made available via certain market niches, which, while sizeable in the aggregate, will initially be relatively constrained to certain devices either just in market or soon to come to market, and to certain audiences. In the longer-term horizon, these technologies will bring significant opportunities, as well as disruption, to our industry.

Over the next five years, we will continue to see the erosion of traditional content pay-walls for cinema, home video and Pay-TV in the face of increasingly significant pressure and competition from digital channels. This trend will enable content providers to make more choices about content offers, availabilities and use cases than ever before, and to offer greater availability window discrimination and experimentation. While the traditional Pay-TV business model and ecosystem will continue to be challenged in many major markets, we do not believe this model will collapse over the next five-year time horizon due to regulatory hurdles and content rights exclusivity constraints in large markets such as the U.S.

We expect to see democratization of technology development, whereby the physical and capital costs of technology development and operation will be meaningfully reduced over the next five years. Changes in cloud infrastructure provisioning will significantly reduce the costs and time associated with the development and deployment of applications and services. Related to the trend towards cloud infrastructure, we see an industry wide-trend towards open source software licensing models becoming widespread, particularly within OTT and even traditional stacks of some network service providers.

We believe that within three years, network-connected devices become proxies for context, and that context-aware entertainment and service offerings will proliferate rapidly. While we believe that consumer adoption of sensors, wearables and other Internet of Things products will remain a major trend, enterprise solutions and needs, particularly in the industrial segment, will become large drivers for, and will be increasingly driven by, "Big Data" services and data analytics models. The emergence of IoT and data services will primarily impact industrial segments, but may have some spill over to consumer behavior and engagement, and will present businesses with opportunities to provide new context-aware services, enhance and personalize customer experience, and reinvent or improve their operations.

In IP licensing, the rise of OTT players and digital distribution channels is accelerating the adoption cycle of entertainment technology, which has historically been driven by Hollywood, Broadcast media and large Consumer Electronics manufacturers, through standards bodies and consortiums. Going forward, technology licensing, which involves marketing and selling technologies and solutions proactively to potential customers, will become an increasingly important monetization model for the Group's technologies.

These trends have had and will have an overall positive impact on the demand for Technicolor's technologies, products and services, resulting in:

- growth in the Connected Home segment due to increasing demand for smarter and more innovative products with improved capabilities;

- growth in the Entertainment Services segment due to Technicolor's long-term relations with global content creators, the increasing volume of content created and consumed, and the Group's role as a leading creator of compelling story-telling experiences in Augmented Reality and Virtual Reality;
- growth in the Technology segment due to more rapid adoption of the Technicolor's next generation technologies in an increasing number of Consumer Electronics devices or services.

2.3 SUMMARY OF RESULTS

Revenues from continuing operations totaled €3,652 million in 2015, up 9.6% at current currency and up 2.4% at constant currency compared to 2014. Excluding exited activities, revenues were €3,601 million in 2015, up 12.0% at current currency and up 4.7% at constant currency compared to 2014, reflecting solid growth in the Entertainment Services and Technology segments and broadly stable Connected Home revenues. In Connected Home, despite adverse business conditions in both North and Latin America, revenues remained almost stable year-over-year, driven by a material improvement in overall product mix across most regions and the inclusion of revenues related to the Cisco Connected Devices acquisition. In Entertainment Services segment, revenues increased double-digits year-on-year at constant currency, as a result of strong organic growth and the contribution from recent acquisitions in Production Services, as well as resilient volume trends in DVD Services, due to a strong slate of new releases in the second half and the addition of new customers both in Europe and in North America. In Technology, revenues primarily benefited from an increased full year contribution from the MPEG LA patent pool, combined with a solid performance of the Group's direct licensing programs in the first half.

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

Adjusted EBITDA from continuing operations amounted to €565 million in 2015, up 3.1% at constant currency compared to 2014, representing a margin of 15.5%, down by 1 point year-on-year. The Adjusted EBITDA increase reflected a solid Licensing revenue performance, combined with a strong organic growth in Production Services, partially offset by a weak DVD Services performance in the first half, the impact of unfavorable €/USD exchange rate fluctuations on procurements for Connected Home in the second half, as well as a lower contribution from exited activities.

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 2015 compared to €302 million in 2014. 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" of this chapter.

The Group's net financial result was an expense of €87 million in 2015 compared to an expense of €117 million in 2014. For more information, please refer to section 2.9.4: "Net finance costs" of this chapter.

The Group's total income tax charge was €55 million in 2015 compared to a charge of €48 million in 2014. For more information, please refer to section 2.9.5: "Income tax" of this chapter.

Profit from continuing operations was €121 million in 2015 compared to a profit of €137 million in 2014. For more information, please refer to section 2.9.6: "Profit (loss) from continuing operations" of this chapter.

The loss from discontinued operations was €43 million in 2015 compared to a loss of €9 million in 2014. For more information, please refer to section 2.9.7: "Profit (loss) from discontinued operations" of this chapter.

The Group's consolidated net income amounted to €78 million in 2015 compared to a net income of €128 million in 2014. For more information, please refer to section 2.9.8: "Net income (loss) of the Group" of this chapter.

2.4 SEASONALITY

The Group's revenues have historically tended to be higher in the second half than in the first half, as customer activity was greater towards the end of the year, especially for the Entertainment Services segment. In the second half of 2015, revenues from continuing operations totaled €2,031 million, or 56% of the Group's revenues for the year 2015, compared to €1,827 million in the second half of 2014, or 55% of the Group's revenues for the year 2014.

2.5 GEOGRAPHIC BREAKDOWN OF REVENUES AND EFFECT OF EXCHANGE RATE FLUCTUATIONS

The table below shows revenues from continuing operations for the Group in 2014 and 2015 by destination, depending on the location of Technicolor's customers. As shown below, the Group's largest markets in 2015 were the United States and Europe, accounting for 46.7% and 23.1% of revenues respectively.

Revenues of continuing operations by destination

(in percentage)	2015	2014
United States	46.7%	44.1%
Rest of Americas	16.5%	18.7%
Europe	23.1%	21.7%
Asia-Pacific	12.3%	13.9%
Other	1.4%	1.6%

The table below shows revenues from continuing operations for the Group in 2014 and 2015 by origin, depending on the location of Technicolor's invoicing entity. As shown below, the Group's largest markets in 2015 were Europe and the United States, accounting for 42.9% and 38.2% of revenues respectively.

Revenues of continuing operations by origin

(in percentage)	2015	2014
United States	38.2%	39.1%
Rest of Americas	13.7%	15.2%
Europe	42.9%	40.5%
Asia-Pacific	5.2%	5.2%

Revenues of continuing operations and effect of exchange rate fluctuations

(in million euros unless otherwise stated)	2014 revenues at 2014 exchange rates	2015 revenues at 2014 exchange rates	Exchange rate impact	2015 revenues at 2015 exchange rates	% change at constant exchange rates	% change at current exchange rates
Continuing operations	**3,332**	**3,412**	**240**	**3,652**	**+2.4%**	**+9.6%**
Of which:						
Connected Home	1,382	1,378	73	1,451	(0.3)%	+5.0%
Entertainment Services	1,432	1,510	166	1,676	+5.4%	+17.1%
Technology	490	512	(1)	511	+4.5%	+4.2%
Other	28	12	2	14	(57.6)%	(49.5)%

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 U.S. dollar against the euro has a positive effect on Group revenues, while a decrease of the U.S. dollar against the euro has the opposite impact. Other foreign currencies impacting Group revenues principally include the Pound sterling, the Canadian dollar and the Brazilian real. In 2015, compared to 2014, exchange rate fluctuations had an overall positive impact of €240 million on consolidated revenues, principally as the positive effect of the appreciation in the average exchange rate of the U.S. dollar and the Pound sterling against the euro in 2015 compared to 2014 was more than offset by the negative impact of the depreciation in the average exchange rate of a number of currencies versus the euro over the same period, including in particular the Brazilian real.

The table below shows Group revenues from continuing operations by currency for 2015. As shown below, the Group's most important currency exposure is the U.S dollar, accounting for 54% of revenues in 2015.

	2015
USD	54%
EUR	25%
Other	21%

For more information about average exchange rates, please refer to note 2.4 "Translation" 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 the Result from continuing operations before taxes and net finance costs, please refer to note 21.2 (a) to the Group's consolidated financial statements.

2.6 EVENTS SUBSEQUENT TO DECEMBER 31, 2015

The disposal of M-GO was completed on January 29, 2016 for net proceeds of US$ 12 million (€11 million).

2.7 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2015

In compliance with Article L. 233-6 of the French Commercial Code, Technicolor notes that, in 2015, the Group acquired the control of the following companies established in France:

Related to Ouido Productions:

- Ouido Productions – 797,830,106 RCS PARIS;

Related to Mikros group:

- MTC – 407,754,613 RCS NANTERRE,
- Mikros Image – 333,987,659 RCS NANTERRE,
- Domove – 399,641,562 RCS NANTERRE,

  Within the Mikros Group, Technicolor acquired minority interests in:
- L'Étude et la Supervision des Trucages (L'EST) - 414,222,406 RCS PARIS,
- Orfeo – 539,867,093 RCS PARIS.

2.8 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2014

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 2014.

2.9 RESULTS OF OPERATIONS FOR 2014 AND 2015

The Group's revenues, Adjusted EBITDA, operating expenses and profit (loss) from continuing operations before tax and net finance costs for the years 2014 and 2015 are presented below for each of the Group's operating segments – Connected Home, Entertainment Services, Technology – 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" of this chapter.

2.9.1 ANALYSIS OF REVENUES

Revenues from continuing operations totaled €3,652 million in 2015, up 9.6% at current currency and up 2.4% at constant currency compared to 2014. Excluding exited activities, revenues amounted to €3,601 million in 2015, up 4.7% at constant currency compared to 2014, due to solid growth in the Entertainment Services and Technology segments and broadly stable Connected Home revenues. In Connected Home, despite adverse business conditions across both North and Latin America, revenues remained almost stable year-on-year, due to a material improvement in overall product mix across most regions and the inclusion of revenues related to the Cisco Connected Devices acquisition. In Entertainment Services, revenues increased double-digits year-over-year at constant currency, as a result of strong organic growth and the contribution from recent acquisitions in Production Services, as well as resilient volume trends in DVD Services, driven by a strong slate of new title releases in the second half and the addition of new customers both in Europe and in North America. In Technology, revenues primarily benefited from an increased full year contribution from the MPEG LA patent pool, combined with a solid performance of the Group's direct licensing programs in the first half.

Connected Home

Consolidated revenues for the Connected Home segment amounted to €1,451 million in 2015, up 5.0% at current currency and almost stable at constant currency compared to 2014, including the contribution of the acquisition of Cisco Connected Devices, completed in November 2015. Excluding Cisco Connected Devices, revenues reached €1,365 million, down 5.7% year-over-year at constant currency, reflecting a decrease in total product shipments to 30.6 million units in 2015 compared to a record high 2014 base, offset in part by a material improvement in overall product mix across most regions, including North America.

Even without the contribution of Cisco Connected Devices, Connected Home continued to outpace the global CPE market, despite adverse business conditions experienced in some regions, due to a number of new awards and customer wins, including high-end products. The segment achieved in particular a sustained performance in Europe, Middle-East & Africa and Asia-Pacific, both regions recording a double-digit year-on-year revenue growth, benefiting notably from a mix improvement associated with the introduction of new products and a further ramp up in the value chain. Connected Home faced however lower levels of activity across both North and Latin America, mainly reflecting cautious customer approach towards product orders and inventory management, due to pending industry consolidation in the U.S. and unfavorable macroeconomic conditions in Brazil.

- In North America, Connected Home revenues decreased significantly in 2015 compared to 2014, primarily as product shipments were affected during the year by cautious customer approach towards orders and inventory management related to pending industry consolidation, and by the phasing-out in the first quarter of 2015 of a Cable device shipped in material volumes in 2014. Overall product mix improved strongly year-on-year, driven by a larger contribution of high-end Cable devices.
- In Latin America, Connected Home revenues declined in 2015 compared to 2014, mainly reflecting the impact on product deliveries of unfavorable macroeconomic conditions in Brazil, as reflected by the devaluation of the Brazilian real against the U.S. dollar, which led to high inventory levels at large customers. Excluding Brazil, the level of activity was good in other parts of the region, particularly in the first half in countries such as Mexico, Chile and Argentina, mainly due to strong demand for broadband gateways from Cable and Telecom customers.

- In Europe, Middle-East and Africa, Connected Home revenues increased strongly in 2015 compared to 2014, mainly reflecting a sustained level of activity across the region in the second half, combined with a significantly improved overall product mix for the full year. In the second half, Connected Home benefited in particular from the ramp-up of a new Over-the-Top ("OTT") set top box launched at a key French customer in the third quarter of 2015. The region's performance was also supported by continued solid Telecom customer demand for OTT and Broadband devices, as well as by increased deliveries of Cable gateways, particularly in Western Europe.
- In Asia-Pacific, Connected Home revenues were significantly higher in 2015 compared to 2014, resulting from a very strong volume performance in the second half and a material improvement in overall product mix for the full year, supported in particular by new product introductions, including high-end devices. In the second half, Connected Home benefited primarily from a sustained set top box demand from Indian customers, as well as from increased deliveries of Cable and Telecom broadband devices during the period, notably in China.

Volume data for Connected Home

(in million units)		FY 2015	FY 2014	Change
Total volumes		**31.8**	**34.5**	**(7.8)%**
o/w	Cisco Connected Devices	1.2	-	ns
Total volumes excl. Cisco Connected Devices*		**30.6**	**34.5**	**(11.2)%**
o/w	North America	6.0	9.5	(36.6)%
	Latin America	11.0	11.3	(2.8)%
	Europe, Middle-East & Africa	6.7	7.3	(7.5)%
	Asia-Pacific	6.9	6.4	+7.5%

* *Including tablets and other Connected Devices*

Entertainment Services

Consolidated revenues for the Entertainment Services segment amounted to €1,676 million in 2015, up 17.1% at current currency and up 5.4% at constant currency compared to 2014. Excluding exited activities, revenues were €1,639 million in 2015, up 10.0% at constant currency compared to 2014, as a result of strong organic growth and the contribution from recent acquisitions in Production Services, and solid revenues recorded by DVD Services.

- Production Services reported a strong double-digit increase in revenues in 2015 compared to 2014. Revenues expanded by almost 40% year-over-year at constant currency, driven by a strong double-digit organic revenue growth, primarily due to a record level of activity in Visual Effects ("VFX") for feature films, and the additions of Mr. X, OuiDo Productions, Mikros Images and The Mill.

  In 2015, Technicolor continued to expand at record levels in VFX for feature films, with all facilities working on numerous projects at the same time and securing new awards during the year. This strong level of activity was coupled with the accretive integration of Mr. X that achieved a strong performance in the period on the back of a solid pipeline of projects, particularly for TV series. VFX for commercials and Animation activities also posted higher revenues, reflecting stronger levels of activity across facilities, while Postproduction revenues improved year-on-year.
- DVD Services revenues were generally stable at constant currency in 2015 compared to 2014, resulting from resilient total Standard Definition DVD, Blu-ray™ and CD disc volumes, which were down less than 1% year-on-year, reflecting a marked improvement compared to the c.11% volume decline posted in 2014. This volume performance was supported by a stronger overall release slate from the Group's key studio customers, as well as by new customer wins and acquisitions secured during the year, including in particular two large customers added to its North American portfolio at end November.

Blu-ray™ disc volumes were up by c.8% in 2015 compared to 2014, supported by the aforementioned factors and the ongoing growth in Xbox One games volumes, while Standard-Definition discs declined by c.5% year-on-year. Overall 2015 volume trends in Europe continued to be generally better than in North America, mainly due to regionally specific promotional activity for selected studio customers, as well as the ongoing adoption of Blu-ray™ in this region (compared to a more mature and stable U.S. Blu-ray™ market). Total Games volumes declined by c.11% year-on-year, as ongoing erosion in prior generation video game console demand outpaced growth for the current generation Xbox One platform. Going forward, prior generation video games volumes have now reached an immaterial level and should not influence future trends to the same degree.

Volume data for DVD Services

(in million units)		FY 2015	FY 2014	Change
Total volumes		**1,307.7**	**1,314.7**	**(0.5)%**
By Format	SD-DVD	1,002.3	1,053.1	(4.8)%
	Blu-ray™	276.4	255.3	+8.3%
	CD	28.9	6.2	ns
By Segment	Studio / Video	1,179.3	1,196.2	(1.4)%
	Games	65.7	74.2	(11.4)%
	Software & Kiosk	33.7	38.1	(11.4)%
	Music & Audio	28.9	6.2	ns

Technology

Consolidated revenues for the Technology segment totaled €511 million in 2015, up 4.2% at current currency and up 4.5% at constant currency compared to 2014. Excluding M-GO, which was sold in January 2016 to Fandango, a business unit of NBC Universal, revenues were €490 million in 2015, up 3.3% at constant currency compared to 2014, mainly due to higher revenues from the MPEG LA pool, which represented 59% of total Licensing revenues in 2015 compared to 45% in 2014. The Group's direct licensing programs recorded a solid performance in the first half, particularly for Digital TV, which benefited from the strong level of new contracts and contract renewals in the course of 2014. In the second half, direct licensing programs recorded a lower performance as the Group did not sign any major contract renewal or new contract as some ongoing discussions with manufacturers were delayed to leverage the joint licensing program with Sony in Digital TV ("DTV") and Computer Display Monitor ("CDM") that was announced in September.

Licensing revenues include estimates from license agreements. For the year ended 31 December 2015, and measured as a percentage of total Licensing revenues, actual revenues was below the estimated revenues by 0.9% compared to an exceeding of 2.9% for the year ended 31 December 2014, at the issuance date of the Registration Document.

The Research & Innovation ("R&I") division had no significant impact on the revenues of the segment in 2015.

Other

Revenues presented in the "Other" segment comprised corporate & other revenues for €14 million in 2015 compared to €28 million in 2014, mainly related to revenues from IZ-ON Media, which was sold by the Group in the second quarter of 2015.

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 that 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" of this chapter.

Adjusted EBITDA from continuing operations amounted to €565 million in 2015, up 2.6% at current currency and up 3.1% at constant currency compared to 2014, representing a margin of 15.5%. The Adjusted EBITDA increase reflected a solid Licensing revenue performance, combined with strong organic growth in Production Services, partially offset by a weak DVD Services performance in the first half, the impact of unfavorable €/USD exchange rate fluctuations on procurements for Connected Home in the second half, as well as a lower contribution from exited activities.

Connected Home

Adjusted EBITDA for the Connected Home amounted to €76 million in 2015 compared to €77 million in 2014, with a negative forex impact of €6 million. At constant currency, Adjusted EBITDA totaled €82 million, up by 5.8% year-on-year, with a margin of 5.9%, up by 0.3 point compared to 2014, driven by higher gross margin, reflecting solid operating execution and product cost improvement across the segment and improved overall product mix.

Excluding Cisco Connected Devices, Adjusted EBITDA margin for the Connected Home segment stood at 6.1%, a 0.5 point year-on-year increase at constant currency. The performance of Connected Home for 2015 includes the contribution of Cisco Connected Devices from 21 November 2015 (generating revenues of €86 million and Adjusted EBITDA of €2 million). Due to the timing of the operation, the transition process had just started as of December 2015 and thus the contribution of Cisco Connected Devices since 21 November 2015 is not representative of a recurring activity level expected from this business.

Entertainment Services

Adjusted EBITDA for the Entertainment Services segment reached €192 million in 2015 compared to €191 million in 2014. Excluding exited activities, Adjusted EBITDA amounted to €190 million, down 2.1% at constant currency year-over-year, resulting from a stronger Production Services contribution that almost fully offset by a lower DVD Services performance. However, the Free Cash Flow generation for DVD Services was stable year-on-year notwithstanding the Adjusted EBITDA decline.

- In Production Services, Adjusted EBITDA was strongly up in 2015 compared to 2014, due to higher levels of activity across VFX and Animation activities and the incremental contribution from acquisitions;
- In DVD Services, despite generally stable full year 2015 revenues at constant currency, Adjusted EBITDA was affected by the Group's decision in the first half not to reduce the operating platform costs in preparation for a very strong level of activity in the second half. Adjusted EBITDA in the second half of 2015 was close to the level achieved in the second half of 2014, but could not fully offset the first half decline.

Technology

Adjusted EBITDA for the Technology segment reached €377 million in 2015, up 5.0% at current currency and up 5.8% at constant currency compared to 2014. Excluding M-GO, Adjusted EBITDA totaled €389 million, up 3.4% at constant currency year-over-year, reflecting the strong contribution from the MPEG LA patent pool. In addition, the Group maintained a sustained level of Research & Innovation, with net spending at €30 million for the Technology segment in 2015. Adjusted EBITDA margin excluding M-GO stood at 79.4% in 2015, up from 78.7% in 2014.

Other

Adjusted EBITDA for the "Other" segment was a charge of €80 million in 2015 compared to a charge of €77 million in 2014.

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 €2,819 million in 2015, or 77.2% of revenues, compared to €2,513 million in 2014, or 75.4% of revenues.

Cost of sales in absolute terms were €306 million higher in 2015 compared with 2014, reflecting the impact of the acquisitions completed in 2015 in the Connected Home and Entertainment Services segments, and in the DVD Services division, the Group's decision in the first half not to reduce the operating platform costs in preparation for a very strong level of activity in the second half.

The principal components of the Group's cost of sales were the costs of finished goods for resale (mainly in the Connected Home segment), raw materials (mostly in the DVD Services division of the Entertainment Services segment), labor costs in the Group's operations (mainly in the Entertainment Services segment), as well as costs related to real estate and fixed assets depreciation (mainly in the Entertainment Services segment).

Gross margin from continuing operations amounted to €834 million in 2015, or 22.8% of revenues, compared to €819 million in 2014, or 24.6% of revenues.

Selling & administrative expenses

Selling and marketing expenses amounted to €105 million in 2015, or 2.9% of revenues, compared to €98 million in 2014, or 2.9% of revenues, mainly reflecting the impact of the Cisco Connected Devices acquisition in the Connected Home segment and additional costs associated with the development of the Group's Trademark and Technology Licensing activities in the Technology segment.

General and administrative expenses amounted to €226 million in 2015, or 6.2% of revenues, compared to €217 million in 2014, or 6.5% of revenues, mainly reflecting the impact of the acquisitions completed in 2015 in the Connected Home and Entertainment Services segments, partly offset by the full year benefit of cost reduction measures implemented in 2014 at Corporate level.

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

Net research and development expenses

Net research and development ("R&D") expenses amounted to €128 million in 2015, or 3.5% of revenues, compared to €136 million in 2014, or 4.1% of revenues. Of the total R&D spending in 2015, 28.1% was spent in the Technology segment, which includes the Research & Innovation division, and the remainder was mostly related to development costs and the amortization of capitalized development projects in the Connected Home segment.

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

Restructuring costs

In 2015, 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 €39 million in 2015, or 1.1% of revenues, compared to €25 million in 2014, or 0.8% of revenues, mainly related to exited activities in the Entertainment Services segment.

Net impairment losses on non-current operating assets

In 2015, Technicolor recorded a net impairment charge of €27 million, including €23 million related to intangible asset write-offs in the Connected Home and Technology segments, compared to a net impairment charge of €48 million in 2014, mainly reflecting a goodwill impairment of €47 million in the DVD Services division within the Entertainment Services segment.

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 a loss of €45 million in 2015, including €32 million of acquisition-related costs, compared to an income of €7 million in 2014.

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 2015, or 7.2% of revenues, compared to a profit of €302 million, or 9.1% of revenues in 2014, mainly due to the impact of non-current items, including notably acquisition-related costs.

For further information, please refer to note 5 to the Group's consolidated financial statements.

2.9.4 NET FINANCE COSTS

The Group's net financial result from continuing operations was an expense of €87 million in 2015 compared to an expense of €117 million in 2014.

Net interest expense

Net interest expense for continuing operations amounted to €63 million in 2015, a slight improvement compared to €65 million in 2014. The reduction in borrowing costs stemming from the refinancing and repricing transaction done in 2014 was partially offset by higher interest expense in the second half of 2015 due to the issuance of new Term Loan Debt to finance the acquisitions of Cisco Connected Devices and The Mill.

For further information, please refer to note 1 and note 9 of the Group's consolidated financial statements. The interest expense has been computed using the effective interest rate on the Term Loan Debt.

Other financial income (expense)

Other financial expense for continuing operations totaled €24 million in 2015, a significant improvement compared to €52 million in 2014. The 2014 financial year included a reversal of the IFRS discount recognized as a non-cash charge for €20 million mainly due to the debt prepayments of the Reinstated Debt debt done during the year.

2.9.5 INCOME TAX

The Group total income tax expense on continuing operations, including both current and deferred taxes, amounted to €55 million in 2015 compared to an expense of €48 million in 2014.

The current income tax charge was notably the result of current taxes due in France, Mexico, and Australia. In France, the current income tax reflected income taxes payable due to the limitation of the usage of tax losses carried forward, and the local tax "CVAE".

In 2015, taking into account updated forecasts within the French tax group and consumption of the year, French deferred tax assets remained stable compared to the deferred tax assets recognized as at previous year-end. The remaining deferred tax assets correspond to a usage by 2029, which represents the estimated predictable taxable income period of the Licensing activity based on existing and future licensing programs.

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

2.9.6 PROFIT (LOSS) FROM CONTINUING OPERATIONS

Profit from continuing operations amounted to €121 million in 2015 compared to a profit of €137 million in 2014, mainly reflecting the impact of non-current items.

2.9.7 PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

The loss from discontinued operations totaled €43 million in 2015, mainly related to litigation settlements. In 2014, the loss from discontinued operations amounted to €9 million, mainly reflecting legal fees and provisions for risks and litigations.

2.9.8 NET INCOME (LOSS) OF THE GROUP

Consolidated net profit totaled €78 million in 2015 compared to a profit of €128 million in 2014. The net loss attributable to non-controlling interests was €4 million in 2015, unchanged year-over-year. Accordingly, the net profit attributable to the shareholders of Technicolor SA amounted to €82 million in 2015 compared to a profit of €132 million in 2014.

Net profit per non-diluted share was €0.23 in 2015 compared to a net profit per non-diluted share of €0.38 in 2014.

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 excludes 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 is compared to the definition as per Technicolor's Credit Agreements and is used in calculating applicable financial covenants.

These adjustments for 2015 and 2014 are directly identifiable in the Group's consolidated financial statements, with the exception of the heading "depreciation and amortization".

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 €(110) million in 2015, 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 €(66) million in 2014.

Reconciliation of adjusted indicators

(in million euros unless otherwise stated)	2015	2014	Change
Profit (Loss) from continuing operations before tax and net finance costs / EBIT (a)	**264**	**302**	**(38)**
Total adjustments on EBIT (b)	**(110)**	**(66)**	**(44)**
Of which restructuring costs, net	(39)	(25)	(14)
Of which net impairment losses on non-current operating assets	(27)	(48)	+21
Of which other income/(expense)	(45)	7	(52)
Adjusted EBIT from continuing operations (a)-(b)	**374**	**368**	**+6**
As a % of revenues	*10.2%*	*11.0%*	*(0.8) pt*
Depreciation and amortization [(1)]	190	183	+7
Adjusted EBITDA from continuing operations	**565**	**550**	**+15**
As a % of revenues	*15.5%*	*16.5%*	*(1.0) pt*
Adjusted EBITDA of discontinued activities	(6)	(4)	(2)
Adjusted EBITDA used for covenants	**559**	**546**	**+13**

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

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

(in million euros unless otherwise indicated)	2015	2014	Change
Profit (Loss) from continuing operations before tax and net finance costs	**264**	**302**	**(38)**
As a % of revenues	*7.2%*	*9.1%*	*(1.9) pt*
Of which:			
Connected Home	(10)	34	(44)
As a % of revenues	*(0.7)%*	*2.5%*	*(3.2) pts*
Entertainment Services	25	9	+16
As a % of revenues	*1.5%*	*0.6%*	*+0.9 pt*
Technology	339	340	(1)
As a % of revenues	*66.4%*	*69.3%*	*(2.9) pts*
Other	(90)	(81)	(9)
Adjusted EBIT from continuing operations	**374**	**368**	**+6**
As a % of revenues	*10.2%*	*11.0%*	*(0.8) pt*
Of which:			
Connected Home	47	38	+9
As a % of revenues	*3.2%*	*2.7%*	*+0.5 pt*
Entertainment Services	58	73	(15)
As a % of revenues	*3.5%*	*5.1%*	*(1.6) pt*
Technology	356	342	+14
As a % of revenues	*69.7%*	*69.8%*	*(0.1) pt*
Other	(86)	(85)	(1)
Adjusted EBITDA from continuing operations	**565**	**550**	**+15**
As a % of revenues	*15.5%*	*16.5%*	*(1.0) pt*
Of which:			
Connected Home	76	77	(1)
As a % of revenues	*5.2%*	*5.6%*	*(0.4) pt*
Entertainment Services	192	191	+1
As a % of revenues	*11.5%*	*13.4%*	*(1.9) pt*
Technology	377	359	+18
As a % of revenues	*73.9%*	*73.3%*	*+0.6 pt*
Other	(80)	(77)	(3)

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 Registration Document and notes 21, 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 Registration Document;
- **capital expenditures:** the Group must regularly invest in capital equipment to operate its businesses;
- **repayment or refinancing of debt:** at each debt maturity date, the Group must either repay or refinance the maturing amounts;
- **dividends:** a dividend of €17 million was paid in 2015 for 2014. The Group's debt financing documentation imposes restrictions on the Group's ability to pay dividends. For more information, please refer to notes 20.4 and 23.3 to the consolidated financial statements.

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 €385 million at December 31, 2015. In addition to the cash and cash equivalents, €38 million in cash collateral and security deposits was outstanding at December 31, 2015 to secure credit facilities and other Group obligations;
- **cash generated from operating activities:** in accordance with the Group's debt documentation, the Group is required to use a portion of its excess cash to repay debt. For more information, please refer to note 23 to the consolidated financial statements;
- **proceeds from sales of assets:** in accordance with the Group's debt documentation, the proceeds from the sale of assets must be used in some cases to repay debt;
- **committed credit lines:** at December 31, 2015 the Group had two secured credit lines for a total amount of €214 million. One of the credit lines for an amount of €114 million is secured by trade receivables and the availability of this line varies depending on the amount of receivables. In January 2016 the Group entered into a new €125 million secured credit line. For more information about the Group's credit lines please refer to note 23.3 (d).

2.10.2 CASH FLOWS

(in million euros)	2015	2014
Cash and cash equivalents at January 1	**328**	**307**
Net operating cash generated from continuing activities	385	352
Net operating cash used in discontinued operations	(23)	(15)
Net cash from operating activities (I)	**362**	**337**
Net investing cash used in continuing activities	(791)	(106)
Net investing cash used in discontinued operations	-	(3)
Net cash used in investing activities (II)	**(791)**	**(109)**
Net financing cash from continuing activities	492	(221)
Net financing cash from discontinued operations	-	-
Net cash used in financing activities (III)	**492**	**(221)**
Net increase (decrease) in cash and cash equivalents (I+II+III)	**63**	**7**
Exchange gains (losses) on cash and cash equivalents	(6)	14
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**385**	**328**

Net cash generated from operating activities

Net cash generated from operating activities was €362 million in 2015 compared to €337 million in 2014.

Continuing operations

Net income from continuing operations was a profit of €121 million in 2015 compared to a profit of €137 million in 2014. Net operating cash generated from continuing operations amounted to €385 million in 2015, up from €352 million generated in 2014.

The variations between 2014 and 2015 are analyzed in the table below:

(in million euros)	2015	2014	Variation	Comments on variations
Profit (Loss) from continuing operations	**121**	**137**	**(16)**	Mainly due to the impact of non-current items, including notably acquisition-related costs.
Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations:				
Non-cash depreciation, amortization and impairment of assets	217	224	(7)	
Profit from continuing operations prior to depreciation, amortization and impairment of assets	**338**	**361**	**(23)**	
Cash payments of the period related to provisions	(93)	(87)	(6)	Mainly related to a decrease of warranty reserve payments in 2015.
Non-cash P&L impact of the provisions of the period	45	48	(3)	
Other various adjustments	195	129	+66	Various adjustments, including, net interest expense, changes in working capital and other non-cash items. In 2015, due to better working capital management in the Production Services and DVD Services divisions, and a favorable phasing of Licensing programs.
Cash generated from continuing operations	**485**	**451**	**+34**	
Net interest paid and received	(48)	(56)	+8	
Income tax paid	(52)	(43)	(9)	
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES	**385**	**352**	**+33**	

Discontinued operations

Net operating cash used in discontinued operations was €23 million in 2015 compared to €15 million used in 2014.

Net cash used in investing activities

Net cash used in investing activities was €791 million in 2015 compared to €109 million used in 2014.

Continuing operations

Net investing cash used in continuing activities was €791 million in 2015 compared to €106 million used in 2014, and included:

- net capital expenditures, which amounted to €106 million in 2015 (compared with €107 million in 2014), due to cash expended relating to tangible and intangible capital expenditures for €107 million in 2015 (compared with €110 million in 2014), net of cash received from tangible and intangible asset disposals for €1 million in 2015 (compared with €3 million in 2014). In 2015, net capital expenditure was €44 million in the Connected Home segment, mainly due to capitalized R&D projects, €52 million in the Entertainment Services segment, reflecting the Group's investments in Production Services production facilities and DVD Services replication facilities, and €9 million in the Technology segment, which included the development of projects and initiatives.

- cash outflow for the acquisition of businesses (net of cash acquired), which amounted to €688 million in 2015, compared with €14 million in 2014. In 2015, it corresponded mainly to the acquisition of Cisco Connected Devices for €357 million, the acquisition of The Mill for €251 million, the acquisition of the North American optical disc replication and distribution assets from Cinram Inc. for €44 million (partial payment), the acquisition of Mikros Image in France for €14 million, the earn-out of the acquisition Mr. X Inc. for €2 million, and the acquisition of available-for-sale investments. In 2014, it corresponded mainly to the acquisition of Mr. X Inc. for €6 million, the installment payment of Village Roadshow distribution business for €2 million, and the acquisition of available-for-sale investments;
- proceeds received from sales of equity holdings, which amounted to €2 million in 2015 compared to €10 million in 2014 (net of cash in companies disposed of);
- net variation of cash collateral, security deposits (to secure the Group's obligations) and loans generated a net cash inflow of €1 million in 2015, compared with a net cash inflow of €6 million in 2014.

Discontinued Operations

Net investing cash in discontinued operations was nil in 2015 compared to a €3 million outflow in 2014.

Net cash used in financing activities

Net cash received in financing activities amounted to €492 million in 2015 compared to €221 million used in 2014.

Continuing operations

Net financing cash received in continuing activities was €492 million in 2015 compared to €221 million used in 2014.

The net cash received in 2015 was primarily from the issuance of new debt for €377 million, of which the new Term Loan Debt done on September and November 2015 for €374 million, and the net share capital increase on November 17, 2015 for €227 million, partly offset by the normal scheduled repayments for €55 million and other repayments for €7 million. In addition, net financing cash included costs related to repricing transaction and the issuance of new Term Loan Debt for €24 million. For more information, please refer to the note 31 of the consolidated financial statements.

The net cash used in 2014 was primarily from repaid borrowings for a net amount of €194 million, consisting in Term Loan Debt prepayment for €50 million, Reinstated Debt prepayment for €81 million, normal scheduled repayments for €51 million and other repayments for €12 million. In addition, net financing cash included costs related to repricing transaction for €26 million.

Discontinued operations

No financing cash was used by discontinued operations in 2015 and 2014.

2.10.3 FINANCIAL RESOURCES

Gross financial debt totaled €1,293 million (IFRS value) at the end of 2015, compared with €911 million at the end of 2014. At December 31, 2015, financial debt consisted primarily of €1,274 million of term loans issued in 2013 and 2014, plus additional term loans issued in 2015 to finance the acquisitions of The Mill and Cisco Connected Devices. At December 31, 2014, financial debt consisted primarily of €892 million of term loans issued in 2013 and 2014 to refinance the financial debt issued in the 2010 debt restructuring, which was completely repaid in 2014. Financial debt due within one year amounted to €86 million at the end of 2015, compared with €59 million at the end of 2014.

At December 31, 2015 the Group had €385 million of cash and deposits, compared with €328 million at December 31, 2014.

For more detailed information on the Group's debt, please refer to note 23 to the Group's consolidated financial statements.

The table below summarizes Technicolor's net financial debt at December 31, 2015.

	Type of interest rate	Amount at December 31, 2015 *(in million euros)*	First maturity (1)	Existence of hedges
Term Loans	Floating	1,274	2016	No
Other non-current debt	Various	2	2017	No
Other current debt	Various	17	2016	No
TOTAL DEBT		**1,293**		
Available cash and deposits	Floating	385	0 to 1 month	No
Committed credit facilities (2)	Floating	214		
TOTAL LIQUIDITY		**599**		

(1) Please refer to notes 21.3 and 23.3 (a) for a maturity schedule of the Group's debt.
(2) Availability varies depending on the amount of receivables (please refer to note 23.3 (d)).

September and November 2015 Term Loan Debt issuances

In September 2015, Technicolor issued new Term Loan Debt in amounts of USD200 million and €84 million to finance the acquisition of The Mill. In November 2015 Technicolor issued an additional €113 million to partially finance the acquisition of Cisco Connected Devices.

July 2013 refinancing and February 2014 exchange transaction

Technicolor had restructured its debt in connection with a *Sauvegarde* plan approved by the Nanterre Commercial Court in February 2010. The resulting term loans and private placement notes (the "Reinstated Debt"), maturing in 2016 and 2017, were refinanced in July 2013 with the issuance of new term loans that closed on July 11, 2013. In the framework of this refinancing Tech Finance & Co. SCA, a special purpose vehicle incorporated in Luxembourg that is consolidated by Technicolor ("Tech Finance") but in which Technicolor holds no interest, launched Offers to Purchase the Reinstated Debt (the "Offers to Purchase"). As a result of the Offers to Purchase, Tech Finance acquired 61% of the total participations under the Credit Agreement loans and over 99% of the private placement notes for, respectively at nominal value, €358 million, USD689 million and £14 million (€905 million at a rate of USD1.30 / €1.00 and £0.85 / €1.00). The €905 million of participations and notes represented an IFRS amount of €829 million net of the IFRS adjustment of €76 million that was recognized when the Reinstated Debt was initially accounted for at its fair value in 2010. The €905 million of participations and notes were eliminated in the consolidation process of Technicolor.

Pursuant to the July 2013 refinancing, Tech Finance entered into a new term loan facility and borrowed USD830 million and €200 million at nominal value (the "Term Loan Debt" amounting to €838 million at a rate of USD1.30/€1.00). The Reinstated Debt not tendered in the Offers to Purchase, amounted to €192 million and USD116 million at nominal value (approximately €282 million at a rate of USD1.30 / €1.00).

In addition simultaneously with the July 2013 refinancing, Technicolor put in place a new €100 million revolving credit facility (the "RCF") at the level of its 100% owned subsidiary Thomson Licensing, which matures in 2018.

In February 2014, Technicolor refinanced €181 million (USD75 million and €126 million) of its Reinstated Debt maturing in 2016 and 2017 through a cashless exchange into the Term Loan Debt maturing in 2020 on terms identical to those of the Term Loan Debt issued in July 2013.

On May 30, 2014 Technicolor fully reimbursed the remainder of its Reinstated Debt out of its cash and subsequently, the Nanterre Commercial Court declared in a judgment dated June 25, 2014 that the *Sauvegarde* plan execution was finalized and thereby closed.

Description of indebtedness

For a description of the Group's Term Loan Debt and RCF, please refer to note 23 to the consolidated financial statements.

Deeply subordinated perpetual notes

The Group's financial debt of €1,293 million (IFRS value) as of December 31, 2015, excludes the €500 million deeply subordinated perpetual notes ("TSS") issued in September 2005. Because of their perpetual and subordinated nature, 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 may be redeemed at the Group's sole option under certain conditions, in particular (i) on or after September 25, 2015, or (ii) at any time in the event of a change of control of Technicolor combined with a lowering of its financial rating. The TSS are redeemable in case of liquidation of the Company.

In the framework of the *Sauvegarde* Plan, Technicolor paid €25 million to the holders of these deeply subordinated perpetual notes in definitive redemption of their interest claims under the notes. The TSS are therefore no longer bearing interest.

Provisions for pensions and assimilated benefits

In addition to the debt position described above, the Group has reserves for post-employment benefits that it provides to its employees, which amounted to €382 million at December 31, 2015 compared with €414 million at December 31, 2014. For more information on the Group's reserves for post-employment benefits, please refer to note 25 of the Group's consolidated financial statements.

Liquidity risk

For more information about the Group's liquidity risk, please refer to note 21.3 of the Group's consolidated financial statements.

Ratings

The Group uses the services of rating agencies to help investors evaluate the credit quality of the Group's debt.

Standard & Poor's (S&P) attributes a B+ rating with stable outlook to Technicolor SA, Thomson Licensing SAS and the debt issued by Tech Finance & Co. SCA (the Term Loan Debt).

Moody's attributes a B1 rating with positive outlook to Technicolor SA and to the debt issued by Tech Finance & Co. SCA (the Term Loan Debt).

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

2.11 PRIORITIES AND OBJECTIVES 2016

- Free Cash Flow in excess of €240 million;
- Adjusted EBITDA in the range of €600 million to €630 million, reflecting:
  - an Adjusted EBITDA in excess of €475 million for the Operating businesses versus €266 million in 2015,
  - for Technology, an Adjusted EBITDA in excess of €200 million versus €389 million in 2015, based on the contribution of licensing agreements already signed by the Group. This includes an expected final €60 million of Adjusted EBITDA generated by the MPEG LA patent pool compared to €288 million in 2015,
  - Corporate and Other Adjusted EBITDA for an amount at around €(80) million;
- Leverage ratio inferior to 1.4x at end December 2016 compared to a ratio of 1.74x at end December 2015.

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3.5 INSURANCE 66

This section describes the main risks identified by the Group that could affect its businesses, financial situation or sustainability. Additional risks which are either not identified or which are considered as not significant may also have a significant impact on the Group's performance.

This section should be read in conjunction with the Chairman's report on corporate governance, Internal Control and Risk Management (please refer to Chapter 4: "Corporate governance and internal control", section 4.2: "Chairman's report on corporate governance, internal control and risk management" of this Registration Document) and notes 3.2, 12, 13, 17, 23, 24, 25, 26 and 33 to the consolidated financial statements.

3.1 RISK RELATED TO THE FINANCIAL STRUCTURE

RISKS RELATED TO INDEBTEDNESS

Risks related to Technicolor's indebtedness principally result from:

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

The Group's substantial debt could adversely affect its financial condition, due to the significant interest and principal payments, and prevent the Group from fulfilling its obligations under the Term Loan Debt, the Revolving Credit Facilities and the Committed Receivables Facility (as defined below).

The Group has a substantial amount of debt and significant debt servicing obligations.

At December 31, 2015, the Group had €1,370 million of total gross nominal debt (corresponding to €1,293 million of balance sheet debt, taking into account the fair value adjustment under IFRS and on the basis of the exchange rates as of December 31, 2015) consisting primarily of the Term Loan Debt for a total nominal amount of €1,351 million (corresponding to €1,274 million of balance sheet debt).

The Group has a €100 million revolving credit facility (the "**RCF**") entered into in July 2013 by its 100% owned subsidiary Thomson Licensing, as well as a committed receivables facility (the "**Committed Receivables Facility**") under which it may borrow up to €114 million on the basis of the amount of receivables available.

In addition, in January 2016, Technicolor SA entered into a new €125 million committed revolving credit facility (the "**New RCF**"). 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 Registration Document and note 23 to the consolidated financial statements.

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

- requires the Group to dedicate a large portion of any excess cash flow towards repayment of outstanding Term Loan 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 Term Loan Debt require the Group to use a large portion of any excess cash flow and the proceeds of certain transactions to repay outstanding Term Loan Debt.");
- 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;
- may limit 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 limit the Group's ability to grow its business.

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

Amendments to the Term Loan Debt entered into in 2014 and on June 5, 2015, increased the Group's strategic flexibility compared to the original terms of the Term Loan Debt prior to the amendment; for further details on the covenants see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" of this Registration Document and note 23.3 (e) to the consolidated financial statements.

- *Leverage covenant:* the Term Loan Debt and The New RCF contain a single affirmative financial covenant which requires that the total gross nominal debt be not more than 4.00 times EBITDA on a trailing twelve month basis on June 30 and December 31 of each financial year.
- *RCF covenant:* the RCF contains a single affirmative financial covenant that requires that total nominal net debt be not more than 2.25 times EBITDA on a trailing twelve month basis. This covenant is only applicable if there is a drawing under the RCF on June 30 or December 31 of each financial year.

A large number of factors, many of which are outside the control of the Group (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 Term Loan Debt, of the RCF and the New RCF on the one hand and the Committed Receivables Facility on the other hand include provisions which limit the Group's flexibility in operating its business. In particular, the Group is subject to restrictions on its ability to, among other things and subject to certain exceptions:

- make restricted payments, if certain ratios are not met, in excess of a certain cumulative amount over the life of the Term Loan Debt, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- incur additional financial debt in excess of certain cumulative amounts and if certain ratios are not met and with certain carve outs; and
- make investments in joint ventures not controlled by the Group except to the extent the Group's consolidated leverage ratio is under a threshold which decreases over time and subject to a certain cumulative amount over the life of the Term Loan Debt and with certain carve-outs.

Failure to comply with any of the covenants described in this risk factor may (in certain cases following the expiration of a grace period) constitute an event of default under the Term Loan Debt, the RCF and the New RCF which, absent a waiver from the senior creditors, would provide the senior creditors with the right to declare the Term Loan Debt, the RCF and the New RCF advances that are outstanding at the time of any default (plus accrued interest, fees and other amounts due hereunder) immediately due and payable.

A breach of the obligations under the Committed Receivables Facility may (in certain cases following the expiration of a grace period) constitute a default hereunder.

Upon the occurrence of a change of control in the Company (see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources"), any outstanding amounts under the Term Loan Debt, the RCF and the New RCF would become immediately due and payable.

The Group cannot assure that it would have sufficient liquidity to repay or the ability to refinance all or any of the amounts outstanding under the Term Loan Debt, the RCF, the New RCF and/or the Committed Receivables Facilities if they were to become payable following the occurrence of an event of default hereunder.

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

Under the mandatory prepayment terms of the Term Loan Debt documentation, the Group is required to apply funds towards the repayment of outstanding Term Loan 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 Term Loan Debt unless the proceeds are reinvested in assets useful for its business within 365 days;
- *excess cash flow:* a percentage of the Company's excess cash flow will be applied to prepay the Term Loan Debt. The applicable percentage depends on the leverage ratio of the Group, and ranges from 25% to 50%. The percentage steps down to 0% if certain levels of leverage ratio are reached. Excess cash flow is defined for purposes of the Term Loan Debt prepayments, as the aggregate of net cash from operating and investing activities, subject to certain adjustments and minus the total funding costs, which comprise all voluntary or mandatory prepayments of the Term Loan Debt during the year;

- *change of control:* upon the occurrence of a change of control in the Company (see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources"), the Term Loan Debt will become immediately due and payable; and
- *other:* net proceeds in respect of payments related to a casualty event (giving rise to insurance reimbursements or condemnation awards) shall be applied to the repayment of the Term Loan Debt, of the RCF and of the New RCF, subject to certain minimum thresholds and with certain carve-outs.

Complying with these obligations significantly reduces the amount of funds available to fund the Group's working capital requirements and, together with the limitations contained in the covenants described above, also limits the Group's investment capacity.

3.2 MARKET RISKS

3.2.1 RISK OF INTEREST RATE FLUCTUATIONS

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

The Group 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 21.2 (b) to the consolidated financial statements of this Registration Document for more information about this risk.

3.2.2 RISK OF EXCHANGE RATE FLUCTUATION

Foreign exchange rate fluctuations can affect the Group's operating results as a significant portion of its revenues are denominated in currencies other than the euro.

A significant part of the Group's consolidated revenues as well as a portion of its assets are in subsidiaries that use currencies other than the euro and in particular the U.S. dollar as their functional currency. This reflects the Group's strong presence in the United States, particularly in the Entertainment Services and Connected Home operating segments. In 2015, 47% of the Group's consolidated revenues came from the United States. The majority of sales by the subsidiaries are in their domestic currencies. With limited exceptions, the subsidiaries prepare their income statements in their domestic currency and the income statements are then translated into euro at a monthly average currency exchange rate, as the Group's consolidated financial statements are denominated in euro. As a result, fluctuations in exchange rates, and particularly in the U.S. dollar/euro exchange rate, can have a significant translation impact on the Group's revenues. In 2015, the average U.S. dollar rate versus the euro was 20% higher compared to 2014 and exchange rate fluctuations of all currencies had a negative impact of €35 million on the Group's profit/(loss) from continuing operations before tax and net finance costs. 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 fluctuates significantly against the U.S. dollar or other foreign currencies.

Foreign exchange rate fluctuations can affect the Group's operating results due to revenues generated and expenses incurred in different currencies, particularly the U.S. dollar.

To the extent that the Group incurs costs in one currency and have sales in another, the Group incurs foreign currency transaction risk and its profit margins may be affected by changes in the exchange rates between the two currencies. Most of Technicolor's sales are in U.S. dollars and in euro; however, certain expenses are denominated in other currencies. In particular, some of the sales in U.S. dollars and in euro have related expenses in the Mexican peso and the Polish zloty respectively, due to the Group's manufacturing 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 21.2 (a) to the consolidated financial statements.

3.2.3 RISKS RELATED TO LIQUIDITY

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

Technicolor's access to financial markets could become limited if its financial situation or general market conditions deteriorate. See note 21.3 to the consolidated financial statements for more information.

For additional discussion on the Group's liquidity position and certain related risks, please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.10: "Liquidity and Capital Resources", notes 21, 22 and 23 to the consolidated financial statements of the Group, and section 3.1: "Risks Related to the Group's Financial Structure" of this Chapter.

3.2.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of forward exchange contracts and currency swaps is computed by discounting the difference between the contract and the market forward rate and multiplying it by the nominal amount. 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 Term Loan 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, 2015, see note 24.1 (b) to the consolidated financial statements. See also note 24.1 (a) 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 21, 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 & 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 & 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 instance, in the Entertainment Services segment, revenue generation depends in large part on the Group's relationships with a number of major motion picture Studios, TV broadcasters or game publishers, based on either project-specific agreements or multi-year contracts where possible. The top five customers in the Entertainment Services segment accounted for 55% of the segment's revenues and 25% of the Group's consolidated revenues in 2015. A large proportion of the revenues of the Connected Home segment is generated from large Pay-TV Operators and Network Service Providers. The top five customers in the Connected Home segment accounted for approximately 51% of the segment's revenues and 20% of the Group's consolidated revenues in 2015. Overall the Group's 10 largest customers accounted for 52% of the Group's consolidated revenues in 2015. If the Group fails to maintain and strengthen these relationships, its significant customers may be less likely to purchase and use its technologies, products, and services, which could have a material adverse effect on results of operations, business and prospects.

Although the Group has signed multi-year contracts with many of its customers, the main part of the major customer relationships include multiple contractual arrangements with varying terms and conditions and expiration dates, and certain contracts come up frequently for renewal across each of the business lines. If the Group's customers decide to terminate these contractual arrangements in accordance with their terms, if the Group is unable to renew them when they expire or if it is only able to renew them on significantly less favorable terms, the Group's operating results could be adversely affected.

The Group's results depend on the customers' demand for its technologies, products and services. A decrease in demand could materially adversely affect the Group's results of operation.

The demands of the Group's customers to purchase its technologies, products and services may depend on a variety of factors, including consumer preferences, macroeconomic trends or technologies adopted as industry standards. The Group's operating results depend in part upon industry participants electing to adopt the Group's technologies, products and services instead of those of the Group's competitors.

In order to anticipate and prevent the deterioration of major customer relationships, the Group closely and continuously monitors its sales and marketing process and, in particular, the renewal and renegotiation of key contracts. Each segment has devised account and marketing strategies for major customers and formulated plans for new client development. All such plans, along with the evolution of sales and marketing activity, are regularly reviewed by management. The Group has implemented a systematic formal review process for offers prior to their submission to clients, according to strategic and financial criteria and tiered approval levels.

The most significant commercial proposals made to customers are subject to prior approval by the Investment Committee, chaired by the CEO (please refer to Chapter 4: "Corporate governance, and Internal Control", section 4.2.2: "Internal Control Procedures" of this Registration Document). 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 & Entertainment industry is characterized by rapid change and technological evolution. The markets for the Group's technologies, products and services are driven 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 adoption of Ultra High Definition and High Dynamic Range content display technologies in consumer electronics, the increasing prevalence of digital technology in the production and postproduction of entertainment content, including, among others, animation, visual and audio effects and color enhancement, and the development of over-the-top, on-demand and multiscreen media consumption. These trends will impact the rate of transition from certain existing and/or mature activities toward new activities. The Group's expectations and scenarios may not be accurate, which may require adjustments in its strategy, relationships with suppliers and customers and the development of the Group's products, services and technologies. Since the future growth of the Group's business will in part depend upon the growth of, and the Group's successful participation in, new and existing markets for the Group's technologies, products and services, such as digital content creation, digital entertainment consumption, digital life and Internet-of-Things applications, if the Group's products, services and technologies do not adequately meet the demands of consumers and of the Group's customers, there may be no or limited market acceptance of the products, services and technologies the Group offers.

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

In an effort to manage this risk and keep up to date on market trends and influence the industry, the Group monitors detailed market indicators to regularly review and adjust its market forecasts and mid-term scenarios. The Group also invests and participates in organizations that set technology standards. Finally, the Group also emphasizes customer relationship management as a mean to mitigate this risk.

3.3.3 RISKS RELATED TO CHANGES IN THE LICENSING BUSINESS

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

The Group derives significant revenues and profits from the licensing of its patents to product manufacturers that incorporate the Group's patented technologies in their products. The Group's Licensing revenues accounted for 13% of the Group's consolidated revenues in 2015 and the Technology segment, which primarily reflects the Group's Licensing activities, accounted for 67% of the Group's adjusted EBITDA from continuing operations in 2015.

Since the Group does not control the volume of licensed products, if licensees were to sell fewer licensed products due to decreased marketing efforts, significant economic difficulties, changes in consumer tastes or trends or for any other reason, the Group's Licensing revenues could be adversely affected, thereby materially affecting the Group's results of operations and financial condition.

In addition, licensing agreements typically have an average duration of five years. If the Group is unable to renew license agreements either at all or on equally favorable terms, the Group's Licensing revenues may be negatively affected.

If the Group is unable to replace revenues derived from expiring patents or dissolving patent pools, the revenues and substantial profits generated by the Group's Licensing business would substantially decrease.

Revenues in the Group's Licensing business are derived from licensing the Group's patents or a portfolio of patents that belong to a pool of licensors to third parties; revenues from these licenses therefore depend in large part upon the life of the licensed patents. As of December 31, 2015, the Group's patent portfolio included approximately 40,000 patents and applications worldwide and approximately 56% of this patent portfolio had a remaining term of over 10 years.

Revenues from the Motion Picture Experts Group (MPEG) LA Licensing pool in respect of MPEG 2 technology contributed 59% of Licensing revenues in 2015, compared with 45% in 2014. 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. 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 & Entertainment industry may require the use of "open standards," meaning that the technologies necessary to meet those standards are freely available without payment of a licensing fee. The use of open standards may therefore reduce the Group's opportunity to generate Licensing revenues, thereby negatively affecting the Group's financial condition or prospects.

3.3.4 COMPETITION

The Group faces intense competition in many of its businesses and if the Group is unable to compete successfully, its businesses would suffer.

The Group's products and services are subject to intense competition. Although the Group has leading positions in many of its market segments, our competitors 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 in-house production services. If the Group's competitors or customers use their greater size and resources to place additional competitive pressure on Technicolor, the Group's operations may be materially adversely affected.

Furthermore, rapid technological innovation and changing business models may allow new participants to enter into certain markets, who may in turn offer alternative products, technologies and services potentially at lower costs, thereby decreasing the market share size or market 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 key indicators trends and risks, in order to map the industry and Technicolor's position therein, to create options for each scenario, and to manage and adapt the Group's strategy and priorities.

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

The Group faces quality, operational and reputational risks associated with its reliance on third-party suppliers and manufacturers.

The Group outsources extensive operational activities, including procurement, manufacturing, logistics and other services, such as research and development, to its external suppliers. For example, the Group relies on external partners for manufacturing certain of its finished products, particularly in the Connected Home segment. Reliance on external suppliers and manufacturing partners reduces the Group's ability to prevent products from incorporating defective technology or components, and the Group may be exposed to the effects of production delays or other performance failures of its suppliers. Any defects in the production, quantity or delivery of these products could adversely affect the Group's reputation or operating performance. Reliance on external suppliers and manufacturers may also expose Technicolor to the effects of suppliers' and manufacturers' non-compliance with applicable regulations or third-party Intellectual Property rights.

The Group purchases more than 80% of its direct materials, including raw materials, components and finished products from its top 10 suppliers. In addition, certain raw materials such as DVD casings or Set-Top Box components come from a limited number of significant suppliers. Any change, delay or disruption in supply by a significant supplier could cause material delays in the Group's production or operations and increase its production costs. The Group manages its inventory on a just-in-time basis, which exposes it to performance risks by its suppliers, as well as to certain *force majeure* risks. As a result, in addition to delays or other performance failures of its suppliers, the Group's operations may be disrupted by external factors beyond the Group's control. The Group's results of operations could be adversely affected in the event of any severe or prolonged disruption.

The Group's inability to obtain timely delivery of key products or sub-components of acceptable quality could result in material delays, increased costs, and reductions in shipments of the Group's products, any of which could increase its operating costs, harm customer relationships, or materially and adversely affect the Group's business and results of operations.

In order to mitigate the risks inherent to its suppliers, the Sourcing Department has established detailed procedures for operational and contractual monitoring of principal suppliers, including Contract Electronic Manufacturer in Asia and Latin America, and suppliers of key components such as integrated circuits or memory chips as well as suppliers of raw materials used in the production of DVDs and Blu-ray™.

Operations at the Group's production and distribution facilities are subject to disruption.

The Group operates various production and distribution facilities globally. These facilities are subject to operational risk, including mechanical and IT system failure, work stoppage, transportation disruption, customs blockage and natural disasters. Any interruption of activity in the Group's production, manufacturing or distribution facilities due to these or other events could result in the disruption to the operation of the Group's activities, which could have an adverse effect on the Group's business, financial condition and/or results of operations.

3.3.6 RISKS RELATED TO PRODUCT DEFECTS OR PRODUCT OR SERVICE QUALITY DEFECTS

The Group's products and services may experience quality problems that can result in decreased sales and higher operating expenses.

The Group's products and services are generally technologically complex and may contain undetected errors, including software or hardware errors, particularly when first introduced or when new versions are released. In addition, to the extent the Group engages contract manufacturers for finished products, as the Group does particularly in the Connected Home segment and the DVD Services Division, 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.

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 integration risks, operating difficulties, Intellectual Property risk, 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 may include, without limitation, increasing the patent and technology licensing portfolio in the Technology segment, developing targeted complementary or synergistic opportunities in the Entertainment Services segment, participating in industry consolidation in the Connected Home segment, and pursuing opportunities in digital entertainment or digital life technology, products or services. 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.

Technicolor completed several acquisitions in 2015, including Mikros Image in June 2015, The Mill in September 2015, some assets of Cinram North America and the assets which compose Cisco Connected Devices in November 2015. The Group might not have identified all of the risks related to the targets or acquisitions, and any compensation that may be payable by the sellers may prove insufficient.

While the Company has committed significant resources for the review and analysis of Cisco Connected Devices and The Mill, and the acquisition of Cisco Connected Devices is structured as an asset acquisition deal, it might not have identified all of the risks and liabilities associated with these target businesses. The existence of such unidentified risks and liabilities could have significant unexpected negative impacts on the Group, in particular in terms of accounting, finance, legal and tax.

Should the Company identify any risks, liabilities or facts that would provide grounds for holding the sellers contractually liable under the terms of the agreements concluded with them, any compensation that may be owed by the sellers might not be sufficient with regard to the damage incurred, or may fail to be paid by the sellers.

Following the completion of the acquisition of Cisco Connected Devices, Cisco is providing certain services to the Group.

The Group has established agreements with Cisco, under the terms of which Cisco shall provide transitional services covering logistics, purchasing, research & development, IT systems and transversal functions. Some of these services are crucial to the continuity of operations until the full integration of the processes and systems within Connected Home. These services are provided over periods of periods of 6 to 18 months, subject to Technicolor's exercise of its early termination rights, in accordance with the notice terms provided for in the agreements.

The integration of the acquired activities presents risks for the Company.

No guarantee can be given as to the Company's successful integration of the activities acquired within the scope of the acquisitions, through the achievement of the expected synergies. In particular, the Company identified the following risks:

- the integration of Cisco Connected Devices and The Mill could involve substantial unanticipated costs, as well as delays, financial difficulties or operating difficulties;
- as the accounting systems of Cisco Connected Devices and The Mill are different from those of the Company, the coordination and consolidation of administrative and management functions may be more complex than expected (including regarding internal control and Human Resources);
- the integration might divert resources and steer the attention of the Group's Management away from the Group's current business;
- certain customers of Cisco Connected Devices and/or The Mill might end their trade relations with the Group after the acquisitions;
- the Group may find it difficult to retain or hire the required personnel for the optimal running of the target businesses;
- the anticipated financial and operational synergies may take longer than expected, or even totally or partly fail to be achieved;
- the allocation of the purchase price in accordance with IFRS 3 might force the Company to reduce the value of the assets acquired, or to recognize new significant amortizable assets;
- the acquisitions might require the Company to bear larger liabilities than those evaluated during the acquisition audits; and
- the Group may be faced with other unanticipated events or circumstances.

Should those risks materialize, they may have a significant unfavorable impact on the Group's results and financial position, as well as on the Company's share price.

The assumptions in the business plan for the acquired businesses may prove to be incorrect, particularly as regards synergies and financial performance.

The expected synergies and cost reductions have been assessed on the basis of assumptions relating to the Group's capacity to introduce the right measures at the right time and are liable to give rise to implementation expenses. The Group's capacity to achieve the expected synergies depends on many factors which are beyond its control.

Should one or more of the assumptions concerning the measures to be implemented prove to be incorrect, the related costs may be significantly higher than expected, and the Group could be deprived of the full benefit of these cost reductions, at least within the initially expected time frame. Moreover, the cost reductions derived from the expected increase in operating performance may not last should the Group encounter difficulties in integrating the acquisitions or other problems on operational, legal, regulatory, contractual, or employee-related levels, or any other type of unanticipated problems.

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

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

Historically, optical discs, such as DVD and, more recently, Blu-ray™ discs, have been an important distribution media for video entertainment content. In November 2015, the Group acquired relevant North American assets from Cinram Group Inc. extending its leadership position and revenue base in DVD services. However, the increasing usage of connected televisions, streaming devices, 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 term and partially offset the expected continued decline in overall sales of standard DVD discs, an acceleration of the shift to online and mobile media content consumption may result in a significant and accelerated decline in the Group's DVD revenue from packaged media. In addition, the sales of packaged 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 decline in the number of movies released or their box office performance could negatively affect the revenues of the Group's DVD Services division and the Group's operating results.

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

In 2015, the Entertainment Services segment accounted for 46% 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. Any adverse changes in the film industry may reduce revenues in the Entertainment Services segment and thereby potentially have a material adverse effect on the Group's results of operations and financial condition. 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 service providers such as Technicolor for fewer but often larger projects.

Consolidation among our customers may negatively affect the business of Entertainment Services or Connected Home.

The Media & Entertainment industry is going through a period of increased consolidation activities as both content providers and distributors seek to achieve better economies of scale and negotiation power, which may result in consolidation of their supplier base and cause the Group to lose market share if a competing supplier is favored. While we believe that we have strong relationships with our customers and are currently not anticipating material loss of business or impact to our revenue or operating results due to these consolidation activities, there can be no assurance that the Group will not be adversely affected by these consolidation activities, or other similar activities in the future.

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

To maintain the Group's position within an industry characterized by constant and rapid technological evolution, the Group may need to incur significant research and development expenses to continue to design and deliver innovative products, services and technologies for its customers, including technologies that the Group may license to consumer electronics manufacturers and to other third parties.

New products, services, and technologies may be subject to delays in development and may fail to operate as intended. The return on the Group's investments in new development may be less than anticipated and the Group may fail to recover any or all of its investments in these projects. Competitors may innovate more quickly or more effectively than the Group does, hindering the Group's ability to successfully market the new technologies, products and services it develops. In addition, if new technologies were developed more quickly than anticipated, the Group may not have sufficient financial resources to make such investments. Furthermore, if some technologies 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, INCLUDING CYBERSECURITY

The Group's reputation and business may be harmed due to lack of protection of assets. This could lead to a leak or unauthorized access to its customers, its business partners or its own information or Intellectual Property, or loss of integrity or availability of services and products delivered by the Group

The secure maintenance and transmission of customer information is an essential component of the Group's operations, as the Group is entrusted with the creation and distribution of highly sensitive content on behalf of its customers and business partners. The Group relies on internal and external information systems and technological systems (managed both by the Group and by third parties) that maintain and transmit information. The security of this information may be compromised as a result of system or control failures, inadequate or failed processes, human error, willful breaches (internally and externally) and business interruptions. These events could lead to a breach in the Group's global security protocols and sensitive assets or Intellectual Property, belonging to the Group or its customers, may be lost, disclosed, misappropriated, altered or accessed without consent.

Most of the business of Technicolor consists in delivering services and products in due time. The quality of these deliveries is crucial for Technicolor's reputation, and delays may imply penalties from our customers. Moreover, some of our services and products are delivered to our customers, but benefit to end users that are clients of our customers. Loss of availability or integrity of these products or services could therefore impact the clients of our customers, leading to unpredictable consequences.

Although the Group actively monitors compliance with its security standards, the Group cannot guarantee that no security breach will occur. Any security breach of the Group's information, including for the information related to its technologies, products and services, could result in legal consequences, including regulatory investigations, and lead to loss of revenues or result in reputational damage, thereby materially adversely affecting the Group's results of operations and financial condition.

Most of the security actions related to IT systems are led by the Group's internal security teams, and are devoted to the mitigation of these risks. All these security actions are permanently ongoing, since new subsidiaries are acquired, and new technologies emerge. The security policies, the use of qualified providers, combined with regular security assessments aim at mitigating the risk towards an acceptable level.

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 ISO, MPAA, FACT and CDSA, along with the Group's premiere Customers Security divisions 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 ANTITRUST PROCEDURES

Lawsuits, claims, and investigations relating to competition law could materially adversely affect the Group's performance.

The Group is subject to certain lawsuits, claims, and investigations relating to alleged anti-competitive conduct by Technicolor and certain of its subsidiaries in connection with the former cathode ray tubes business. Among the lawsuits against Technicolor and certain of its subsidiaries are several lawsuits in the U.S.

Should the Group or any of the subsidiaries ultimately be held liable to any third parties, become subject to fines or penalties in respect of any such alleged conduct, or settle any related claims or proceedings, the amounts of any such liability, settlement, fines, or penalties could be material. There are currently too many uncertainties to assess the extent of any liability that Technicolor may incur as a consequence of these lawsuits

The Group is vigorously defending the lawsuits and claims.

3.4.2 RISKS RELATED TO TOXIC TORT LAWSUIT PENDING IN TAIWAN

Lawsuit brought by alleged former workers (or their heirs) seeking compensation for alleged exposure to various contaminants while living and working at a facility.

Technicolor and certain of its subsidiaries are being sued by an association of individuals claims (or heirs of former workers) who claim to have worked at a former manufacturing facility in Taiwan 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 Taiwan court announced its ruling in April 2015 and entered judgment against TCETVT, Technicolor SA, and TCE Bermuda for approximately NTD 564 million (€16 million at the December 31, 2015 exchange rate) plus interest. TCETVT, Technicolor SA, and TCE Bermuda have appealed the ruling. The Association has also filed an appeal. See note 33 to the consolidated financial statements for more information.

Should the Group or any of the subsidiaries ultimately be held liable or settle the claims, the amounts of any such liability or settlement could be higher than in first instance. There are currently too many uncertainties to assess the extent of any liability that Technicolor or its subsidiaries may incur as a consequence of this lawsuit. Technicolor also has various avenues to mitigate any risk, including contractual indemnities owed to it by General Electric and others.

3.4.3 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 positions in each segment, and development programs for high potential profiles. In addition, Management Incentive programs have been implemented to retain and engage management on Technicolor performance. These different programs are regularly monitored by the Executive Committee.

Labor disruptions could affect the Group's results of operations.

In certain countries in which the Group operates, a significant number of its employees are covered by collective bargaining agreements with labor unions. There can be no assurance that a work slowdown, or a work stoppage or strike as a result of political or economic conditions or for other reasons, will not occur prior to or upon the expiration of the Group's labor agreements, and the Group is unable to estimate the adverse effect of any such work slowdown, stoppage or strike on its sales. More generally, work slowdowns, stoppages or other labor-related developments could have a material adverse effect on the Group's business, financial condition, results of operations or prospects. Such risks are managed through anticipation by development of crisis scenarios and sustained relationship with labor unions.

3.4.4 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™ discs or set top boxes and gateways (including modems and routers), and the products in which its patents are incorporated, particularly by consumer electronics manufacturers including TVs, smartphones and other portable media devices, are discretionary goods for end-users. Any deterioration of macroeconomic environment may adversely affect consumer confidence, disposable income and spending, and result in decreased volumes for certain of the Group's products or increased demand for lower-end products at the expense of higher-end products. Furthermore, 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.

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 2015, the Group generated approximately 21% of its consolidated revenues in emerging markets, predominantly in Latin America and in the Asia-Pacific region. As such, the Group is subject to risks associated with doing business internationally. Such risks include economic, political and social instability, capital and exchange controls, expropriation or nationalization of assets, compliance with different legal and regulatory requirements and tax regimes, GDP volatility, inflation, currency fluctuations and devaluations, restrictions on repatriation of funds, requirements relating to withholding taxes on remittances and other payments by subsidiaries and potentially negative consequences from changes in tax laws or their interpretation. These risks could disrupt the Group's production in the relevant countries and negatively affect the Group's ability to produce and procure goods for sale in its North American and European markets. The Group's future results may therefore be adversely affected by any of these factors. In addition, the Group may face increasing difficulty in protecting its Intellectual Property rights in emerging market countries.

In the United States, regulatory changes related to the Pay-TV industry are being proposed that may have significant impact on our customers, in particular those of our Connected Home segment. These proposed changes may cause our customers to lose subscribers to new over-the-top video service providers, and hence reduce demand for our traditional set top box products. While it is uncertain if and when such changes may happen, they may have material adverse effects on the Group's revenue and operating results.

Our Production Services activities are impacted by regional tax-incentives aiming to attract film and TV production activities. Any changes in tax incentives may cause significant increase or decrease of production activities in any given location. While the Group has been effective in optimizing the geographical footprint of its Production Services activities accordingly, and expect that it will continue do so, there can be no assurance that the Group will not be adversely affected by changes in regional tax-incentives.

Risks concerning the economic, regulatory 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.

3.4.5 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 Registration Document. See also note 33 to the consolidated financial statements.

3.4.6 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 tangible and intangible assets 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, 2015, the Group had €1,221 million of Goodwill, €454 million of intangible assets and €302 million of tangible assets. Goodwill on businesses acquired by the end of 2015 are preliminary and subject to final allocation with the help of valuation experts that will take place in 2016. Based on the Group's 2015 impairment review, the Group booked impairments for €23 million on intangible assets, €2 million on tangible assets and no impairment on Goodwill,.

Of the €1,221 million of Goodwill at December 31, 2015 (preliminary Goodwill before allocation of purchase price related to Cisco Connected Devices and The Mill acquisition mainly), €407 million relate to DVD Services, for which any significant change in assumptions as described in note 13 to the 2015 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 3.2, 12 and 13 to the Group's consolidated financial statements.

3.4.7 LITIGATION

The Group is, and may become subject to, legal and regulatory proceedings.

In the ordinary course of business activities, the Group has been involved, and in the future might become involved, in legal and regulatory proceedings and is subject to tax, customs and administrative audits. The fines, damages, settlement amounts or amounts otherwise due in connection with these legal proceedings, may be significant. There can be no assurance that any of the legal proceedings and audits in which the Group is involved or become involved in the future will not result in payments being made by the Group, including possibly in excess of amounts provisioned, or that any such payments will not have a material adverse effect on the Group's results of operation and financial condition.

The principal legal proceedings and governmental investigations in progress or envisaged, are described in note 33 to the Group's consolidated financial statements in this Registration Document. See also sections 3.4.1: "Risks Related to Antitrust Procedures" and 3.4.2: "Risks related to toxic tort lawsuit pending in Taïwan".

Except for the litigation described in note 33 to the consolidated financial statements, there are no other governmental, judicial or arbitration proceedings, including any proceedings of which the Group is aware, that are currently pending or threatened, which could have, or have had over the past 12 months, a material effect on the financial situation or profitability of the Group.

3.5 INSURANCE

The Group has a "Corporate Insurance" Department part of "Corporate Assets Management" including Real Estate to better optimize risk management in the Group. 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). 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 officers.

For country-specific risks such as Employer's Liability in the UK and Workers' Compensation insurance in the U.S. dedicated insurance policies are subscribed.

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. For risks considered non-strategic, subsidiaries are allowed to subscribe to additional insurance policies in their local market.

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) and the Group's loss prevention level has globally improved. The Corporate Legal Department has established internal procedures and rules in order to manage contractual risk. It ensures, in conjunction with the Corporate 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.

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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. Mr. Didier Lombard has been the Chairman of the Board of Directors since May 22, 2014 and a Director since 2004. Mr. Frédéric Rose, who is also a Director, has been Chief Executive Officer since September 1, 2008. His term of office as Chief Executive Officer is indefinite.

The choice to separate the offices of Chairman of the Board and Chief Executive Officer was made in 2009 in order to allow Mr. Rose to concentrate on his missions of execution of the strategy and management of the Group.

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 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. His powers are also limited by the Board Internal Regulations, 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 Registration Document, the Board of Directors comprises nine Directors, including the Chief Executive Officer, seven independent Directors (77%) and one employee Director. Two Directors are women (20%). Three Directors are not French citizens and one has dual French/U.S. citizenship.

Mr. Lombard's term of office as Director and Chairman of the Board will expire at the April 2016 Annual General Meeting. The Board of Directors has agreed to submit to shareholder's approval at the April 2016 Annual General Meeting an extension of his term of office by one year, i.e. until the Annual General Meeting which will approve the financial statements for the fiscal year ended December 31, 2016. His term of office would thus expire immediately after Mr. Lombard turns 75.

Mr. Bruce Hack has been Lead Independent Director since May 2014 and Vice-Chairman of the Board since February 2016. As Lead Independent Director, his role is to chair the Company's Board of Directors if the Chairman is prevented from doing so, to preside over and conduct proceedings at Board meetings deliberating on the subject of the Chairman (his compensation, performance appraisal or renewal of his term of office), and to manage potential conflicts of interest. As Vice-Chairman, his role within the Board is to focus on the implementation of the integration plan of the businesses that were acquired in 2015 and on the Drive 2020 strategic plan.

In connection with the acquisition of Cisco Connected Devices, the Board of Directors, at its meeting of October 19, 2015 approved the appointment as a Director of Mr. Hilton Romanski, Chief Strategy Officer at Cisco Systems, Inc., in replacement of Mr. Carney, who resigned from office on April 23, 2015, for the remaining duration of the latter's term, i.e. until the April 2016 Annual General Meeting. This appointment took effect on November 20, 2015, and will be subject to ratification by the shareholders at the April 2016 Annual General Meeting. The renewal of his term of office will be proposed during said Annual General Meeting.

Following the underwriting by Bpifrance Participations to the November 17, 2015 capital increase (see Chapter 1: "Presentation of the Group and its activities", section 1.2.2: "Historical background") bringing the equity interest of Bpifrance Participations to 5.30% of the share capital at the date of the share capital increase, Mr. Bertrand Finet joined the Board on January 8, 2016 as representative of Bpifrance Participations, in replacement of Mr. Fishman who resigned on October 1, 2015, for the remaining duration of the latter's term, i.e. until the Annual General Meeting which will approve the financial statements for the fiscal year ended December 31, 2017. This appointment will be subject to ratification by the shareholders at the April 2016 Annual General Meeting.

The Board also includes one Director representing employees, Mr. Nicolas Grelier, appointed on June 27, 2014 for a three-year term, in accordance with Article L. 225-27-1 of the French Commercial Code and the Company's bylaws. He took office on July 24, 2014.

Changes in the composition of the Board of Directors in 2015 and until the date of the present Registration Document

	Name	Gender	Nationality	Date on which term of office began	Date on which term of office ended
Directors who left the Board of Directors in 2015	Alexander Slusky (expiration of term of office)	M	U.S.	June 2012	April 2015
	David Fishman (resignation)	M	U.S.	June 2012	October 2015
	Lloyd Carney (resignation)	M	U.S.	June 2010	April 2015
Directors whose term of office was renewed at the 2015 Annual General Shareholders' Meeting	Frédéric Rose	M	Franco-American	October 2008	2018 AGM *
Directors who joined the Board of Directors in 2015	Hilton Romanski	M	U.S.	November 2015	2016 AGM *
Directors who joined the Board of Directors in 2016	Bertrand Finet (as representative of Bpifrance Participations)	M	French	January 2016	2018 AGM *

* *Annual General Shareholders' Meeting.*

Composition of the Board of Directors as of the date of the present Registration Document

Name	Age	Main business address	Current position within the Company	Other positions	Start of term of office	Expiration of term of office	Audit Committee	Nominations and Governance Committee	Remunerations Committee	Strategy Committee
Didier Lombard (1)	74	Iris Capital 62, rue Pierre Charron, 75008 Paris	Director Chairman of the Board of Directors	Director of companies	May 2004	2016 AGM *		Chairman		Member
Frédéric Rose	53	Technicolor 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux (2)	Director and Chief Executive Officer	-	October 2008	2018 AGM *				Member
Bertrand Finet (1)	50	Bpifrance Participations SA 27-31, avenue du Général Leclerc, 94710 Maisons Alfort Cedex	Director Representative of Bpifrance Participations		January 2016	2018 AGM	Member			
Virginie Calmels (1)	45	Mairie de Bordeaux Place Pey Berland 33000 Bordeaux	Director	Chairperson of the Supervisory Board of Euro Disney SCA and of Euro Disney Associés SCA	May 2014	2017 AGM	Member	Member		
Nicolas Grelier	39	Technicolor Connected Home France 975 av. des Champs Blancs, 35576 Cesson-Sévigné	Director Employee	-	July 2014	July 2017			Member	Member
Bruce Hack (1)	67	151 Central Park West 10C, New York, NY 10023	Director	Director of companies	February 2010	2016 AGM *	Chairman	Member	Chairman	Member
Hugues Lepic (1)	51	Aleph Capital Partners LLP 14 St George Street, 3rd Floor, London W1S 1FE	Director	CEO of Aleph Capital Partners LLP	December 2012	2017 AGM *				
Laura Quatela (1)	58	Quatela Lynch Intellectual Property, 973 East Avenue, Rochester, New York 14607	Director	Founder of Quatela Lynch Intellectual Property	May 2013	2016 AGM *		Member	Member	Chairman
Hilton Romanski (1)	43	Cisco Systems, Inc. 170 West Tasman Drive San Jose, California 95134	Director	Director of Strategy of Cisco Systems, Inc.	November 2015	2016 AGM *				

(1) *Independent Director.*
(2) *Mr. Rose's other professional addresses are: Technicolor Inc., 6040 Sunset Blvd, Hollywood, CA 90,028, USA and Technicolor Limited (UK), 16 Great Queen Street Garden, Covent Garden, London WC2B 5AH, United Kingdom.*

Independence of Directors

Absent any controlling shareholder, the independence of the Board of Directors is of great importance for the Company in order to secure that the Board of Directors, as a collegial body, represent not only the whole community of shareholders, but also the interests of the Company and of other stakeholders, its employees and its partners. To that purpose, over the last few years, Independent Directors have always accounted for at least two-thirds of the Directors appointed by the General Shareholders' Meeting.

At its meeting on February 18, 2016, 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 published by the *Association Française des Entreprises Privées* (AFEP) and the *Mouvement des Entreprises de France* (MEDEF) (the "AFEP-MEDEF Corporate Governance Code"), which the Company has adopted (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".

Among the eight Directors (other than the Employee Director), seven are considered as independent. See below the summary of the assessment made by the Board of Directors held on February 18, 2016.

Name	Discussion	Independent
Didier Lombard	His role as Chairman of the Board of Directors does not affect his independence. There are no business links of any significance between the Company and STMicroelectronics, a company in which Mr. Lombard is Vice-Chairman of the Supervisory Board. Mr. Lombard does not receive any additional variable compensation, his compensation with respect to his duties being limited to Directors' fees. He has been a Board member for less than 12 years.	Yes, until May 2016 when Mr. Lombard's tenure on the Board exceeds 12 years.
Frédéric Rose	Mr. Rose is Chief Executive Officer of the Company.	No
Bertrand Finet	Bpifrance Participations holds less than 10% of the share capital.	Yes
Virginie Calmels	There are no business links between the Company and the companies in which Mrs. Calmels holds directorships.	Yes
Bruce Hack	On June 12, 2014, Mr. Bruce Hack was appointed Chairman of Maximum Play, Inc., a company registered in California. Technicolor USA, Inc. holds 48% of the share capital of Maximum Play, Inc. and 32% of the share capital on a fully-diluted basis. Professional investors which invested in 2015 hold the balance. It is neither controlled nor consolidated by Technicolor and all 4 Board Members other than Mr. Hack are free of any relationship or bond of interest with Technicolor and its managers. Maximum Play is a company active in the electronic gaming sector. It has never generated any revenue. Upon a decision of the Board of Directors of Maximum Play Inc. in June 2014, Mr. Hack was granted the right to purchase a maximum of 600,000 shares (stock options), representing up to 2.2% of the Company's share capital on a fully-diluted basis. They will vest in time subject to presence condition. Mr. Hack has not exercised any of the options.	Yes
Laura Quatela	In 2015, the Board of Directors approved a service agreement between the Company and Quatela Lynch Intellectual Property LLC, an advisory firm of which Mrs. Quatela is a partner. The agreement pertains to advisory services to the benefit of the Group Technology division (see paragraph 4.1.3.3 Regulated agreements – Conflicts of interest below). This agreement has been performed over a short period of time and for a limited consideration (€250,000). It does not call Mrs. Quatela's independence into question for 2015. The Board also considered that Mrs. Quatela's independent status might evolve in the coming months further to the implementation of a second services agreement approved by the Board on January 8, 2016 and entered into on the same date (see paragraph 4.1.3.3).	Yes, subject to further review
Hugues Lepic	Mr. Lepic's equity interest in share capital (see section 4.1.3.4 "Corporate Officers' shareholdings in the Company's registered capital" of this chapter) do not interfere with his freedom of judgment. To the contrary, the equity interest of Mr. Lepic, which represents 1.23% of the share capital, demonstrates that his interests are aligned with those of other long-term shareholders, and reinforces his control of the decisions of the Board. His vision as a long-term shareholder is of great importance for the functioning of the Board.	Yes
Hilton Romanski	Cisco Systems, Inc. holds less than 10% of the share capital. The partnership agreement between Cisco Systems, Inc. and Technicolor that was announced in July 2015 is a framework agreement that provides for cooperation in future businesses. It is non-binding, does not generate revenue and no assets are being shared or exchanged. It therefore does not create any conflict of interests.	Yes

Expertise of Board Members

Members of the Board of Directors have been selected by the Nominations & Governance Committee and by the Board taking into account not only their own expertise but also the complementary nature of the competencies of each member with those of other members, so that the combined expertise of Board Members spans at all times all activity sectors of the Company and the required competence.

Messrs. Didier Lombard and Frédéric Rose have acquired, by carrying out their duties in high-tech companies, a great deal of experience in the areas of technology and research. Messrs. Rose and Lombard have, in addition, experience in being at the helm of technology companies in a constantly evolving environment. The position of Mr. Hilton Romanski within Cisco Systems, Inc. (Chief Strategy Officer), a top worldwide technologies group, bring to the Board a strategic vision in the area of technology, which is extremely useful for the accompaniment of the Company's future development.

Mrs. Virginie Calmels and Mr. Bruce Hack are recognized management professionals in the Media & Entertainment sectors, with a strong expertise in TV broadcasting for Mrs. Calmels and in the videogaming industry for Mr. Hack.

Mrs. Laura Quatela has considerable strategic expertise in the technology and Intellectual Property sectors.

Messrs. Hugues Lepic and Bertrand Finet benefit from a significant experience in corporate finance acquired in their private equity and investment experiences.

Mr. Grelier, employee Director, employed by the Group since 2006, has a lengthy experience in the field of the Connected Home.

The Board of Directors is satisfied with the complementarity of the Board Members' expertise, of the right balance between the different skills and of the level of experience of the Board Members, which demonstrates the Board's ability to address key issues and to support the Company's strategy. The implication of the Board Members in the Board's activity (see in section 4.2.1.3 below the participation rates) is also an indication of the good functioning of the Board.

The biographies of the members of the Board of Directors are detailed 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.

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

4.1.3 OTHER INFORMATION ABOUT MEMBERS OF THE BOARD OF DIRECTORS

4.1.3.1 Biographies of Directors, positions and Directorships held during the past five years

This section contains the biographies and information about the Directors and their directorships as of February 18, 2016.

Didier Lombard

Mr. Didier Lombard has been Vice-Chairman of the Supervisory Board of STMicroelectronics since June 2014, having served as Chairman for three years. He was Chief Executive Officer of France Telecom from March 2005 to March 2010 and Chairman of the Board from March 2005 to February 2011. From 2003 to 2005, he was Executive Vice-President of France Telecom in charge of the technologies, partnership and new services mission. From 1999 to the beginning of 2003, Mr. Lombard served as Ambassador in charge of foreign investment and Chief Executive Officer of the French Agency for International Investment. From 1991 to 1998, he was Chief Executive Officer of Industrial Strategy in the Ministry of Economy, Finance and Industry. From 1988 to 1990, he served as Technical and Scientific manager in the Ministry of Research and Technology. Mr. Lombard graduated from École Polytechnique and École nationale supérieure des télécommunications.

Current Directorships:

IN FRANCE:
Member of the Supervisory Board of Radiall *.

OUTSIDE FRANCE:
Vice-Chairman of the Supervisory Board of STMicroelectronics *.

Directorships held during the past five years:

Chairman of the Supervisory Board of STMicroelectronics *;
Director of Thales *.

** Publicly traded company.*

Frédéric Rose

Mr. Frédéric Rose is a Director and has been Chief Executive Officer since September 1, 2008. Prior to joining Technicolor, he held various positions between 1993 and 2008 within Alcatel-Lucent, and was a member of its Executive Committee. Mr. 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. **;
President of Technicolor Inc. **;
Chairman of Technicolor Limited (UK) **.

Directorships held during the past five years:

Director of MediaNaviCo LLC **;
Director of Logica Plc.*;
Director of The Weinstein Company Holding LLC.

** Publicly traded company.*
*** Companies belonging to Technicolor group.*

Bertrand Finet

Mr. Bertrand Finet has been Executive Director at the Mid and Large Cap equity division of Bpifrance Investissement since 2015. Prior to 2015, Mr. Finet held various positions within Bpifrance Investissement and the *Fonds Stratégique d'Investissement* (FSI). Mr. Finet made his career in private equity, having worked successively for 3i Plc, CVC Capital Partners and Candover. Mr. Finet holds a Masters degree in Business Administration from ESSEC.

Current Directorships:

IN FRANCE:
Director of Verallia and Sequana*.

OUTSIDE FRANCE:
Non-voting Director of Constellium*.

Directorships held during the past five years:

IN FRANCE:
Director of TDF, Assystem* and Mersen*.

** Publicly traded companies.*

Virginie Calmels

Since January 2013, Mrs. Virginie Calmels has been Chairperson of the Supervisory Board of Euro Disney SCA and Euro Disney Associés S.C.A., after being a member of the Supervisory Board since March 2011. She is also the Founding Chairperson of SHOWer Company. Since March 2014, Mrs. Calmels has also been Deputy Mayor of Bordeaux, in charge of Economy and Employment.

Virginie Calmels began her career in 1993 with Salustro Reydel as a Financial Auditor, subsequently rising to the position of Senior Manager. In 1998, Virginie Calmels joined the Canal+ group as a Finance Director of the NC Numéricable Company. She then became Administrative and Finance Director of Sky Gate BV in Amsterdam (Netherlands). In 2000, she became Finance Director of the Canal+ Group's international and development divisions, and subsequently served as Chief Financial Officer of Canal+ SA between 2000 and 2002, before being appointed as Deputy Chief Executive Officer and then Chief Operating Officer. In 2003, Mrs. Calmels

joined the Endemol France Group as Chief Executive Officer and was appointed Chairman and Chief Executive Officer in October 2007. She was subsequently appointed Chief Operating Officer of the global Endemol organization in May 2012, a position she left in 2013.

Virginie Calmels is a graduate of the ESC business school in Toulouse, a qualified and certified accountant and Statutory Auditor (DESCF), and a graduate of the Advanced Management program (AMP) of the European Business Administration Institute (INSEAD). She has also been awarded the title of Knight of the French National Order of Merit.

Current Directorships:

IN FRANCE:
Chairman of SHOWer Company SAS;
Chairperson of the Supervisory Board of Euro Disney SCA*;
Chairperson of the Supervisory Board of Euro Disney Associés SCA*;
Director of Iliad SA (Free)*;
Chairman of the Board of Directors of REGAZ SAEML;
Director of SBEPEC SAEML;
Member of the Supervisory Board of SA Aéroport de Bordeaux-Mérignac;
Director of Bordeaux Aeroparc SPL;
Director of Bordeaux Gironde Investissement;
Director of Gironde Développement;
Director of Cité des Civilisations du Vin;
Director of Aerospace Valley.

Directorships held during the past five years:

IN FRANCE:
Chairman of Endemol France SAS, Endemol Fiction SAS, Endemol Productions SAS, Mark Burnett Productions France SAS, NAO SAS, DV Prod, Endemol Jeux, Tête de Prod SAS and Orevi SAS;
Director of Formidooble SAS.

OUTSIDE FRANCE:
Chairman of the Board of Directors of Endemol Nordic AB, Endemol Norway A/S and Endemol Sweden AB;
Director of Endemol Holdings, Endemol Denmark A/S, Endemol Italia S.p.A., Endemol Espana S.L.;
Member of the Supervisory Board of Nijenhuis & de Levita Holding B.V..

** Publicly traded company.*

Nicolas Grelier

Mr. Nicolas Grelier has been Program manager at Technicolor since 2012. Since 2006, he has held various positions within the Group in bid management and as Program manager at the R&D site in Rennes, France. He has extensive experience in international customer relationship management and project management in the high-tech field.

Prior to joining Technicolor, Mr. Grelier worked as Program manager for NAGRA France and for CANAL+ Technologies.

Mr. Grelier is a graduate of École des Mines de Nantes (1999) and has a Project Management professional certification from the Project Management Institute (2009).

On taking up his post on the Board of Directors, Mr. Grelier received training from an external service provider specializing in corporate governance. This training focused on the key principles of corporate governance and the legal framework surrounding the role of employee Directors, as well as on understanding and interpreting financial statements.

Current Directorships:

None.

Directorships held during the past five years:

None.

Bruce Hack

Mr. Bruce Hack is a Chairman and Director of several entertainments, consumer online and mobile companies; he is currently the Chairman of the Audit Committee of Demerx, Inc. Mr. Hack was Vice-Chairman of the Board of Directors and Chief Corporate Officer of Activision Blizzard until 2009. From 2004 to 2008, he was Chief Executive Officer of Vivendi Games, and from 2001 to 2003, he was Executive Vice-President of Development and Strategy within Vivendi Universal. From 1998 to 2001, he was Vice-Chairman of the Board of Directors of Universal Music Group, and between 1995 and 1998, he was Chief Financial Officer of Universal Studios. He joined the Seagram Company Ltd. in 1982 after serving as a trade negotiator at the U.S. Treasury in Washington, DC. Amongst his roles at Seagram were Chief Financial Officer of Tropicana Products, Inc. and Director, Strategic Planning, at The Seagram Company Ltd. Mr. Bruce Hack holds a BA from Cornell University and an MBA from the University of Chicago.

Current Directorships:

OUTSIDE FRANCE:
Director of MiMedx Group*, Inc., Demerx, Inc., Overwolf and of Games for Change;
Chairman of Apper Labs, Inc. and of Maximum Play, Inc. **.

** Publicly traded company.*
*** Company in which Technicolor has an interest.*

Directorships held during the past five years:

None

Hugues Lepic

Mr. Hugues Lepic is the CEO of Aleph Capital Partners LLP, an investment firm based in London, which he founded in 2013. Prior to that, Mr. Lepic spent most of his career at The Goldman Sachs Group, Inc. From 2006 to 2012, he was head of the Principal Investment Area (private equity) of The Merchant Banking Division of Goldman Sachs in Europe, and, from 2009 to 2012, head of the Merchant Banking Division in Europe. Mr. Lepic was responsible for investing in the Telecom, Media and Technology (TMT) sectors in the Principal Investment Area of Goldman Sachs in Europe between 1998 and 2006. Mr. Lepic was also a member of Goldman Sachs' European Management Committee between 2008 and 2012. He was promoted to Managing Director in 1998 and to Partner of Goldman Sachs in 2000. Mr. Lepic joined Goldman Sachs in New York in 1990. He holds an MSc from École Polytechnique in France and an MBA from the Wharton School of the University of Pennsylvania.

Current Directorships:

OUTSIDE FRANCE:

Chief Executive Officer of Aleph Capital Partners LLP;

Director of Interoute Communications Holdings SA (Luxembourg).

Directorships held during the past five years:

Director of Groupe Eurotunnel SA *; Participating Managing Director of the Goldman Sachs Group, Inc. *;

Director of Eutelsat Communications SA *, Cablecom GmbH, Cablecom Luxembourg GP SARL, Prysmian SpA *, Iliad SA *, Mediannuaire Holding, PagesJaunes Groupe *, Edam Acquisition Holding I Cooperatief U.A. and non-voting Director of Neuf Cegetel SA;

Chairman of the Supervisory Board of Autodis SA and of Autodistribution SA.

** Publicly traded company.*

Laura Quatela

Mrs. Laura Quatela is the founder of Quatela Lynch Intellectual Property LLC, a consultancy firm that specializes in generating maximum value from Intellectual Property. She was the President of Eastman Kodak Co. from January 1, 2012 to February 2014. In January 2011, she was appointed General Counsel and Senior Vice-President. She was appointed Chief Intellectual Property Officer in January 2008, and she remained in this position while managing the Company's Legal Department. As Chief Intellectual Property Officer of Eastman Kodak Co., she oversaw the Intellectual Property policy and strategy, chaired the Senior IP Strategy Council, and managed external Intellectual Property affairs. Before that, Mrs. Quatela served as Managing Director, Intellectual Property Transactions.

Mrs. Laura Quatela joined Kodak in 1999, working in various positions, including Director of Corporate Commercial Affairs, Vice-President Legal, Assistant General Counsel, Director Finance Transformation and Vice-President, Finance & Administration. Before she joined Kodak, she worked at Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb Inc. She was an attorney specializing in class-action lawsuits. Mrs. Laura Quatela is a graduate of Denison University, BA, International Politics (1979) and Case Western Reserve University School of Law, J.D. (1982).

Current Directorships:

None.

Directorships held during the past five years:

President of Eastman Kodak Co *.

** Publicly traded company.*

Hilton Romanski

Mr. Hilton Romanski is Senior Vice-President and Chief Strategy Officer of Cisco Systems, Inc. where he is leading investments, mergers, acquisitions and divestitures and manages strategic partnerships. In his previous role, Mr. Romanski was with the Strategy Office of Cisco where he drove the mergers and acquisition strategy. Prior to joining Cisco in 2001, Mr. Romanski held several positions at J.P. Morgan, including in the Technology, Media and Telecom group and co-founded J.P. Morgan's West Coast telecom practice. He previously worked in J.P. Morgan's New York headquarters where he as an M&A specialist.

Current Directorships:

None.

Directorships held during the past five years:

None.

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

In connection with the acquisition of Cisco Connected Devices, the Board of Directors meeting of October 19, 2015 approved the appointment as a Director of Mr. Hilton Romanski in replacement of Mr. Carney, who had resigned from office on April 23, 2015, for the remaining duration of the latter's term, i.e. until the Annual General Meeting which will approve the financial statements for the fiscal year ended December 31, 2015. This appointment took effect on the day of the finalization of the acquisition of Cisco Connected Devices, on November 20, 2015, and will be subject to ratification by the shareholders at the 2016 General Shareholders' Meeting. The renewal of his directorship will be proposed to the Shareholders' Meeting approval.

In addition, at the time of the Capital Increase with Preferential Subscription Rights, Bpifrance Participations committed to exercising all of the preferential subscription rights which it held. During the same time, the Company and Bpifrance Participations agreed that the latter should be appointed as Director of the Company during the first Board of Directors meeting following the issuance. Bpifrance Participations SA was coopted by the Board of Directors on January 8, 2016, in replacement of Mr. David Fishman who resigned on October 1, 2015, for the remaining duration of the latter's term, which is up until the Annual General Meeting which will approve the financial statements for the fiscal year ended December 31, 2017 ; this cooptation being subject to ratification by the shareholders at the 2016 General Shareholders' Meeting.

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.

4.1.3.3 Regulated agreements – Conflicts of interest

French law governs agreements known as "regulated agreements". This applies to all agreements which are entered into directly or through an intermediary between the Company and its Chief Executive Officer, or one of its Directors or certain shareholders (shareholders holding more than 10% of the voting rights or, in the case of a corporate shareholder, the parent company controlling it) and which do not relate to ordinary transactions concluded under normal conditions.

In accordance with Article L. 225-38 et seq. of the French Commercial Code, these agreements must be submitted to the Board of Directors for special prior authorization, which must be substantiated. The agreements must also be examined in a special report by the Statutory Auditors and the Shareholders' Meeting must be consulted. See Chapter 8: "Financial statements", section 8.8: "Statutory Auditors' report on Regulated Agreements and Commitments" of this Registration Document.

The Board of Directors authorized the conclusion of the following agreements between the Company and Quatela Lynch Intellectual Property LLC, a company which has Mrs. Quatela among its partners:

- on October 19, 2015, a contract for advisory services, to the benefit of the Intellectual Property & Licensing Division of Technicolor, in the context of the division's foreseen drop in revenue in 2016 with the end of the MPEG-LA patent pool. The fees paid to Quatela Lynch Intellectual Property amounted to USD250,000;
- on January 8, 2016, a second contract for advisory services, providing assistance to the CEO in conducting the transformation plan of the Patents Licensing and Trademarks & Technology Licensing businesses. The negotiated compensation for the assignment is USD150,000 per month. The contract was entered into on January 8, 2016 and will expire on December 31, 2016, but may be terminated at any time by Technicolor.

The Board of Directors considered that Quatela Lynch Intellectual Property was the appropriate service provider for these assignments since:

- Mr. Lynch, the other partner of Quatela Lynch Intellectual Property working on the assignment, and Mrs. Quatela benefit from lengthy experience at the helm of comparable businesses, in particular at Kodak, Alcatel and General Electric. Their team is comprised of highly-seasoned professionals from the IP industry;
- Mrs. Quatela has acquired, over the years, extensive knowledge of the organization of the Intellectual Property & Licensing Division and of the patents portfolio of the Company, which made it possible for her to optimize the mission entrusted to her firm; and
- the compensation is reasonable for this type of assignment.

The Company is not aware of potential conflicts of interest between the obligations of Directors and Company managers towards Technicolor and their private interests and/or other obligations.

4.1.3.4 Directors' holdings in the Company's share capital

Article 11.2 of the Company's bylaws provides that Directors are each required to hold at least 200 shares of Technicolor stock during their term of office. Moreover, in accordance with the Board Internal Regulations, as modified by the Board of Directors on July 22, 2015, each Director is required to acquire 1,000 shares of Technicolor prior to the end of his/her first term as Director.

Under the terms of a decision of the Board of Directors on October 24, 2013, the Chairman and the Chief Executive Officer are bound by a holding obligation for a number of shares equivalent to the investment of one year of the average Director's fee. This number of shares is doubled in the event of a renewal of the term of office.

Except for 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 memorandum entitled Corporate Policy on the Purchase and Sale of Company Shares, Insider Trading and Protection of Material Non-public Information reiterates, however, the rules applicable to trading in Technicolor securities by insiders, which include members of the Board of Directors, and makes provision for blackout periods during which such trading is 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 for the exercise of options.

To the Company's knowledge, the Directors' shareholdings in the Company's registered capital as of March 24, 2016 are as follows:

Directors present on March 24, 2016	Technicolor shares
Didier Lombard	5,378
Frédéric Rose	672,751
Bpifrance Participations	21,823,622 (1)
Virginie Calmels	200
Nicolas Grelier	2 (2)
Bruce Hack	18,000
Hugues Lepic	5,071,345
Laura Quatela	1,000
Hilton Romanski	200

(1) Based upon a notification of holding threshold done by Bpifrance Participations as of November 23, 2015.
(2) Mr. Grelier also holds 233 units of mutual funds as part of the Group Savings Plan.

Mr. Rose's holdings in the Company's shares increased from 117,721 shares as of February 28, 2015 to 672,751 shares as of March 2, 2016, corresponding to a cash investment of €1,380,000, as a result of:

- the acquisition of 92,844 shares in November 2015 and February 2016 for an average price of €5.24 per share;
- the delivery to Mr. Rose of 182,186 performance shares in June 2015 under a long term incentive plan approved in 2011 which vested in 2013 and 2014; and
- the exercise of 280,000 stock options and the holding of the resulting shares for a price of €3.19 per share.

The table below shows the transactions in Technicolor's securities carried out during 2015 by 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	Transaction date	Transaction type	Description of the financial instrument	Number of securities/ instruments	Unit price *(in euros)*	Amount of the transaction *(in euros)*
Hugues Lepic	Oct. 29, 2015	Disposal	PSR*	162,461	0.22	35,741.60
Hugues Lepic	Oct. 29, 2015	Disposal	PSR	200,000	0.2305	46,100
Hugues Lepic	Oct. 29, 2015	Disposal	PSR	1,400,000	0.2583	361,620
Hugues Lepic	Oct. 29, 2015	Disposal	PSR	1,311,544	0.2563	336,148.98
Hugues Lepic	Oct. 29, 2015	Disposal	PSR	960,000	0.2737	262,752
Hugues Lepic	Oct. 30, 2015	Disposal	PSR	200,000	0.2164	43,280
Hugues Lepic	Nov. 02, 2015	Disposal	PSR	500,000	0.2501	125,050
Hugues Lepic	Nov. 03, 2015	Disposal	PSR	337,540	0.2753	92,924.762
Frédéric Rose	Nov. 17, 2015	Acquisition	Shares	42,844	4.70	201,366.80
Didier Lombard	Nov. 17, 2015	Acquisition	Shares	86	4.70	404.20
Frédéric Rose	Dec. 23, 2015	Exercise	Stock options	346,316	3.19	1,104,748.04
Frédéric Rose	Dec. 23, 2015	Disposal	Shares	346,316	7.46	2,583,517.36
Frédéric Rose	Dec. 24, 2015	Exercise	Stock options	112,403	3.19	446,600
Frédéric Rose	Dec. 24, 2015	Disposal	Shares	112,403	7.3936	831,073.64
Frédéric Rose	Dec. 24, 2015	Exercise	Stock options	114,716	3.19	358,565.57
Frédéric Rose	Dec. 24, 2015	Disposal	Shares	114,716	7.3920	847,981.47
Frédéric Rose	Dec. 28, 2015	Exercise	Stock options	47,000	3.19	149,930
Frédéric Rose	Dec. 28, 2015	Disposal	Shares	47,000	7.4125	348,389.98
Frédéric Rose	Dec. 28, 2015	Exercise	Stock options	47,000	3.19	149,930
Frédéric Rose	Dec. 28, 2015	Disposal	Shares	47,000	7.4118	348,357.86
Frédéric Rose	Dec. 29, 2015	Exercise	Stock options	50,997	3.19	162,680.43
Frédéric Rose	Dec. 29, 2015	Disposal	Shares	50,997	7.4933	382,139.85
Frédéric Rose	Dec. 29, 2015	Exercise	Stock options	170,000	3.19	542,300
Frédéric Rose	Dec. 29, 2015	Disposal	Shares	170,000	7.5126	1,277,142.39
Frédéric Rose	Dec. 30, 2015	Exercise	Stock options	225,000	3.19	446,600
Frédéric Rose	Dec. 30, 2015	Disposal	Shares	225,000	7.54520	1,697,680.39
Frédéric Rose	Dec. 30, 2015	Exercise	Stock options	140,000	3.19	446,600
Frédéric Rose	Dec. 30, 2015	Exercise	Stock options	140,000	3.19	446,600
Laura Quatela	Feb. 23, 2016	Acquisition	Shares	800	5.77	4,619.76
Frédéric Rose	Feb. 23, 2016	Acquisition	Shares	50,000	5.705	285,245.96
Hilton Romanski	March 14, 2016	Acquisition	Shares	200	5.565	1,113

* *PSR: Preferential Subscription Rights.*

Details regarding stock options granted to Executive Directors are set forth in Chapter 6: "Social Information and sustainability", section 6.1.4: "Stock option plans and free share plans".

4.1.3.5 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.

4.1.3.6 Service and other contracts between Board Members and the Group

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

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. Didier Lombard, Chairman of the Board, pursuant to Article L. 225-37 of the French Commercial Code. For the establishment of the corporate governance sections of this report, the Chairman tasked the Legal Department; for the establishment of the Internal Control sections, the Chairman tasked the different departments of Corporate Finance (Controlling, Treasury, Accounting, Internal Audit, Internal Control) as well as the Legal and IT Departments. It was reviewed by the Audit Committee and the Nominations and Governance Committee. It was approved by the Board of Directors during its meeting of February 18, 2016.

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

Information regarding elements likely to have an influence in case of a public offer is described in Chapter 5: "Technicolor and its shareholders", section 5.1.10: "Other information relating to share capital".

4.2.1 PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

4.2.1.1 Compliance with AFEP-MEDEF Corporate Governance Code

Pursuant to the Law dated July 3, 2008, the Company adheres to the AFEP-MEDEF Corporate Governance Code lastly updated on November 2015 in the preparation of the report required by Article L. 225-37 of the French Commercial Code.

In accordance with Article L. 225-37 of the French Commercial Code, it is hereby noted that the Company does not comply with the following recommendations of the AFEP-MEDEF Corporate Governance Code:

Recommendations of the AFEP-MEDEF Corporate Governance Code not complied with by the Company	Explanation/Action plan
The Audit Committee's review of the financial statements may take place less than two days before the Board's review (paragraph 16.2.1).	As some of the Directors who are members of the Audit Committee reside outside of France, the Audit Committee meeting may take place the day before the meeting of the Board of Directors. However, the preparatory documents are sent to the members of the Audit Committee more than two days before the Board meeting.
Award of stock options or free shares are not made on a regular basis (paragraph 23.2.4).	The Board of Directors will propose to the April 2016 Annual General Meeting a resolution allowing it to grant free shares. The Board of Directors intends to make use of such resolution on a regular basis.

4.2.1.2 Structure of Board of Directors' works – Internal Board Regulations

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

The Internal Board Regulations were reviewed and modified by the Board of Directors on July 22, 2015, concerning the following main points:

- cancellation of the two-thirds majority of Directors applicable to certain decisions of the Board;
- simplification of the list of the powers of the Chief Executive Officer requiring the prior approval of the Board; and
- reduction of the minimum investment in Company's shares of the Directors.

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 authority of the Chief Executive Officer

According to French law and the Company's bylaws, the Chief Executive Officer is vested with the broadest powers to act in any circumstances on behalf of the Company. He exercises this authority 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. Furthermore, the Board Internal Regulations submit the following decisions, considered as strategic, to the authorization of the Board of Directors:

(i) any material transaction outside the scope of Technicolor's stated strategy or that is likely to materially affect the operational or financial situation of the Group;

(ii) the conclusion of any material strategic partnership;

(iii) any transaction (contribution, acquisition, disposal, merger, transfer of any entity, activity or assets) by any member of the Technicolor group for an amount of more than €25 million, either per operation or per series of related operations;

(iv) the conclusion of new finance contracts increasing the Group's level of indebtedness by more than €25 million;

(v) the appointment of a statutory auditor who is not part of a network of international repute;

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

(vii) any significant changes to accounting principles applied by Technicolor or to any company of the Technicolor group, other than changes made in application of applicable law or required by the Statutory Auditors of Technicolor or the relevant company.

Moreover, in accordance with Article L. 225-35 of the French Commercial Code, the deposits, sureties and warranties granted by the Company as guarantees for undertakings with third parties must be authorized by the Board of Directors. The CEO is granted an annual authorization to grant deposits, sureties and warranties in the name of the Company, subject to a financial cap. A report is made every year to the Board of Directors on the use of such authorization.

Board Committees

The Board of Directors is assisted in the performance of its tasks by four Committees: the Audit Committee, the Nominations and Governance Committee, the Remunerations Committee and the Strategy Committee.

The Technology Committee was removed by decision of the Board of Directors on April 22, 2015. Its missions have been taken up by the Strategy Committee.

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

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

Board meetings

Each year, the Board of Directors draws up the schedule of its meetings for the coming year, based on a proposal from the Chairman.

This schedule sets the dates for the Board of Directors' regular meetings (in conjunction with the release of quarterly financial information, the previous year's annual results, the half year results, the meeting preceding the Ordinary Shareholders' Meeting, etc.). In addition to the meetings included in the schedule, the Board of Directors holds meetings whenever required by the Company's circumstances. If necessary, the Directors meet in working sessions. In addition, the Directors may meet in "executive sessions", in which the Chief Executive Officer does not participate.

Directors' right to information

The Chairman is required to communicate to each Director all documents and information necessary to carry out his or her work. The Board Internal Regulations stipulate that "Outside the meetings of the Board, the Directors shall remain informed on a continuous basis by all possible means of the financial position, cash flow, and commitments of the Company as well as any other significant events and transactions relating to the Company."

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

Directors' duties

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

The Board Internal 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 situation that is likely to create a conflict of interest with the Company or any of the Group's companies. If necessary, the Lead Independent Director shall ask for an assessment from the Nominations and Governance Committee.

4.2.1.3 Board of Directors' activities in 2015

In 2015, the Board met nine times, with an average participation rate of 91%.

In 2015, the Board of Directors reviewed the Company's quarterly, semi-annual and annual financial information and the process for preparing it: the 2015 annual budget, the corporate and consolidated financial statements for fiscal year 2014 and the first half of 2015, and quarterly revenues for the first and third quarters of 2015. It reviewed major accounting issues, such as impairment tests 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 Nominations and Governance Committee for the sections falling under their respective areas of expertise. It has also monitored the Group's level of indebtedness.

The Board reviewed and approved the strategic plan of the Company (Drive 2020) and the corresponding action plans.

In the framework of the execution of the Drive 2020 plan, and in accordance with the Board Internal Regulations, the Board reviewed and approved the following acquisition projects (please refer to Chapter 1: "Information on the Group and its activities", section 1.2.2 "Historical Background"):

- acquisition, on September 15, 2015, of The Mill, a top worldwide studio for creation of visual effects and production of contents for the advertising market;
- acquisition of the Cinram group's North American operations of replication and distribution, completed on November 12, 2015;
- acquisition of the Cisco Connected Devices, completed on November 20, 2015, which reinforced the Connected Home segment and made it possible for the Group to become the 2nd largest worldwide supplier of customer premises equipment.

The Board also reviewed and approved the financing transactions needed for the funding of these acquisitions. In that regard, it authorized the subscription of two new loan tranches under the Term Loan, and two capital increases, one maintaining the preferential subscription rights of existing shareholders, and the other reserved for Cisco Systems, Inc. (see Chapter 1: "Information on the Group and its activities", section 1.2.2 "Historical Background").

In the framework of the review of operations and execution of the Drive 2020 plan, the Board also reviewed and approved the proposed sale of the Digital Delivery operations (Digital Cinema) to the Deluxe group.

With respect to governance, the Board of Directors examined the disputes existing between the Company and Vector Capital, which gave rise to the signing of a settlement agreement prior to the 2015 Annual General Meeting. It reviewed its composition and that of its committees further to the exit of Vector Capital's representatives to the Board.

The Board also ruled on the compensation of the Chairman and of the Chief Executive Officer, and approved the implementation of a Mid-term Management Incentive Plan (MIP June 2017 and MIP October 2017).

In February 2016, it reviewed the independence of each member of the Board of Directors and deliberated on the Company's policy in respect of equal employment and wages.

Lastly, the Board of Directors performed an evaluation of its performance and that of its committees in respect of the 2015 fiscal year. A questionnaire drawn up by the Nomination and Governance Committee was sent to all Directors. The evaluation questionnaire included a series of questions on the following themes: the membership, missions and functioning of the Board of Directors and of the Committees, and the contribution of the Committees to the Board of Directors' activities.

The results of this self-evaluation were examined by the Nominations and Governance Committee, and then reviewed by the Board of Directors on February 18, 2016. The outcome of the evaluation is positive: the quality of the information communicated to the Board and the transparency of the management on the subjects covered find consensus, the debates during Board meetings are found constructive.

The directors expressed the desire to be provided more information between Board meetings (for instance information regarding customers, competition, business performance, technological developments, etc.). Regarding the Board's missions, the outcome is that the Board's key challenges for 2016 are related to the execution of the strategic plan Drive 2020 and to the integration of the acquired businesses, as well as to the determination of the Company's long-term strategy.

4.2.1.4 Composition and activities of the Board Committees

The composition of the Board Committees was reviewed by the Board of Directors on January 8, 2016.

Audit Committee

AMF's report on Audit Committees

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

Composition

The Audit Committee is composed of Mr. Bruce Hack (Chairman), Mrs. Virginie Calmels and Mr. Bertrand Finet.

The Board of Directors considers that this composition meets the requirements of Article L. 823-19 of the French Commercial Code and of the AFEP-MEDEF Corporate Governance Code, all members having expertise in financial or accounting matters.

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

Mission

The Audit Committee's mission and the organization of its activities are defined by applicable law, its charter, and by the Board Internal Regulations.

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

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

The Audit Committee's work also includes assessing the effectiveness of internal control and risk management systems.

Finally, the Audit Committee reviews the work of the Ethics Compliance Committee, which includes "whistle blowing" investigations. The Ethics Compliance Committee reports to the Audit Committee (see section 4.2.2.2: "General Control Environment").

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. For practical reasons having to do with the attendance of Directors on the Audit Committee who reside outside the country, such second meeting may at times take place on the day before the meeting of the Board of Directors (see paragraph 4.2.1.1. "Compliance with the AFEP-MEDEF Corporate Governance Code" above).

Audit Committee's activities

The Audit Committee met six times in 2015, with an average participation rate of 92%.

During 2015, the Audit Committee reviewed the corporate and consolidated financial statements for fiscal year 2014 and the first half of 2015, and quarterly revenues for the first and third quarters of 2015. The Audit Committee looked into accounting issues related to the closing of accounts for fiscal year 2014, the first half of 2015 and fiscal year 2015. In particular, it conducted an in-depth review of impairment tests of goodwill and key 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 organization of Internal Audit, the biannual audit plans and their results, the internal control procedures, and procedures in matters of security for the Group.

In addition, retirement plans and the policy of the Company in matters of insurance were presented to it.

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

The Nominations and Governance Committee

Composition

The Nominations and Governance Committee is composed of Messrs. Didier Lombard (Chairman) and Bruce Hack, Ms. Laura Quatela and Virginie Calmels.

All members of the Committee are considered by the Board of Directors to be independent under the AFEP-MEDEF Corporate Governance Code.

Mr. Rose, Chief Executive Officer, attends the meetings of this Committee.

Mission

The Nominations and Governance Committee submits proposals pertaining to the Company's governance, in particular, in respect of the organization and functioning of the Board of Directors. It also makes proposals to the Board of Directors for the appointment of the Board Members, the Chairman, the Chief Executive Officer and Board Committee Members.

Activities of the Nominations and Governance Committee

The Nominations and Governance Committee met three times in 2015, with a participation rate of 87%.

The Committee formulated recommendations to the Board of Directors with a view to modifying the Board Internal Regulations, in particular in order to reduce (i) the limitations of the powers of the Chief Executive Officer, certain of which powers resulted from the Company's *Sauvegarde* Plan, executed in advance in June 2014, and (ii) the amount of the Directors' minimum investment in Company shares.

It also reviewed the independence of each one of the Board Members, and examined its composition twice, first in February 2015, with a view to the presentation of draft resolutions to the Annual General Shareholders' Meeting of April 9, 2015, and again in October 2015, at the time of appointment of the Cisco Systems, Inc. representative to the Board.

Lastly, the Committee defined the modalities for self-evaluation of the performance of the Board and of the committees during the course of the 2015 fiscal year.

The Remunerations Committee

Composition

The Remunerations Committee is composed of Mr. Bruce Hack (Chairman), Mrs. Laura Quatela and Mr. Nicolas Grelier (employee Director).

All members of the Committee are considered by the Board of Directors to be independent under the AFEP-MEDEF Corporate Governance Code [(1)].

Mission

The Remunerations Committee issues recommendations to the Board of Directors regarding the compensation of the Executive Directors and the amount of Directors' fees to be submitted to the Shareholders' Meeting. The Committee also makes proposals in respect of the awarding of stock options and free shares to the Group's employees, and more generally concerning employee shareholder and shareholder savings programs, and issues recommendations on the consistency of the remuneration of Executive Directors as compared with that of the other managers and employees.

Activities of the Remunerations Committee

The Remunerations Committee met seven times in 2015 with a participation rate of 100%.

The Committee reviewed the Group's variable compensation plan and its application to the Company's policy in matters of equal pay and workplace equality.

It also examined the implementation of a plan for multi-year compensation in line with the objectives of Drive 2020, a plan which will be presented to the April 2016 Annual General Meeting.

Lastly, it examined the compensation of the Chief Executive Officer, involving in particular modification of the modalities for payment of the fixed and variable compensation.

The Strategy Committee

Composition

The Strategy Committee took the place of the Amplify 2015 Committee from February 18, 2015, when the Board of Directors approved the new strategic plan Drive 2020. It is composed of Mrs. Laura Quatela (Chairman), Messrs. Didier Lombard, Frédéric Rose, Bruce Hack and Nicolas Grelier.

Mission

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

Activities of the Strategy Committee

The Strategy Committee met three times in 2015, with an average participation rate of 94%.

The Committee actively participated in the development of the Drive 2020 strategic plan, which was publicly released on February 19, 2015, and in its implementation.

It was presented with a point on HDR technology and the opportunities tied to its development, and examined the planned acquisitions underway.

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

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

The principles and rules adopted by the Board of Directors to determine Corporate Officers' compensation and benefits are discussed in paragraph 4.4.1 below. The principles for the payment of Directors' fees and other compensation to Corporate Officers are discussed in paragraph 4.4.7 below.

Information relating to stock options and free shares granted to Corporate Officers is provided in section 4.4.3 below and in Chapter 6: "Social information and Sustainability", section 6.1.4: "Stock option plans and free share plans" of this Registration Document.

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 Registration Document.

(1) The AFEP-MEDEF Code states that Directors representing employees should not be counted when calculating the percentage of independence of the Board of Directors and its committees.

4.2.2 INTERNAL CONTROL PROCEDURES

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

The major components underlying the preparation of this report are (i) the French *Loi de sécurité financière* (Law regarding Financial Security), (ii) the Ordinance No. 2008-1278 of December 8, 2008, (iii) the AMF guidelines on risk management and internal control and (iv) Article R. 225-105-1 of the French Commercial Code about disclosure of non-financial information related to corporate social responsibility.

In March 2011, the Company voluntarily delisted from the New York Stock Exchange (NYSE). As a consequence, it is no longer subject to the Sarbanes Oxley Act obligations.

Following the delisting, the Group decided to maintain high standards of financial reporting discipline, capitalizing on the work undertaken previously. The process is now being overhauled to enhance the linkage between internal control, risks, and Technicolor's strategic objectives. The program, called 8TIC'S, was launched at the beginning of 2011 with the objective to maintain and expand the internal control scope beyond financial reporting through a risk-based approach. The fifth annual campaign of the program has been successfully performed in the course of 2015, and a new campaign starts as of January 2016.

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 and non-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, finance and social responsibility. 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 three pillars:

- a risk based approach which starts from the Group Risk Management program (see paragraph below "Risk Management") and allows internal control to deploy its methodology on the main Group risks. Every year, 4 to 5 new sub-processes are rolled out under internal control program approach. During workshops, the internal specialists on the subject matters identify and define the main risks inherent to the process, in the specific context of the Group. For example, in 2015, the sub-processes of Sales Strategy, Customer Satisfaction, Internal Audit and 8TIC'S Internal Control were deployed under the internal control program;
- a self-assessment on controls implementation by the most significant entities, totaling the vast majority of the Group scope according to the relevant indicators (Revenue, contribution to EBITDA and other financial and non-financial indicators function of each nature of risk). In 2015, about 250 control owners were designated to perform a self-assessment on 2,445 controls over 53 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 and some internal finance experts properly trained to the testing exercise;

The internal control team ensures a continuous monitoring of the internal control campaign, through key performance indicators such as self-assessment and independent testing completion rates, deficiency rates, severities of reported deficiencies. The internal control team communicates permanently with the internal control communities, ensuring training on the approach and the tools to be used. Quarterly updates on the program are made to the Audit Committee.

The management community is involved in the deficiency remediation and takes an active role in the implementation of corrective actions raised during the internal control campaign. Deficiencies with high and medium severity are monitored and followed-up by Internal Auditors until their full remediation.

4.2.2.2 General control environment

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

The values and principles of conduct for the Group's managers are defined in two of the Group's principal internal documents: the Group's Code of Ethics and the Financial Ethics Charter.

Code of Ethics

Created in 1999 and updated in 2006 and 2012, the Code of Ethics establishes the foundation of the Group's core values and requires all employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Code of Ethics details the specific rules to guide employees in their day-to-day activities. Technicolor has also adopted several additional key policies including a Whistleblower Policy and an Anticorruption Policy. Indeed, Technicolor is committed to uncompromising integrity in all of our actions. A reputation for integrity benefits Technicolor in countless large and small ways – we are a trusted advisor and service provider to our customers, a dependable collaborator for our business partners, a valuable member of our communities, and a reliable long-term investment for our shareholders. Ethical behavior and observance of laws are two main ingredients in building our reputation for uncompromising integrity.

The Group also created an Ethics Compliance Committee in 2006, which is responsible for all ethical issues related to Technicolor's activities and which is governed by the Code of Ethics and the charter for the Ethics Compliance Committee. This includes implementing any new policies if needed, training on existing policies, and investigating any and all reports of unethical behavior. It meets at least three times per year and more frequently when required.

Over the last several years, the Group has deployed many ethics training programs. Several online training sessions were launched to educate employees on various ethical rules and obligations, including bribery, competition and fraud. Some dedicated training sessions were also organized on specific sites or for specific functions. These training sessions involved around 9,915 employees from 2010 through 2015.

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.mytechnicolor.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

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 twelve 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, Communication). The Executive Committee meets every other week 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. The SLT 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 once 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.

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, the HR Director and the Group General Counsel. The Investment Committee reviews 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 Internal Regulations and debt agreement obligations and is a key part of the Group's internal control procedures. It meets on a bi-monthly basis.

In 2014, the Group established the Technicolor Innovation Council. Composed of Excom members, its mission is to review and approve innovation strategies, plans, and initiatives. Such innovation decisions include, without limitation, opex/capex expenditures/financial investments (including equity investments), mergers & acquisitions, restructurings, partnerships related to innovation and strategy execution. The Committee is a governance body and as such is required to ensure that innovation decisions comply with corporate documentation (bylaws, Internal Board Rules), internal control procedures, regulatory obligations, and generally, Group corporate policies. It also ensures that innovation decisions will not have an adverse effect on the Group's contractual commitments and are consistent with the Group's strategy, budget and Business Plan.

Risk Management

The Group started evaluating its risks on a worldwide basis in 2005, with the Enterprise Risk Assessment (ERA) program. The risk management process evolved in 2010 to follow the strategic evolution of the Group. It is now under the Executive Committee responsibility using large support of the Management Committee and is called Technicolor Risk Management (TRM).

The purpose of this four-step-process is to identify, assess, manage and monitor risks that may impact the Group's ability to achieve its near and long-term objectives.

Risk identification and assessment permit to build the Technicolor risk universe and prioritize the most important risks to closely manage.

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

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

4.2.2.3 **Internal Audit**

As defined in the "Internal Audit Charter", Internal Audit performs independent and objective assurance, and consulting roles that are dedicated to adding value and improving Technicolor's performance. It conducts risk assessments at any level within the Group, identifies and proposes improvements in financial and operational processes, and helps the organization define action plans to mitigate risks and reinforce the control environment and governance principles.

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

Since 2013, Internal Audit and Internal Control Central Departments have been regrouped under the responsibility of the Chief Audit Executive to increase coordination and integration. It allows Internal Audit recommendations to be better embedded in the Internal Control framework, and deficiencies reported during the 8TIC'S campaign to be closely followed up by Internal Audit.

The Internal Audit Department consists of around 12 auditors who have past experience in a large range of domains like information systems, engineering, finance or marketing. The team is located in three key sites for the Group: Issy-les-Moulineaux (France), Los Angeles, California (U.S.) and Indianapolis, Indiana (U.S.). The Chief Audit Officer is located in Issy-les-Moulineaux. He reports to the Chief Financial Officer, and functionally to the Audit Committee.

The Internal Audit Department conducts audits in various domains, covering operational and financial processes, at transversal or local levels, financial audits, review of contracts or projects, compliance audits, and follow-up audits. In direct link with the Secretary of the Investment Committee, the Internal Audit Department is regularly performing audits on post-investments. In 2015, 21 audit engagements were performed (both assurance and assistance types) compared to 22 audits in 2014.

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

Budgetary process

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

- in September and October, preparation by each business of a budget for each quarter of the following year, based on market analysis and projections, analyses trends, costs base structure, customers & suppliers base analysis, and capex needs. It includes also key strategic initiatives and their financial impact in the budget (and going forward) and a risks and opportunities analysis;
- in November and December, review and approval by Senior Executive management and corporate finance teams of proposed action plans and budgets prepared at the business level;
- approval of the budget by the Board of Directors; at the latest, at the beginning of the following year;
- split of the budget into monthly periods and by legal entities to serve as a reference for the Group's monthly reporting.

In the context of the budgetary procedure, Key Performance Indicators (KPIs) are presented by each business, and analyzed and monitored on a monthly basis.

Periodic performance review

The Controlling organization reviews the Group financial performance periodically:

- on a monthly basis:
  - the reporting on actual performance is managed by the Controlling organization and a detailed review, performed during the closing period of the financial accounts (analysis of variance vs. budget and last year), is presented to management,
  - the forecasting of the current and next quarter is performed by each business and also presented to management;
- on a quarterly basis:
  - reporting of operational performance through a business review with management (review of major KPIs, risks and opportunities, market trend and competition, customer portfolio analysis, strategic programs and key initiatives) and closing of financial statements,
  - the forecasting of the current and next three quarters is performed at the beginning of each quarter by each business (including main income statement indicators such as revenue and Adjusted EBITDA as well as Free Cash Flow items) and reviewed at Group level.

Accounting, management reporting and closing period work at the Group level

The Group accounting and financial data are consolidated into one Group reporting system.

At the end of each month, the Group's entities report their financial data into this system. The Group reporting system uses a common chart of accounts, which is regularly updated. The main accounting and financial figures of the operational and functional departments consolidated at the Group level are analyzed by the Group's financial controlling team and reviewed by the Group's Executive Committee.

The closing process for the half-year and annual consolidated financial statements occurs in two steps. The first step consists of a "hard close" completed for the May and October closings. This review is initiated by the circulation of instructions prepared by the Group's Accounting Department. Procedures define the controls and actions which must be undertaken at the entity level (entries in accounting books, reconciliations, etc.) and the persons authorized to implement them.

This step leads to a first review by the Statutory Auditors, completed initially at the subsidiary level within a majority of the Group's legal entities, then at the Group level. This "hard close" aims at identifying the most complex issues, which may be reported to the Senior Management Team.

The second step occurs in July and in January/February and involves the finalization of half-year and annual consolidated financial statements under International Financial Reporting Standards ("IFRS").

After each monthly closing, the Group's financial results for the month and the current quarter are presented to the Executive Committee. After each quarterly closing, the quarterly financial results (as well as half-year and annual results) are presented to the Audit Committee. These results are also presented to the Board of Directors.

The Group's accounting principles are defined in a set of documents entitled "Technicolor Accounting Principles and Methods", which are available on the Company's Intranet site and provided to all the Group's Finance Departments. These documents outline the accounting treatment of such items as tangible and intangible assets, provisions, intercompany transactions, revenues and hedges.

In addition, the Group publishes and distributes procedures that accountants and financial controllers must respect in terms of purchasing, management of inventories, sales, payments, cash flow, or taxes.

Preparation of financial information

The Group's financial information is prepared by the Finance Department. It is based on information reported through the Annual Reporting and accounting consolidation processes and on operational and market information, which is specifically centralized for the preparation of the Company's Registration Document. 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 or support shared service IT functions and applications used worldwide by the entire organization (global infrastructure & Risk Management, Corporate Functions).

These individuals are experienced IT professionals with a broad background and are well versed with the businesses and technologies they support. They ensure that the IT tools, services, and applications used by all Technicolor sites and businesses (*e.g.* e-mail, networks, phone systems, cloud platform evolution and operation, collaboration tools, video conferencing, web technologies, business intelligence tools, business and risk management tools and processes and the Technicolor Production Network) are operated and managed in an efficient, cost-effective, safe and secure manner. In addition, the IT organization provides Enterprise Architecture for new technologies, End to End Business Process re-engineering for continued efficiency gains, Vendor Management and Enterprise Project & Portfolio Management used to govern, regulate, and manage the IT organization (regulatory compliance, internal IT standards and best practices, project and project portfolio management processes) ensuring that IT is properly aligned with the corporation's strategic objectives. This function leverages the IT 3-Year Plan to ensure that proposed new technology and applications are planned and executed in a rational, holistic manner that encompasses both technical and business process impacts and encourages use across the corporation.

Security of people and assets, including cybersecurity

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

The prime areas of focus for the TSO are physical, digital and business security. Physical security protects people, assets and transportation, while digital security covers, for example, network access control, desktop security and data loss prevention. Business security encompasses security assessments of our providers, products, services and solutions. In order to better anticipate new threats, TSO revises on a regular basis existing security policies and designs new policies and standards as needed.

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 market differentiator. TSO helps Connected Home to deliver secure devices to their customers, and to define its product security policy.

For the Technology segment, confidentiality is essential to protect Technicolor's patents. In general, our innovations, our sensitive information, our private data can be privileged targets for business intelligence.

For all employees, security-conscious behavior is key. This has been reminded in 2015 by several dedicated communications to all Technicolor employees, including a commitment by the CEO accompanying the newly approved Group Security Policy. This policy has formalized the Group Security Governance with a dedicated Security Steering Committee including each Business Heads, IT and TSO representatives. Such Committee is organized twice a year by TSO.

In 2015, the TSO has again reinforced its security awareness effort by implementing a worldwide communication campaign, and leveraging the use of security training tool to new acquisitions. Two dedicated teams for Security Assessments (TSO), and Operational Security (IT) have been set up, for which 12 new security experts have been hired in key sites of the Group. The Physical Security organization has also been leveraged, with correspondents on all sites of the Group, responsible at local level to support the updated Physical Site Security Policy.

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

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

For the year ended December 31, 2015

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. 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 our capacity as Statutory Auditors of Technicolor and in accordance with Article L. 225-235 of French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your company in accordance with Article L. 225-37 (limited liability company with a Board of Directors) of French Commercial Code (*Code de commerce*) for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 (limited liability company with a Board of Directors) of French Commercial Code (*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 Commercial Code (*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 Commercial Code (*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 Commercial Code (*Code de commerce*).

The Statutory Auditors

Neuilly-sur-Seine, February 25, 2016
Deloitte et Associés
French original signed by
Ariane Bucaille
Partner

Courbevoie, February 25, 2016
Mazars
French original signed by
Guillaume Devaux
Partner
Jean-Louis Simon
Partner

4.4 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS

4.4.1 COMPENSATION POLICY FOR CORPORATE OFFICERS

The compensation policy for Corporate Officers (“*mandataires sociaux*”) is defined by the Board of Directors upon recommendation by the Remunerations Committee. It has been extensively revisited in 2015 by the Board and the Committee further to the completion of the financial recovery of the Company and to the various acquisitions performed by the Company in 2015.

In defining the compensation policy, the Board has established the following principles:

- the Company complies with recommendations of the AFEP-MEDEF Code (see section 4.2.1.1: “Compliance with AFEP-MEDEF Corporate Governance Code”);
- the compensation policy of the Company for corporate officers, which applies across the Group, is based on market benchmarks which are reviewed by the Remunerations Committee. Considering the strong presence of the Group in the U.S. (out of 12 members of the Executive Committee, 7 are U.S. residents and 3 French residents) and the fact that the Group’s key competitors are U.S.-based in all businesses, those benchmarks mostly comprise U.S. companies active in the Technology, Media or Intellectual Property industries;
- the compensation of the CEO is established in accordance with the same general compensation policy and the same principles and benchmarks than those of the other corporate officers, and the compensation plans of which he is a beneficiary are not specific to him. The indicators used to define the quantitative performance criteria applicable to the variable compensation of the Chief Executive Officer are the same as those for all Group employees who benefit from a variable compensation;
- the variable compensation, whether annual or multi-annual, is linked to stringent and transparent quantitative and qualitative performance criteria and is subject to precisely defined caps. A balance must be found between fixed, annual variable and multi-annual variable compensation;
- the stock option and performance share plans should be all subject to performance conditions and a condition of attendance;
- in February 2016, upon recommendation by the Remunerations Committee, the Board has resolved to submit to the April 2016 Annual General Meeting the approval of a long-term multi-annual compensation plan which would accompany the implementation of the new Drive 2020 strategic plan. The Board intends to award annual grants under such plan, pursuant to the AFEP-MEDEF Code;
- the Company’s Corporate Policy on the Purchase and Sale of Company Shares, Insider Trading and Protection of Material Non-public Information provides that Corporate Officers and Executive Directors who hold options to purchase or subscribe for shares and/or free shares (i) may not set up hedges, in accordance with the AFEP-MEDEF Corporate Governance Code and (ii) are subject to blackout periods during which they may not exercise their options.

4.4.2 COMPENSATION AND BENEFITS OF MR. DIDIER LOMBARD, CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Didier Lombard has served as Chairman of the Board of Directors since May 22, 2014. He does not have any employment contract with the Company or any Group company and is not an officer of any other Group company.

Mr. Lombard is Chairman of the Nominations and Governance Committee and a member of the Strategy Committee.

Mr. Lombard’s compensation as Chairman of the Board was determined by the Board of Directors on July 24, 2014, and has not been revised since. Mr. Didier Lombard receives Directors’ fees, the amount of which is defined as follows:

- a fixed amount of €70,000;
- a fixed amount of €5,000 for the Chairmanship of the Nominations and Governance Committee;
- a variable amount depending on attendance at Board and committee meetings, set at €5,000 per Board meeting, and €2,000 per meeting of the Nominations and Governance Committee or of the Strategy Committee.

Mr. Lombard’s compensation for 2015 amounted to €122,000.

Mr. Didier Lombard has the use of a vehicle representing a benefit in kind totaling €11,249 in 2015.

Pursuant to a decision by the Board of Directors on October 24, 2013, Mr. Lombard is bound by a minimum commitment to invest in Technicolor shares. This obligation is for a number of shares equal to investing one year’s average Directors’ fees over a three-year term of office, or around €90,000 as of the date of the Board’s decision. This number of shares is doubled in the event of a renewal of a Directors’ term.

Table summarizing the compensation of Mr. Didier Lombard (table 2 of the Annex of the AFEP-MEDEF Corporate Governance Code)

	FY 2014		2015	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	N/A	N/A	N/A	N/A
Variable	N/A	N/A	N/A	N/A
Directors' fees	120,000 (2)	91,500 (1)	122,000 (2)	120,000 (2)
Benefits in kind (3)	8,085	8,085	11,249	11,249
TOTAL	**128,085**	**99,585**	**133,249**	**131,249**

(1) Directors' fees for 2013, paid in 2014.
(2) Amount of Directors' fees due to Mr. Didier Lombard as Chairman of the Board.
(3) Vehicle leasing.

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

Mr. Frédéric Rose took up his position as Chief Executive Officer of the Company on September 1, 2008.

The Board of Directors, during its meetings of April 22, 2015 and July 22, 2015, took note, upon the recommendation of the Remunerations Committee, of the partial relocation to the United States and to the United Kingdom of the activities of the Chief Executive Officer. This relocation falls within the framework of the deployment of the Group's international operations, and with a view to the strategic acquisitions realized since then in the United States and in the United Kingdom. In this context, Mr. Rose was appointed, in addition to his position as Chief Executive Officer of the Company, to the following positions:

- President of Technicolor Inc., one of the Group's holdings in the United States; and
- Chairman of Technicolor Limited (UK), holding company of the Group in the United Kingdom, effective as of July 1, 2015.

These positions are positions of leadership and supervision of the Group's operations in the United States and in the United Kingdom. They are tied to his appointment as Chief Executive Officer, and shall cease with such appointment.

Mr. Rose's compensation in respect of his different offices includes the following elements, it being specified that the Chief Executive Officer does not receive any compensation in the form of Directors' fees in respect of his offices held in the Group's companies.

Fixed compensation

Mr. Rose's compensation for his position as Chief Executive Officer, initially determined by decision of the Board on March 9, 2009, was revised by the Board of Directors on July 25, 2013, and set at an annual gross amount of €1,000,000. It has not been reviewed since.

The Board of Directors, during its meeting of April 22, 2015, resolved to proceed with a partial conversion of such amount into U.S. dollars and into pounds sterling, because of the relocation of Mr. Rose's activities, on the basis of the average exchange rates over the second half of 2014. Since July 1, 2015, the fixed compensation of Mr. Rose has thus been paid in part in each one of the following currencies, pro rata to the time dedicated to each one of his offices within the Group's companies: euro, U.S. dollar, and pounds sterling.

Fixed annual compensation of Mr. Frédéric Rose (for the full year, effective from July 1, 2015)

	Euro	Pounds sterling	U.S. dollar
Annual fixed compensation	1,000,000	-	-
Distribution key	20%	40%	40%
For his roles in the following:	Technicolor SA	Technicolor Limited (UK)	Technicolor Inc.
Amounts paid in currency:	€200,000	£317,000 (1)	$516,800 (2)

(1) This being €400,000 converted into £ on the basis of the average exchange rate of €/£ over the second half of 2014, which was £0,7925 for €1.
(2) This being €400,000 converted into $ on the basis of the average exchange rate of €/$ over the second half of 2014, which was $1,292 for €1.

Annual variable compensation

The variable compensation of the Chief Executive Officer depends upon the achievement of objectives which are precisely defined and determined according to the results of the Group after the close of the fiscal year. The amount of the variable compensation may represent 100% of the annual gross fixed compensation in the event the objectives are achieved, and is limited to 150% in the event the objectives are exceeded. It is paid in euros, U.S. dollars, and pounds sterling according to the same distribution key as the fixed compensation.

The variable portion of Mr. Rose's compensation, for 2015, depends upon the following performance objectives:

- a consolidated adjusted EBITDA target of €552.5 million, corresponding to 30% of the targeted bonus;
- a consolidated Free Cash Flow target of €230 million, adjusted for exceptional events, corresponding to 50% of the targeted bonus; and
- a qualitative objective corresponding to 20% of the amount of the target variable portion, the fulfillment of which is assessed by the Board, relative to the success of the launching and the implementation of the Drive 2020 strategic plan.

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

Eighty percent of each of the consolidated adjusted EBITDA and consolidated Free Cash Flow targets must be achieved in order to open up the right to a variable component with respect to the objective in question. In the event that 80% to 100% of an adjusted consolidated EBITDA and/or consolidated Free Cash Flow target were to be achieved, the amount of variable compensation for that target would be reduced proportionally.

The Board of Directors, at its meeting on February 18, 2016, reviewed the level of achievement of the above performance objectives for 2015. The consolidated adjusted EBITDA performance objective for 2015 reached 1,427 and that of the consolidated Free Cash Flow for the 2015 fiscal year reached 1.5 (on a scale from 0 to 1.5). The Board also deemed that the qualitative objective was reached, at 1.25, owing in particular to major achievements within the Drive 2020 plan, with in particular the acquisitions of The Mill and Cisco Connected Devices.

This resulted in an overall achievement of Mr. Rose's objectives for 2015 of 142.8%, and the amount of his variable compensation was €1,378,019 (after conversion into euros at the reference exchange rate).

Determination of the annual variable compensation of Mr. Frédéric Rose (2015 fiscal year)

	Weighting of the objectives	Target	Maximum	Achieved	Corresponding amounts in €
EBITDA objective	30%	30% €552.5 million	45%	42.8%	€413,020
Free Cash Flow objective	50%	50% €230 million	75%	75%	€723,750
Qualitative objective: Drive 2020	20%	20%	30%	25%	€241,250
Total Variable *(in % of the Fixed Compensation)*	100%	100%	150%	142,8%	
ANNUAL VARIABLE COMPENSATION IN € *(REPROCESSED DATA)* [(1)]					**€1,378,019**

(1) Amounts paid in euros, U.S. dollars and pounds sterling and converted into euros at the reference rate indicated in the above table pertaining to the fixed compensation.

Mr. Rose receives no Directors' fees in his capacity as a Director of Technicolor and does not benefit from any supplemental retirement scheme.

Pursuant to a decision by the Board of Directors on October 24, 2013, Mr. Rose is bound by a minimum investment requirement in Technicolor shares. This obligation is for a number of shares equal to investing one year's average Directors' fees over a three-year term of office, or around €90,000 as of the date of the Board's decision, which is doubled in the event of a renewal of his term. At the date hereof, Mr. Rose's holding in Technicolor shares is 672,751 shares, which fully satisfies the holding requirement.

Stock options

Mr. Rose did not receive stock options during the course of the 2015 fiscal year.

Management Incentive Plan (MIP 2015)

The Board of Directors approved on May 23, 2013 a Mid-term Management Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders. This plan involved 94 employees of the Company. Mr. Rose was granted 2,786,864 (after adjustment) subscription options under this plan, at an exercise price of €3.19 (after adjustment tied to the capital increase maintaining preferential subscription rights realized in November 2015), without a discount. This award to Mr. Rose represented 17% of total awards as of the date of the Board's decision and 0.68% of the share capital at December 31, 2015. The exercise of the options is subject to a presence condition and to a performance condition tied to the consolidated Free Cash Flow.

- Following the review by the Board of Directors on February 18, 2015 of the level of achievement of the consolidated Free Cash Flow performance condition for the 2014 fiscal year (generation of Free Cash Flow equal to or greater than €100 million), 1,393,432 options (50% of the options awarded – all options for this tranche) became exercisable by Mr. Rose on May 23, 2015 (see tables in section 6.1.4 "Stock option plans and free share plans" in Chapter 6 "Social Information and Sustainability").
- The Board of Directors meeting held on February 18, 2016 found that the consolidated Free Cash Flow performance condition for the 2015 fiscal year was satisfied (generation of Free Cash Flow equal to or greater than €100 million) and that the number of options that may be exercised by Mr. Rose was 696,716 options (25% of the options awarded – all options for this tranche). The options shall be exercisable from May 23, 2016, subject to the presence condition on that date.
- Should the generation of the consolidated Free Cash Flow for the 2016 fiscal year be equal to or greater than €100 million, the balance of the options awarded to Mr. Rose, being 696,716 options, would become exercisable on May 23, 2017.

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

Stock options granted to Mr. Frédéric Rose during fiscal year 2015 (table 4 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Options granted during the fiscal year	Number of options granted
	None

Stock Options exercised by Mr. Frédéric Rose during fiscal year 2015 (table No. 5 of the Annex of the AFEP-MEDEF Corporate Governance Code)

No. and date of the plan	Number of options exercised during the fiscal year	Exercise price
Plan of May 23, 2013	1,393,432	€3.19

Performance shares

Mr. Rose did not receive free shares or performance shares during the course of the 2015 fiscal year.

Long-Term Management Incentive Plan - LTIP 2011

Mr. Rose was the beneficiary of a Long-Term Management Incentive Plan (LTIP) approved by the Board of Directors on June 8, 2011. The plan, which benefited to 70 Group employees, consisted of awarding performance units (the "Performance Units") which were one-third composed of a cash bonus and two-thirds of free ("performance") shares.

After review by the Board of Directors of the level of achievement of the performance conditions in March of 2012, 2013 and 2014, 182,186 free shares vested to the benefit of Mr. Rose. These shares were delivered in June 2015.

Pursuant to Article L. 225-197 II, paragraph 1 of the French Commercial Code, Mr. Rose must keep, in registered form, a number of shares corresponding to 20% of the gain on acquisition, net of income and payroll taxes, resulting from the acquisition and sale of the shares, until his term of office ends.

Free shares granted to Mr. Frédéric Rose during fiscal year 2015 (table No. 6 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Free shares awarded in 2015	Number of free shares awarded
	None

Free shares granted to Mr. Frédéric Rose that became available (table No. 7 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Free shares that became available in 2015	Number of free shares awarded
LTIP 2011	182,186

Other compensation items

Mr. Rose receives a benefit in kind in the form of a car service in the amount of €2,130 for 2015.

Employer contributions paid by the Group's companies in respect of Mr. Frédéric Rose's compensation amounted to €371,953 in 2015.

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

	FY 2014		2015	
(in euros) [(1)]	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	1,000,000	1,000,000	1,000,000	1,000,000
Annual variable	1,118,400 [(2)]	1,293,750 [(3)]	1,378,019 [(4)]	1,118,400 [(2)]
Multi-year variable (LTIP)	-	253,985 [(6)]	-	-
Directors' fees [(5)]	N/A	N/A	N/A	N/A
Benefits in kind	4,260	4,260	2,130	2,130
TOTAL	**2,122,660**	**2,551,995**	**2,380,149**	**2,120,530**

(1) For greater clarity, the amounts reported are expressed in euros, even though Mr. Rose's compensation is paid in part in U.S. dollars and in pounds sterling. The amounts paid in U.S. dollars and pounds sterling have been converted into euros, at the exchange rates utilized by the Board of Directors upon implementation of the splitting, which was £0,7925 for €1 and USD1,292 for €1.
(2) Variable compensation for 2014, paid in 2015.
(3) Variable compensation for 2013, paid in 2014.
(4) Variable compensation for 2015, paid in 2016.
(5) Mr. Rose is not entitled to receive Directors' fees.
(6) Cash premium (LTIP) for 2013, paid in 2014.

Table summarizing the compensation of Mr. Frédéric Rose
(Annex 2 of the AFG – Association Française de Gestion - Recommendations on corporate governance)

	2013 Amounts due	FY 2014 Amounts due	FY 2015 Amounts due
Fixed	1,000,000	1,000,000	1,000,000
Variable	1,293,750	1,118,400	1,378,019
Directors' fees	N/A	N/A	N/A
Benefits in kind	4,260	4,260	2,130
Multi-year variable (LTIP)	253,985	-	-
TOTAL	**2,551,995**	**2,122,660**	**2,380,149**
Stock options: number of options	**2,786,864** (1)	**N/A**	**N/A**
Exercise price	€3.19	N/A	N/A
Exercise period	May 23, 2015 - May 23, 2021	N/A	N/A
Value at the grant date of the stock options *(in euros)*	2,958,870 (2)	N/A	N/A
Free shares (LTIP): number of performance shares	**101,594**	**N/A**	**N/A**
Value at the grant date of the Performance Units *(in euros)*	304,005 (2)	N/A	N/A

(1) Number of stock options granted to Mr. Rose under the MIP 2015 Plan approved by the Board of Directors on May 23, 2013.
(2) According to IFRS 2, this valuation is re-estimated at the end of each fiscal year depending on the level of achievement of the performance conditions of the plan.

Pension plan

Mr. Frédéric Rose does not benefit from any pension plan in respect of his duties in the Group.

Indemnities payable in the case of removal from position

In the event of his dismissal from the position of Chief Executive Officer, except in cases of serious or gross misconduct, Mr. Rose shall receive an indemnity of a maximum gross amount equal to fifteen months of his fixed and variable compensation, according to the following principles:

- the compensation shall be determined on the basis of a fixed compensation of €800,000 and a variable compensation of €800,000 corresponding to his target fixed and variable compensation prior to the increase of July 2013;
- the compensation elements other than the annual fixed and variable compensation, and in particular, the incentive plans and the multi-year variable compensation plans, will not be taken into account in the determination of the indemnity;
- the indemnity will be determined and paid in euros, according to the principles determined by the Board of Directors on July 23, 2008 and March 9, 2009, without taking into account the splitting into currencies in effect since July 1, 2015.

In implementation of the provisions of Article L. 225-42-1 of the French Commercial Code, the payment of the indemnity shall be conditional upon compliance with the performance conditions based on the adjusted EBITDA and the generation of consolidated Free Cash Flow of the Group, determined annually by the Board of Directors over a three-year period. The targets are the same as those used for the annual variable portion of Mr. Rose's compensation.

Half of the indemnity payment is subject to the achievement of a consolidated EBITDA target and the remaining half is subject to achievement of a Free Cash Flow target. If at least 80% of either the EBITDA or Free Cash Flow performance target is not achieved, no indemnity will be due. Should the percentage of achievement of either target fall between 80% and 100%, the indemnity would be correspondingly reduced. The achievement of operational consolidated EBITDA and Free Cash Flow targets is measured, on the basis of a constant scope of consolidation, by comparison to the average EBITDA and Free Cash Flow targets determined for the three fiscal years prior to the dismissal date.

Furthermore, in the event of termination from his duties, Mr. Rose shall be bound by a non-compete clause enforceable for a period of nine months, applicable in Europe, Asia and the United States, in exchange for which he will receive a monthly indemnity calculated on the basis of his fixed and variable compensation, determined according to the principles applied to the determination of the severance pay.

4.4.4 OVERVIEW OF COMPENSATION, BENEFITS, OPTIONS AND PERFORMANCE SHARES AWARDED TO CORPORATE OFFICERS

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

	Employment Contract		Supplemental retirement plan		Indemnities or benefits due or likely to be due in case of removal from position		Indemnities pertaining to a non-compete clause	
Executive Directors	Yes	No	Yes	No	Yes	No	Yes	No
Didier Lombard		X		X		X		X
Frédéric Rose		X		X	X		X	

Table summarizing the compensation, options and shares awarded to each Executive Director (table 1 of the Annex of the AFEP-MEDEF Corporate Governance Code)

	Didier Lombard		Frédéric Rose	
	Amounts due *(in euros)*		Amounts due *(in euros)*	
	Fiscal year 2014	Fiscal year 2015	Fiscal year 2014	Fiscal year 2015
Compensation owed for the fiscal year (detailed in the tables provided in paragraphs 4.4.2 and 4.4.3)	128,085	130,085	2,122,660	2,380,149
Value of options granted during the fiscal year	N/A	N/A	N/A	N/A
Value of performance shares granted during the fiscal year	N/A	N/A	N/A	N/A
TOTAL	**128,085**	**130,085**	**2,122,660**	**2,380,149**

4.4.5 ELEMENTS OF COMPENSATION OF MR. DIDIER LOMBARD, CHAIRMAN OF THE BOARD, SUBMITTED FOR THE SHAREHOLDERS' ADVISORY VOTE

In accordance with Article 24.3 of the AFEP-MEDEF Corporate Governance Code of June 2013, revised in November 2015, the Company will submit to the shareholders' advisory vote the following compensation items due or attributable to Mr. Didier Lombard for the last fiscal year.

Compensation items due or attributable for fiscal year 2015 to Mr. Didier Lombard, Chairman of the Board of Directors, subject to the shareholders' advisory vote.

Compensation items due or attributable to Mr. Didier Lombard for fiscal year 2015

	Gross amounts	Comments
Directors' fees	€122,000	Mr. Lombard's compensation as Chairman of the Board was determined by the Board of Directors on July 24, 2014, and has not been modified since. Mr. Didier Lombard receives Directors' fees, the amount of which is defined as follows: ■ a fixed amount of €70,000 as Chairman of the Board; ■ a fixed amount of €5,000 as Chairman of the Nominations and Governance Committee; ■ a variable amount depending on attendance at Board and Committees of which he is a member, set at €5,000 per Board meeting, and €2,000 per Committee meeting.
Benefits in kind	€11,249	Mr. Lombard receives a benefit in kind in the form of a company vehicle.

Mr. Didier Lombard did not receive, nor does he benefit from, the following compensation elements for fiscal year 2015: fixed or variable compensation, deferred or multi-year variable compensation, stock option or share purchase options, performance shares, supplemental retirement plan, severance pay or non-compete indemnity.

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

In accordance with Article 24.3 of the AFEP-MEDEF Corporate Governance Code of June 2013, revised in November 2015, the Company will submit to the shareholders' advisory vote the following compensation items due or attributable to Mr. Frédéric Rose for the last fiscal year.

Compensation items due or attributable for fiscal year 2015 to Mr. Frédéric Rose, Chief Executive Officer, subject to shareholders' advisory vote

Compensation items due or attributable to Mr. Frédéric Rose for fiscal year 2015

	Gross amounts	Comments
Fixed compensation	€1,000,000	Mr. Rose's compensation was reviewed by the Board of Directors at its meeting of July 25, 2013. Its amount has not been modified since then. The Board of Directors, at its meetings of April 22, 2015 and July 22, 2015, took note, upon recommendation by the Remunerations Committee, of the partial relocation to the United States and to the United Kingdom of the activities of the CEO. This relocation falls within the framework of the deployment of the international operations of the Group, and with a view to the strategic acquisitions realized since then. In this context, Mr. Rose was appointed, in addition to his position as CEO of the Company, to the following positions: President of Technicolor Inc., one of the Group's holding companies in the United States, and Chairman of Technicolor Limited (UK), the lead holding company of the Group in the United Kingdom, effective as of July 1, 2015. Consequently, the Board of Directors, during its meeting of April 22, 2015, approved the partial payment of Mr. Rose's fixed compensation for such positions in U.S. dollars and pounds sterling. Since July 1, 2015, the fixed compensation of Mr. Rose has thus been paid in euros, pounds sterling and U.S. dollars, according to the following distribution key on an annual basis: €200,000, £317,000 and $516,800. The sum of these amounts corresponds to €1,000,000 on the basis of the average exchange rates of euro/U.S. dollar and euro/pounds sterling over the second half of 2014. The positions of Mr. Rose in the U.S. and UK companies are positions of leadership and supervision of the Group's operations in the United States and in the United Kingdom. They are tied to his term of office as CEO, and shall cease with such term
Variable compensation	€1,378,019	The amount of variable compensation can be 100% of the fixed compensation in the event annual targets are achieved, and is limited to 150% in the event the targets are exceeded. It is paid in euros, U.S. dollars, and pounds sterling according to the same distribution key as the fixed compensation. It depended on the achievement of the following performance objectives for 2015: ▪ a consolidated adjusted EBITDA target of €552.5 million, corresponding to 30% of the targeted bonus; ▪ a consolidated Free Cash Flow objective of €230 million, adjusted for exceptional events, corresponding to 50% of the amount of the target bonus; and ▪ a qualitative objective corresponding to 20% of the amount of the target bonus, the fulfillment of which is assessed by the Board of Directors, relative to the success of the launching and the implementation of the Drive 2020 strategic plan. The quantitative objectives are also the objectives set for the determination of variable compensation of all Group employees who receive this type of compensation. They are linked to the performance indicators chosen by the Group in its financial communication. The Board of Directors, at its meeting on February 18, 2016, reviewed the level of achievement of the above performance objectives for 2015. The consolidated adjusted EBITDA performance objective for 2015 reached 1,427 and that of the consolidated Free Cash Flow for 2015 reached 1.5 (on a scale from 0 to 1.5). The Board also deemed that the qualitative objective was reached, at 1.25, owing in particular to major achievements within the Drive 2020 plan, with in particular the acquisitions of The Mill and Cisco Connected Devices. The overall percentage of achievement of Mr. Rose's objectives for 2015 is thus 142.8%.
Benefits in kind	€2,130	Mr. Rose receives a benefit in kind in the form of a car service.

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

Severance indemnity	No payment	In the event of his dismissal from the position of CEO, except in cases of serious or gross misconduct, Mr. Rose shall receive an indemnity of a maximum gross amount equal to fifteen months of his fixed and variable compensation, according to the following principles: ▪ the compensation shall be determined on the basis of a fixed compensation of €800,000 and a variable compensation of €800,000, corresponding to his target fixed and variable compensation prior to the increase of July 2013; ▪ the compensation elements other than the annual fixed and variable compensation, and in particular, the incentive plans and the multi-year variable compensation plans, will not be taken into account in the determination of the indemnity; ▪ the indemnity will be determined and paid in euros, according to principles determined by the Board of Directors on July 23, 2008 and March 9, 2009, without taking into account the splitting into currencies in effect since July 1, 2015. Half of the indemnity payment is subject to the achievement of a consolidated adjusted EBITDA target and the remaining half is subject to achievement of a Free Cash Flow target. These are determined each year by the Board of Directors for a three-year period. The targets are the same as those used for the annual variable portion. Details of the elements pertaining to such indemnity appear in section 4.4.3 of this Registration Document. This commitment was authorized by the Board of Directors of March 9, 2009 and approved by the Annual General Meeting on June 16, 2009, in its Ninth Resolution.
Non-competition indemnity	No payment	In the event of termination from his duties, Mr. Rose will be required, for a period of 9 months following termination, not to work, in whatever manner it may be, for the benefit of any entity carrying on operations which are in competition with Technicolor in Europe and/or in the United States, and/or in Asia, in exchange for a monthly indemnity calculated on the basis of his fixed and variable compensation, determined according to the principles applied to the determination of the severance pay. Details of the elements pertaining to such indemnity appear in section 4.4.3 of this Registration Document. This commitment was authorized by the Board of Directors of July 23, 2008 and modified on March 9, 2009, and was approved by the Ordinary Shareholders' Meeting on June 16, 2009 in its Eighth Resolution.

Mr. Frédéric Rose did not receive, nor does he benefit from the following compensation elements for fiscal year 2015: deferred variable compensation, extraordinary compensation, stock options or share purchase options, performance shares, Directors' fees and supplemental retirement plan.

4.4.7 DIRECTORS' FEES AND OTHER COMPENSATION

Directors' fees

In accordance with Article L. 225-37 of the French Commercial Code, the principles and rules defined by the Board of Directors to determine Director's fees granted to Corporate Officers are set out below.

The Remunerations Committee recommends to the Board of Directors the total amount of Directors fees to be submitted for shareholders' approval at the General Shareholders' Meeting, and their allocation among the Directors. The maximum annual amount of Directors' fees that can be paid to the Directors was set at €650,000 by the Annual General Meeting held on May 23, 2013.

The allocation of Directors' fees owed for 2015 is as follows:

- a fixed fee of €35,000 for each Director;
- a fixed fee of €10,000 for each Committee Chairman;
- a fee of €3,000 for each meeting of the Board of Directors;
- an additional Director's fee of €2,000 for each meeting of the Board of Directors that require overseas or U.S. Coast to Coast travels;
- a fee of €2,500 for each meeting of the Audit Committee;
- a fee of €2,000 for each meeting of the Remunerations Committee and of the Nominations and Governance Committee, the Technology Committee and the Drive 2020 Committee;
- no payment of fees for teleconference meetings or meetings lasting under two hours;
- a fixed fee of €50,000 for the employee Director, paid directly to the trade union that nominated him.

Those rules were slightly amended for 2015 in order to increase the variable portion of the Director's compensation, pursuant to the

recommendation of Article 21.1 of the AFEP-MEDEF Corporate Governance Code.

The Directors did not receive any other compensation besides Directors' fees in respect of fiscal year 2015. Except for Mr. Frédéric Rose, the Directors of the Company do not hold office at any of the other Group companies.

Directors' fees and other compensation paid to Corporate Officers in 2014 and 2015 (table No. 3 of the Annex of the AFEP-MEDEF Code)

Name	Gross amounts paid in 2014		Gross amounts paid in 2015	
(in euros)	Directors' fees [(1)]	Extraordinary compensation	Directors' fees [(2)]	Extraordinary compensation
Virginie Calmels	N/A	-	44,500	-
Lloyd Carney	68,000	-	67,500	-
Loïc Desmouceaux [(3)]	60,500	-	31,500	-
David Fishman	77,000	-	72,000	-
Catherine Guillouard	36,000 [(4)]	-	N/A	-
Bruce Hack	97,000	-	93,000	-
Hugues Lepic	56,500	-	64,000	-
Didier Lombard	80,500	-	120,000	-
Laura Quatela	37,000	-	76,000	-
Alexander Slusky	84,500	-	61,500	-
Nicolas Grelier	N/A	-	25,000	-
TOTAL	**597,000**		**655,000**	**-**

(1) Directors' fees for 2013 paid in 2014.
(2) Directors' fees for 2014 paid in 2015.
(3) Mr. Loïc Desmouceaux performed the duties of a non-voting Director on the Board of Directors between December 19, 2012 and May 22, 2014.
(4) Amount of Directors' fees until August 1, 2014, the date on which the resignation of Mrs. Catherine Guillouard became effective.

Directors' fees paid in 2016 (Directors' fees for 2015)

Name	Gross amounts paid	
(in euros)	Directors' fees	Extraordinary compensation
Virginie Calmels	60,500	
Lloyd Carney	-	-
David Fishman	-	-
Nicolas Grelier	50,000	
Bruce Hack	110,500	-
Hugues Lepic	57,000	
Didier Lombard	122,000	-
Laura Quatela	91,000	
Alexander Slusky	-	-
TOTAL	**491,000**	**-**

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

4.5 EXECUTIVE COMMITEE

4.5.1 MEMBERS OF THE EXECUTIVE COMMITTEE

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

Name of Executive Committee Member	Age	Responsibility	Appointed
Frédéric Rose	53	Chief Executive Officer	2008
Fabienne Brunet	60	Human Resources & Corporate Social Responsibility	2014
Sandra Carvalho	47	Chief Marketing Officer	2013
Esther Gaide	54	Chief Financial Officer	2015
Cristina Gomila	42	Research & Innovation, Chief Technology Officer	2016
Simon Hibbins	52	International Operations, Home Entertainment Services	2016
Quentin Lilly	54	Home Entertainment Services	2014
Luis Martinez-Amago	54	Connected Home North America	2016
Vince Pizzica	52	Corporate Development & Strategy	2008
Michel Rahier	63	Deputy CEO - Connected Home - Operations Services & Transformation	2011
Tim Sarnoff	56	Deputy CEO - Production Services	2014
Nathan Wappet	48	Chief Operations Officer, Production Services	2016

Biographies of Executive Committee Members

Mr. Frédéric 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.

Mrs. Fabienne Brunet is Head of Human Resources & Corporate Social Responsibility and a member of the Executive Committee since June 2014. She joined Technicolor in 2009 as Senior Vice-President Corporate Human Resources. Prior to joining Technicolor, Mrs. Brunet was Vice-President Human Resources of Alcatel-Lucent's Services Group. She began her career at Thomson-CSF before joining Alcatel-Alstom where she held the positions of General Secretary at Occidentale Medias and Human Resources Director at Express Group, and subsequently of Vice-President Group Internal Communications. Mrs Fabienne Brunet holds a Master of Law degree and a Master of Science in Human Resources degree from Paris University.

Mrs. Sandra Carvalho is Chief Marketing Officer since she joined Technicolor in September 2013. With over twenty years' experience, she brings end-to-end marketing management expertise working in senior positions for marquee brands like IBM, Bloomberg and Nokia in the areas of strategic planning, program development, marketing communications and brand strategy. She has built a highly successful track record in leading change, converting technology into innovative marketing opportunities and building high performance teams. Originally from Portugal and fluent in four languages, Ms. Sandra Carvalho holds a degree in International Business from Fordham's Marymount College.

Mrs. Esther Gaide is Chief Financial Officer and a member of the Executive Committee since February 2015. She joined Technicolor in September 2011 before she became Deputy CFO in September 2012, after 5 years in The Havas Group as Deputy CFO and Group Human Resources Director and 12 years in the Bolloré Group where she held various positions, first as Director of Internal Audit, CFO of Bolloré Logistics Division, CFO of Bolloré Africa Logistics Division and finally as Group controller. She began her career with PricewaterhouseCoopers in both Paris and London and Deloitte in both Paris and Los Angeles. Mrs Gaide is a graduate of ESSEC, a French business school, and is a French CPA.

Mrs. Cristina Gomila is Head of Research & Innovation since 2014, and Chief Technology Officer and member of the Executive Committee since 2016. She joined Technicolor in 2002 and has spent most of her career in the USA moving into different positions for strategy and management of R&D engineering teams with focus on Consumer Electronics and Media & Entertainment markets. Mrs Gomila holds an MS degree in Telecom Engineering from the UPC (Spain) and a PhD degree from Mines ParisTech (France). She has authored more than 60 granted patents and a large number of standard contributions and publications.

Mr. Simon Hibbins joined Technicolor in 2000 and since then has held various positions across Australia and Asia Pacific of increasing responsibility and in 2012 was appointed Senior Vice-President of Technicolor Home Entertainment Services (HES) International Operations. Prior to joining Technicolor Mr Hibbins worked in various roles in the publishing and printing industry for News Corporation and for Price Waterhouse in Corporate Finance. He holds a Bachelor of Commerce degree from the University of Melbourne in Australia, and in 2008 completed the Advanced Management Program at INSEAD.

Mr. Quentin Lilly is Head of the Home Entertainment Services Division and a member of the Executive Committee since June 2014. He has been President of Technicolor Home Entertainment Services (HES) since 1999. Prior to this appointment, he held a number of positions of increasing responsibility within HES including Senior Vice-President of Corporate Development as well as Chief Operating Officer. Before joining Technicolor in 1994, Mr. Lilly spent approximately 10 years in the corporate finance sector as a member of the Investment Banking/Capital Markets Groups at Smith Barney and Crowell, Weedon & Co. Mr. Quentin Lilly holds a Bachelor of Science degree in Business Administration, with a concentration in Finance, from California Polytechnic University.

Mr. Luis Martinez-Amago is President of Connected Home North America since joining Technicolor in October 2015 and a member of the Executive Committee since January 2016. Coming to Technicolor from Alcatel-Lucent, Mr Martinez-Amago has carried out multiple roles and responsibilities during his 27 years with Alcatel. Most recently he was the CEO of Alcatel-Lucent Shanghai Bell in China. Prior to this, he spent several years as President of the Europe, CIS, Middle East and Africa region. Prior to that, he held the responsibility of several worldwide business divisions as its President, from Fixed Broadband Networks Division, to Applications Business Division, to Wireless Transmission Division. Before this he was COO of the Integration and Services Division of the Company. Mr Martinez-Amago holds a Technical degree in Telecommunications Engineering from the University La Salle, Barcelona; as well as PDD in General Management from IESE Business School.

Mr. Vincent Pizzica is Head of the Corporate Development and Strategy Office since May 2014. In addition, he assumes responsibility for managing the Corporate Ventures investments and for Mergers & Acquisition. He is the founder of M-Go, and previously led the Digital Delivery Business Group. He joined Technicolor as Head of the Strategy, Technology and Research corporate teams. Prior to joining Technicolor and over a 29-year career in the telecoms industry, Mr. Vince Pizzica spent 17 years at Telstra at various operation and technology positions. In 2008, he was 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. Mr. Vince Pizzica holds a Bachelor of Engineering degree from the Institute of Engineers in Australia, and a Master of Telecoms & Info Systems from the University of Essex, UK.

Mr. Michel Rahier is Head of Connected Home since October 2011 and Deputy CEO since February 2015. He is also in charge of Global Operations for the Group including IT, Sourcing and Real Estate. He joined the Technicolor Executive Committee in April 2011 following his appointment as Executive Vice-President, Operations Services & Transformation. Mr. 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 in 2005, then at Alcatel-Lucent, and President of the Carrier Business Group in 2007. Mr. Michel Rahier holds a Master and a Ph.D. in electrical engineering from the University of Louvain as well as an MBA from Boston University.

Mr. Tim Sarnoff is Head of the Production Services Division. As a Deputy CEO since February 2015, he also manages the marketing function and the development of closeness with Technicolor's key entertainment customers. Mr Sarnoff joined Technicolor in 2009 as President of Technicolor Digital Production. Prior to joining Technicolor, Mr Sarnoff was President of Sony Pictures ImageWorks for 12 years, and previously created Warner Digital Studios as a division of Warner Bros., and shepherded the start-up and growth of Warner Bros. Animation. Mr Sarnoff holds Bachelor's Degrees in Psychology and in Journalism from Stanford University.

Mr. Nathan Wappet joined Technicolor in 2013 in the newly created role of Chief Operating Officer (COO) for its Creative Services Division and became COO of the Production Services Division in 2014. Mr Wappet has some 25 years' experience in the IT&T industries with multinational companies such as Alcatel-Lucent and HP, as well Australia's largest carrier, Telstra. He has significant operational experience, particularly in implementing large-scale integrations as well as bringing value to an organization through a Services-based model. Mr Wappet holds an Honors degree in Electrical & Communications Engineering from Swinburne University of Technology in Australia and an Executive Masters in Business Administration (EMBA) from the Australian Graduate School of Management (AGSM).

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 Registration Document.

4.5.2 EXECUTIVE COMMITTEE COMPENSATION

Executive Committee compensation

In 2015, the total compensation paid by the Company and/or companies of the Group to Members of the Executive Committee (including that paid to the CEO) amounted to €10.4 million for a total of 9 members (excluding charges and including variable components – short-term plans – of €4.6 million, calculated on the basis of the 2014 Group financial results).

In 2014, 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 €11.5 million (excluding charges and including a variable component of €6.8 million - short and long term plans - calculated on the basis of the 2013 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 €0.24 million in 2015.

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

None.

5 TECHNICOLOR AND ITS SHAREHOLDERS

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5.1 SHARE CAPITAL

Share capital as of December 31, 2015

During the course of 2015, the Company proceeded with the following share capital increases:

Transaction date	Number of shares issued	Beneficiary	Preferential subscription rights	New share capital *(in euros)*
June 8, 2015	738,205	Beneficiaries of the 2011 LTIP *(delivery of free shares)*	-	336,645,875
October 6, 2015 [1]	1,989,525	Beneficiaries of the 2015 MIP *(exercise of stock options)*	-	338,635,400
November 17, 2015	48,376,485	Public [2] *(capital increase with preferential subscription rights)*	Yes	387,011,885
November 20, 2015	21,418,140	Cisco Systems, Inc.	-	408,430,025
From November 18, 2015 to December 31, 2015	3,013,265	Beneficiaries of the 2010-SP1 MIP and of the 2015 MIP *(exercise of stock options)*	-	411,443,290

(1) Options exercised between June 8 and October 6, 2015, confirmed by decision of the Chief Executive Officer on October 6, 2015.
(2) Holders (on October 21, 2015) and transferees (during the subscription period, from October 22, 2015 to November 4, 2015) of shares with preferential subscription rights.

As of December 31, 2015, the Company's share capital was divided in 411,443,290 shares with a nominal value of €1, fully paid-up (ISIN FR0010918292) and all of the same class (see section 5.1.6 "Changes to share capital" of this Chapter).

5.1.1 HOLDING OF SHARE CAPITAL AND VOTING RIGHTS

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

Shareholders	December 31, 2015			December 31, 2014			December 31, 2013		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Public [1] [2]	356,719,358	86.70%	86.78%	264,228,530	78.65%	78.75%	237,916,218	70.87%	70.98%
Bpifrance Participations + Caisse des Dépôts et Consignations	32,934,473	8.00%	8.01%	27,846,252	8.29%	8.30%	27,846,252	8.29%	8.30%
Cisco Systems, Inc.	21,418,140	5.21%	5.21%	-	-	-	-	-	-
Vector TCH (Lux) 1, S.à r.l.	-	-	-	43,461,319	12.94%	12.95%	69,461,319	20.70%	20.72%
Treasury shares [3]	371,319	0.09%	-	371,569	0.11%	-	485,603	0.14%	-
TOTAL	**411,443,290**	**100%**	**100%**	**335,907,670**	**100%**	**100%**	**335,709,392**	**100%**	**100%**

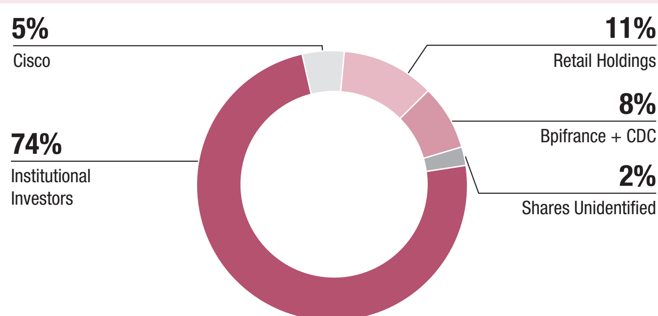
(1) Estimate obtained by subtraction.
(2) Including equity held by major shareholding funds.
(3) Direct registered shares, excluding shares allocated to the Share Management Agreement.

Share ownership thresholds' crossings notified to the Company in 2015

In accordance with Article L. 233-13 of the French Commercial Code, and to the Company's knowledge, the following legal share ownership thresholds' crossings were notified to the Company and/or the *Autorité des marchés financiers* (AMF) in 2015:

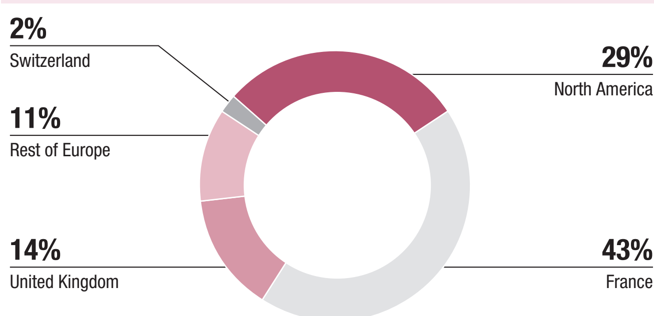
Shareholders	Date on which threshold crossed	Threshold crossed upwards or downwards	Threshold crossed	Percentage of share capital held	Number of shares held
Vector TCH (Lux) 1, S.à r.l.	March 24, 2015	Downwards	10%	8.95%	30,070,965
Vector TCH (Lux) 1, S.à r.l.	November 17, 2015	Downwards	5%	4.37%	16,902,267
Cisco Systems, Inc.	November 20, 2015	Upwards	5%	5.24%	21,418,140

Total shareholding composition



Treasury Shares < 1%

Institutional holders by geography



Rest of the World < 1%

Shareholders holding more than 5% of the Company's capital

On November 20, 2015, Cisco Systems, Inc. ("Cisco") received 21,418,140 newly issued shares in consideration for the acquisition by the Company of Cisco Connected Devices (see section "Strategic Acquisitions" of paragraph 1.2.2 of this Registration Document). 16,795,834 shares are subject to a lock-up of 18 months and 4,622,306 shares are subject to a lock-up of 12 months. Consequently, since this date, Cisco holds 5.21% of the share capital and of the voting rights of the Company.

On November 24, 2015, *Caisse des Dépôts et Consignations* disclosed that it held, jointly with Bpifrance Participations SA, 8.00% of the share capital and 8.01% of the voting rights of the Company. They have not disclosed any crossing of statutory threshold since then.

To the Company's knowledge, excluding Cisco and *Caisse des Dépôts et Consignations*, there is no shareholder that holds more than 5% of the share capital or voting rights as of March 24, 2016.

Other information regarding the Company's shareholders

To the Company's knowledge, no member of the administrative or executives bodies currently holds more than 1% of the share capital or of the voting rights of the Company other than Cisco Systems, Inc., a legal entity related to Mr. Romanski, Director of the Company, of Bpifrance Participations SA, Director of the Company, and of Mr. Lepic (for more information concerning the Board of Directors' equity interest, please refer to paragraph 4.1.3.4 "Directors' shareholdings in the Company's registered capital" of Chapter 4, "Corporate governance and internal controls" of this Registration Document).

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

The following paragraphs specify the information to be provided pursuant to Article L. 225-211 of the French Commercial Code and describe, pursuant to the provisions of Article 241-2 of the General Regulation of the *Autorité des marchés financiers*, the share purchase program submitted for the approval of the Annual General Shareholders' Meeting to be held on April 29, 2016.

Share purchase program approved in 2015

A share purchase program was, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, approved by the Combined Shareholders' Meeting of April 9, 2015, superseding the authorization granted by the Combined Shareholders' Meeting of May 22, 2014. The description of this program was published in the 2014 Registration Document of the Company.

Share purchase program submitted for approval in 2016

A new share purchase program will be submitted for approval at the Combined Shareholders' Meeting convened on April 29, 2016.

In accordance with the provisions of Regulation (EC) No. 2273/2003 of December 22, 2003 and of the provisions of Title IV of Book II of the General Regulation of the AMF, the aims of this program would be:

- the allotment or transfer of shares to employees or executive officers of the Company and / or of current or future related companies (in accordance with applicable laws and regulations), notably for the purpose of the Company's stock options plans or any similar plan in accordance with provisions of Articles L. 225-177 et seq. of the French Commercial Code, of free allotment of shares as per Articles L. 225-197-1 et seq. of the French Commercial Code, or for the purpose of the implementation of any employee savings plan in accordance with applicable laws, notably Articles L. 3332-1 et seq. of the French Labor Code;
- the delivery of shares when exercising rights attached to securities giving access to the Company's share capital by redemption, conversion, exchange, presentation of a warrant or by any other means;
- the cancellation by way of share capital decrease of all or part of these purchased shares;
- the delivery of shares (for exchange, payment or otherwise) in connection with acquisitions;
- their provision in the frame of a share management agreement entered into with an investment services provider in order notably to maintain a liquid market; or
- the implementation of any market practice which would be allowed by the *Autorité des marchés financiers*.

This program would also allow the Company to trade in its shares for any other purpose that may be authorized by law or regulation. In such case, the Company would inform its shareholders through a press release.

The number of shares that may be purchased would be subject to the following limits:

- the number of shares that the Company purchases during the term of the purchase program should at no time exceed 10% of the Company's share capital as of February 29, 2016, said percentage applying to capital adjusted for transactions after the date of this General Shareholders' Meeting, it being specified that (i) the number of shares acquired in view of their retention and their future delivery in the frame of an external growth operation could not exceed 5% of the Company's share capital; and (ii) when the shares are purchased in order to increase the liquidity of the share under the conditions defined by the General Regulation of the *Autorité des marchés financiers*, the number of shares taken into account to calculate the 10% limit specified above would correspond to the number of purchased shares net of the number of shares resold during the validity period of this authorization; and
- the number of shares that the Company could hold at any time should not exceed 10% of the Company's share capital.

The purchase, exchange, disposal or transfer of shares could be decided by the Board of Directors on one or more occasions, at any time except during public offering on the Company's shares, within the limits permitted by law, by all appropriate means, on the market or over-the-counter, including by acquisition or disposal of blocks (with no limit on how much of the share purchase program may be implemented in this way), or by using options or other future financial instruments traded on a regulated market or over the counter, or by delivery of shares resulting from the issuance of securities giving access to the Company's capital by conversion, exchange, redemption, exercise of a warrant, or otherwise allowed by market regulative bodies and in compliance with the applicable regulations.

The maximum purchase price of the shares would be €10 per share, or the equivalent in any other currency.

The total amount allocated to this share purchase program would not exceed €411,987,199.

The General Shareholders' Meeting would grant authority to the Board of Directors, in case of modification of the par value of the share, of free allotment of shares, of split or merger of securities, of distribution of any reserve or other asset, of capital amortization, or of any other operation on the equity, to adjust the above mentioned purchase price in order to take into account the impact of these operations on the share's value.

This authorization would be granted for an eighteen-month (18) period as of this Shareholders' Meeting and would supersede the authorization given to the Board of Directors by the Combined Shareholders' Meeting of April 9, 2015 in its ninth resolution.

Share management agreement

The Company has appointed Kepler Capital Markets SA (Kepler Cheuvreux), an independent investment services provider, to implement a share management agreement for the Company's ordinary shares for a period of one year from June 3, 2014, renewable by tacit agreement. This agreement is consistent with the Code of Conduct of the *Association française des marchés financiers* (AMAFI), approved by the AMF in its decision of March 21, 2011.

To implement this agreement, €3 million has been allocated to the liquidity account. See below for additional information on the implementation of this agreement.

Holding and allocation of treasury shares as of December 31, 2015

As of December 31, 2015, the Company held (excluding the share management agreement) 371,319 treasury shares[1] representing 0.09% of the share capital, with a gross book value of €55,326,598.12 and a nominal value of €371,319.

Percentage of treasury shares held directly or indirectly [2]	0.09%
Number of treasury shares held directly or indirectly	371,319
Number of shares canceled over the last 24 months [3]	-
Gross book value of shares owned *(in euros)*	55,326,598.12
Market value of shares owned [4] *(in euros)*	2,777,466

(1) *As of December 31, 2015, the net balance of the shares purchased in the frame of the share management agreement was 30,205 shares, raising the total amount of treasury shares to 401,524, representing 0.10% of the share capital.*
(2) *Excluding shares allocated to the share management agreement.*
(3) *Last 24 months preceding December 31, 2015.*
(4) *Based on a quoted market price of €7.48 per share on December 31, 2015.*

Out of the total 401,524 treasury shares held on December 31, 2015, 371,319 treasury shares were allocated by the Board of Directors on October 20, 2010 to employee stock option programs or other allocations of shares to employees and Corporate Officers of the Group.

During the course of 2015, the Company delivered 250 free shares to beneficiaries of the 2013 Free Share Plan, pursuant to the terms and conditions of the rules of the Plan.

Transactions carried out by the Company on its own shares between February 28, 2015 and February 29, 2016

In accordance with Article L. 225-211 of the French Commercial Code, under the share management agreement and during the period from February 28, 2015 to February 29, 2016, the Company's aggregate purchases totaled 2,930,213 shares (at the average price of €6,029) or 0.71% of the share capital, amounting to €17,666,674.47, while the aggregate sales totaled 2,779,216 shares (at the average price of €6,103), amounting to €16,961,408.39.

Apart from transactions carried out under this agreement, the Company did not purchase any shares during this period.

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 its shareholders.

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

In 2013

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

In 2014

On March 11, 2014, Vector Capital, which at that time held close to 70 million shares of the Company, sold 26 million shares in a private placement with institutional investors. Accordingly, as of December 31, 2014, it held, directly or indirectly, in its own name or on behalf of its clients, 12.94% of the Company's share capital.

In 2015

In 2015, Vector Capital proceeded to the disposal of several blocks of shares of the Company directly on the market, and in particular, on March 24, 2015, with the disposal of 13,390,354 shares (*cf.* "Share ownership thresholds' crossings notified to the Company during 2015" of section 5.1.1.).

Following various other sales on the market, Vector Capital no longer held shares on the Company as of December 31, 2015.

Furthermore, on November 20, 2015, the Company issued 21,418,140 new shares to the benefit of Cisco Systems, Inc. Following this reserved capital increase, Cisco holds 5.21% of the Company's share capital.

Holdings of institutional shareholders in the Company's share capital and the crossing of thresholds declared to the Company are noted under section 5.1.1: "Distribution of share capital and voting rights" of this chapter.

5.1.6 CHANGES TO SHARE CAPITAL

Transaction date	Number of shares issued or canceled	Increase/ reduction in capital *(in €)*	Total amount of share capital *(in €)*	Additional paid-in capital variation *(in €)*	Carrying amount of additional paid-in capital *(in €)*	Cumulative number of shares	Nominal value *(in €)*
As of December 31, 2012			335,543,841		1,161,111,975	335,543,841	1
June 17, 2013							
Capital increase	165,551	165,551		(165,551)			1
Creation of new shares under LTIP 2011							
As of December 31, 2013			335,709,392		1,160,946,424	335,709,392	1
March 31, 2014							
Capital increase	198,278	198,278		(198,278)			1
Creation of new shares under the MIP-SP2 (2010)							
As of December 31, 2014			335,907,670		1,160,748,146	335,907,670	1
June 8, 2015							
Capital increase	738,205	738,205		(738,205)			1
Creation of new shares under LTIP 2011							
October 6, 2015							
Capital increase	1,989,525	1,989,525		4,689,553			1
Creation of new shares under MIP 2015							
November 17, 2015							
Capital increase with preferential subscription rights	48,376,485	48,376,485		178,992,994			1
November 20, 2015							
Capital increase reserved to Cisco Systems, Inc.	21,418,140	21,418,140		115,756,071			1
Costs related to capital increases				(8,939,178)			
Tax impact of costs related to capital increases				764,300			
From November 18 to December 31, 2015*							
Capital increase	3,013,265	3,013,265		6,959,239			1
Creation of new shares under MIP 2010 & MIP 2015				(317,150,857)			
Allocation of net loss for FY 2014 to retained earnings by the Shareholders' general meeting of April 9, 2015							
Dividend distribution decided by the Shareholders' general meeting of April 9, 2015				(16,795,384)			
As of December 31, 2015			411,443,290		1,124,286,679	411,443,290	1

5.1.7 POTENTIAL MODIFICATIONS TO THE COMPANY'S SHARE CAPITAL

Subscription options

As of December 31, 2015, a total of 16,885,573 stock options were allocated to employees and Corporate Officers under stock option plans (for details of these plans, see Chapter 6 "Social information and sustainability", section 6.1.4 "Stock option plans and free share plans" of this Registration Document).

If all options in the stock option plans were exercised, this would lead to the issuance of 16,885,573 shares. Technicolor's share capital would be composed of 428,328,863 ordinary shares, *i.e.* a 4.10% increase in the number of shares from December 31, 2015.

Convertible/Exchangeable bonds/Share purchase warrants

On March 24, 2016, no other securities giving access to capital are in circulation.

5.1.8 DELEGATIONS GRANTED TO THE BOARD OF DIRECTORS BY THE SHAREHOLDERS' MEETINGS

In accordance with Article L. 225-100 paragraph 7 of the French Commercial Code, the table below summarizes the delegations in force granted to the Board of Directors by the Shareholders' Meeting and the use made of these delegations during the 2015 fiscal year:

I – Financial delegations to allow equity-linked instruments excluding employees or Corporate Officers

Type of the financial delegation	Duration of the authorization and date of expiration	Maximum amount of the issuance of equity-linked debt securities *(in €)*	Maximum nominal amount of Capital Increases	Amount used	Amount available
Issue, with preferential subscription rights, of shares and/or equity-linked securities giving access, immediately or in the future, to the Company's share capital **(11th resolution of the CSM of May 22, 2014)**	26 months July 22, 2016	800 million	€134,363,068	€48,376,485	64% capital increase ceiling (1)
Issuance, without preferential subscription rights and by public offering, of shares and/or equity-linked securities giving access, immediately or in the future, to the Company's share capital **(12th resolution of the CSM of May 22, 2014)**	26 months July 22, 2016	300 million	€33,590,767	None	100% of the ceiling
Issuance, without preferential subscription rights, of shares and/or equity-linked securities giving access, immediately or in the future, to the Company's share capital, as part of an offer referred to in subparagraph (ii) of Article L. 411-2 of the French Monetary and Financial Code **(13th resolution of the CSM of May 22, 2014)**	26 months July 22, 2016	300 million	€33,590,767 representing 10% of the share capital at May 22, 2014	None	100% of the ceiling
Increase in the number of securities to be issued in the event of a capital increase, with or without preferential subscription rights **(14th resolution of the CSM of May 22, 2014)**	26 months July 22, 2016	N/A	15% of the initial issue	None	100% of the ceiling
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 **(15th resolution of the CSM of May 22, 2014)**	26 months July 22, 2016	33,590,767	€33,590,767 representing 10% of the share capital at May 22, 2014	21,418,140	36.2% of the capital increase ceiling (2)
Overall limits on issues under the above authorizations **(16th resolution of the CSM of May 22, 2014)**	N/A	800 million	€134,363,068 representing 40% of the share capital at May 22, 2014	69,794,625	48.16% of the capital increase ceiling

(1) Utilization implemented by the Chief Executive Officer on October 20, 2015, pursuant to the resolutions of the Board of Directors of September 1, 2015 and of October 19, 2015.
(2) Utilization implemented by the Board of Directors on November 19, 2015.

II – Delegations to allow equity-linked instruments for employees or Corporate Officers

Type of the financial delegation	Duration of the authorization and date of expiration	Number of shares and percentage of capital likely to be issued	Number of shares issued	Number of issuable shares
Capital increase without preferential subscription rights, reserved for employees who are members of a Group Saving Plan **(17th resolution of the CSM of May 22, 2014)**	18 months November 22, 2015	3,359,076 shares representing 1% of the capital on May 22, 2014	None	N/A
Capital increase, without preferential subscription rights, reserved for employees and Corporate Officers outside a Group Saving Plan **(18th resolution of the CSM of May 22, 2014)**	18 months November 22, 2015	3,359,076 shares representing 1% of the capital on May 22, 2014	None	N/A
Grant of share subscriptions or purchase options to employees and Corporate Officers **(15th resolution of the CSM of May 23, 2013)**	38 months August 23, 2016	26,843,507 shares representing 8% of the share capital on May 23, 2013	4,886,600	16,080,097 shares representing 3.91% of the share capital on December 31, 2015 (1)
Grant of free shares to all Group employees or certain categories of employees (requiring a waiver by shareholders of their preferential subscription rights) **(19th resolution of the CSM of May 22, 2014)**	38 months August 22, 2017	1,679,538 shares representing 0.50% of the share capital on May 22, 2014	None	100% of the ceiling

(1) *Authorization implemented by the Board of Directors in 2014 and 2015 (See section 6.1.4 "Stock option plans and free share plans" in Chapter 6 "Social information and sustainability").*

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.

Upon proposal of the Board of Directors, with respect to fiscal year 2014, the General Shareholders' Meeting of April 9, 2015 voted the payment of a dividend of €0.05 per share, which was paid in cash as of May 22, 2015

The Company has not distributed any dividends in respect of the 2013 and 2012 fiscal years.

Furthermore, the Term Loan Debt and the New RCF agreements contain clauses restricting the Company's ability to declare or pay dividends (see note 23 to the 2015 Consolidated Financial Statements: "Main features of the Group's borrowings").

5.1.10 OTHER INFORMATION RELATING TO SHARE CAPITAL

Technicolor shares subject to a security interest

To the Company's knowledge, as of March 24, 2016, no shares of the Company were subject to a pledge.

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

Pursuant to Article L. 225-100-3 of the French Commercial Code, the Term Loan Debt and the New RCF agreements contain a change of control clause. For more information on these agreements, please refer to Chapter 2: "Operating and financial review and prospects", section 2.10.3 "Financial resources" of this Registration Document.

5.2 LISTING INFORMATION

5.2.1 MARKETS FOR THE COMPANY'S SECURITIES

Technicolor's shares are listed on Euronext Paris (Compartment A), under the designation "Technicolor", ISIN Code FR0010918292, with the trading symbol TCH.

Technicolor's shares are eligible for the Long-only Deferred Settlement Service. With this service, the purchaser may on the determination date, which is the fifth trading day prior to the last trading day of the month, inclusive, 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 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 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 and Next 150 Index, and on the CAC Media, CAC Consumer Services, CAC MID&SMALL and CAC Mid 60 Indices.

On March 21, 2011, Technicolor voluntarily delisted from the New York Stock Exchange. The American Depositary Shares (ADSs) were then traded on the over-the-counter (OTC) market until early 2014. Since then, ADSs have been traded on OTCQX International Premier, a premium OTC securities listing service (symbol: TCLRY).

5.2.2 LISTING ON EURONEXT PARIS

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

	Euronext Paris					
	Volume of transactions			Share price *(in €)*		
Years ending December 31	*(in millions of euros)*	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2011	1,494.30	455,522,406	1,772,460.7	3.54	5.73	0.98
2012	1,146.30	593,522,948	2,318,449.0	1.87	2.69	1.14
2013	807.00	258,614,158	1,014,173.2	3.30	4.17	1.93
2014	1,231.30	248,831,865	975,811.2	4.99	6.18	3.52
2015	1,375.13	227,934,940	890,370.9	6.03	7.57	4.27

Source: Euronext.

	Euronext Paris					
	Volume of transactions			Share price *(in €)*		
Years ending December 31	*(in millions of euros)*	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2013						
First quarter	296.65	115,203,642	1,851,013.10	2.53	3.24	1.93
Second quarter	160.01	49,931,194	789,516.16	3.21	3.50	2.97
Third quarter	181.50	49,969,332	754,235.79	3.62	3.90	3.04
Fourth quarter	168.87	43,509,990	679,843.59	3.83	4.17	3.51
2014						
First quarter	342.35	77,640,440	1,232,387.94	4.25	5.37	3.52
Second quarter	381.86	71,029,786	1,145,641.71	5.40	6.10	4.77
Third quarter	264.88	47,214,456	715,370.55	5.66	6.18	5.01
Fourth quarter	242.18	52,947,183	827,299.73	4.62	5.37	4.02
2015						
First quarter	337.67	63,546,559	1,008,675.54	5.23	6.01	4.27
Second quarter	252.04	43,500,208	701,616,258	5.79	6.25	5.46
Third quarter	374.91	59,168,436	896,491,455	6.30	7.21	5.25
Fourth quarter	410.51	61,719,737	949,534,415	6.77	7.57	5.85

Source: Euronext.

	Euronext Paris					
	Volume of transactions			Share price *(in €)*		
Last six months	*(in millions of euros)*	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2015						
September	133.74	21,560,861	980,039.14	6.25	6.64	5.63
October	175.70	28,111,179	1,277,780.86	6.19	6.62	5.85
November	125.23	18,540,642	882,887.71	6.84	7.14	6.10
December	109.58	15,067,916	684,905.27	7.28	7.57	6.91
2016						
January	143.99	21,274,600	1,063,730.00	6.72	7.54	6,24
February	220,04	39,854,004	1,897,809.71	5.56	6.63	4.81

Source: Euronext.

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6.1 EMPLOYEES AND WORKFORCE

6.1.1 OVERVIEW

On December 31, 2015, the Group employed 16,720 employees (69% male and 31% female), compared to 14,201 employees at December 31, 2014, an increase of 17.74%.

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, 2015, 2014, and 2013, as well as the distribution of personnel across geographical regions.

	2015	2014	2013
Europe	4,231	3,921	3,894
North America	7,790	5,681	5,468
Asia (1)	2,510	2,183	2,063
Other countries (2)	2,189	2,416	2,575
TOTAL NUMBER OF EMPLOYEES	**16,720**	**14,201**	**14,000**
Number of employees in entities accounted for under the equity method *	352	344	417
* *Mainly the SV Holdco joint venture.*			
(1) *Including India.*	*1,915*	*1,755*	*1,409*
(2) *Including Mexico.*	*1,395*	*1,418*	*1,562*

Total workforce figures above account for executives, non-executives and workers and include the acquisitions done in 2015 which represent a total headcount of 3,627 employees. Temporary employees, trainees and apprentices are excluded.

The following table indicates the number of Group employees by segment as of December 31, 2015:

Segment	Number of employees	Percentage
Entertainment Services	12,515	74.85%
Connected Home	2,254	13.48%
Technology	636	3.81%
Transversal functions	1,315	7.86%
TOTAL	**16,720**	**100%**

Split by gender and age

At the end of December 2015, the Group employed 5,266 women (representing 31% of Technicolor headcount) and 11,454 men (representing 69% of Technicolor headcount) with the following breakdown per age:

Age	Women	Men	Total
< 20	7	13	20
20 to 29	1,016	2,296	3,312
30 to 39	1,786	4,317	6,103
40 to 49	1,349	2,662	4,011
50 to 59	912	1,739	2,651
60+	196	427	623
TOTAL	**5,266**	**11,454**	**16,720**

Hiring and termination

During 2015, 4,181 employees have been hired and 2,333 were made redundant.

Methodology

Employees and workforce figures are extracted from the Technicolor worldwide HR repository system currently implemented in all Technicolor.

6.1.2 EMPLOYEE PROFIT-SHARING

The Holding comspany 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 2013 for year 2012: €1,811,405;
- amounts distributed in 2014 for year 2013: €2,017,398; and
- distributed in 2015 for year 2014: €1, 992,803.

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, 2015, 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 490,278 shares, representing 0,12% of the share capital.

6.1.4 STOCK OPTION PLANS AND FREE SHARE PLANS – BOARD OF DIRECTORS' SPECIAL REPORTS

Stock Option Plans

This section constitutes the Board of Directors' report to shareholders made in accordance with Article L. 225-184 of the French Commercial Code, describing the allocations of the Board of Directors of share subscription or purchase options under Articles L. 225-177 to L. 225-186 of the French Commercial Code during fiscal year 2015.

The Shareholders' Meeting of May 23, 2013, in its fifteenth resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period, and is valid until July 23, 2016. Options granted under this authorization shall not give rights to a total number of shares greater than 26,843,507 representing 8% of the share capital at the date of the Shareholders' Meeting held on May 23, 2013 and 6.52% of the share capital as of December 31, 2015.

Upon the recommendation of the Remunerations Committee, on May 23, 2013, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, approved the establishment of a Mid-Term Management Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders. The Board of Directors made use of the authorization on several occasions.

Management Incentive Plans 2017 – MIP June 2017 and MIP October 2017

Upon the recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, decided to grant stock options on June 26, 2015 (MIP June 2017) and October 19, 2015 (MIP October 2017) to additional key contributors who were promoted or hired since autumn 2014 or coming from the newly acquired companies. These plans concerned 24 key Group employees as of December 31, 2015. The respective plan exercise price was set without discount. As of December 31, 2015, after the November 17, 2015 share capital increase adjustment, 1,969,485 stock options, were outstanding, representing 0.48% of the share capital.

For both plans, the exercise of options is subject to a condition of presence - the beneficiary shall lose the right to exercise his options if he departs from the Group before the exercise date of the options - and to a performance condition tied to consolidated Free Cash Flow. The options may be exercised according to the following timetable:

For the MIP June 2017

- in 2017, if the generation of consolidated Free Cash Flow for fiscal year 2016 is greater than or equal to €100 million, 50% of the options awarded shall become exercisable;
- in 2018, if the generation of consolidated Free Cash Flow for fiscal year 2017 is greater than or equal to €75 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2016 were not achieved, 75% of the options would become exercisable;
- in 2019, if the generation of consolidated Free Cash Flow for fiscal year 2018 is greater than or equal to €100 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2016 and/or 2017 were not achieved, the options that had not become exercisable in 2017 and/or 2018 shall become exercisable.

For the MIP October 2017

- in 2017, if the generation of consolidated Free Cash Flow for fiscal year 2016 is greater than or equal to €240 million, 50% of the options awarded shall become exercisable;
- in 2018, if the generation of consolidated Free Cash Flow for fiscal year 2017 is greater than or equal to €260 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2016 were not achieved, 75% of the options would become exercisable;
- in 2019, if the generation of consolidated Free Cash Flow for fiscal year 2018 is greater than or equal to €320 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2016 and/or 2017 were not achieved, the options that had not become exercisable in 2017 and/or 2018 shall become exercisable.

Management Incentive Plan 2016 - MIP 2016

Upon the recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, decided to grant stock options on June 20, 2014 and October 21, 2014 to additional key contributors who were promoted or hired since spring 2013. This plan concerned 60 key Group employees as of December 31, 2015. The exercise price was set without discount. As of December 31, 2015, after the November 17, 2015 share capital increase adjustment 4,520,245 stock options granted to the beneficiaries were outstanding, representing 1.10% of the share capital.

The exercise of options is subject to a condition of presence - the beneficiary shall lose the right to exercise his options if he departs from the Group before the exercise date of the options - and to a performance condition tied to consolidated Free Cash Flow. The options may be exercised according to the following timetable:

- in 2016, if the generation of consolidated Free Cash Flow for fiscal year 2015 is greater than or equal to €100 million, 50% of the options awarded shall become exercisable;
- in 2017, if the generation of consolidated Free Cash Flow for fiscal year 2016 is greater than or equal to €100 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2015 were not achieved, 75% of the options would become exercisable;
- in 2018, if the generation of consolidated Free Cash Flow for fiscal year 2017 is greater than or equal to €75 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2015 and/or 2016 were not achieved, the options that had not become exercisable in 2016 and/or 2017 shall become exercisable.

Management Incentive Plan 2015 - MIP 2015

Upon the recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, decided to grant stock options on several occasions (see the chart below). This plan concerned 76 Key Group employees as of December 31, 2015. The exercise price was set without discount. As of December 31, 2015, after the November 17, 2015 share capital increase adjustment 9,590,367 stock options rights were outstanding, representing 2.33% of the share capital.

The exercise of options is subject to a condition of presence - the beneficiary shall lose the right to exercise his options if he departs from the Group before the exercise date of the options - and to a performance condition tied to consolidated Free Cash Flow. This indicator was chosen by the Board because it constituted one of the main objectives of the Amplify 2015 Plan (i.e. the Group's strategic plan that preceded the Drive 2020 Plan). It is identical for the Chief Executive Officer and the other beneficiaries of the plan. The options may be exercised according to the following timetable:

- Following the review by the Board of Directors of February 18, 2015 of the level of achievement of the consolidated Free Cash Flow performance condition for the 2014 fiscal year (generation of Free Cash Flow equal to or greater than €100 million), 7,640,000 options (50% of the options awarded - all options for this tranche) became exercisable by the beneficiaries on May 23, 2015;
- The Board of Directors meeting held on February 18, 2016 found that the consolidated Free Cash Flow condition for the 2015 fiscal year was satisfied (generation of Free Cash Flow equal to or grater than €100 million) and that the number of options that may be exercisable by the beneficiaries was 3,409,801 options (25% of the options awarded - all options for this tranche). The options shall be exercisable from May 23, 2016, subject to the continuance of presence condition on that date;
- Should the generation of the consolidated Free Cash Flow for the 2016 fiscal year be equal to or greater than €100 million, the balance of the options awarded to the beneficiaries, being 3,150,269 options, would become exercisable on May 23, 2017.

Certain beneficiaries will have to retain, in their name, in registered form, and during twelve months as from the exercise of the options, at least 20% of the shares subscribed further to the exercise of the options. This obligation shall lapse should the beneficiary leave the Group before the end of the twelve-month holding period.

Stock Options Plans as of December 31, 2015

The stock option plans in existence as of December 31, 2015 are as follows (tables No. 8 and 9 of the AFEP-MEDEF)

	Plan MIP-SP1	Plan MIP 2015	Plan MIP 2016	Plan MIP June 2017	Plan MIP October 2017
Date of Shareholders' Meeting	**05/22/2008**	**05/23/2013**	**05/23/2013**	**05/23/2013**	**05/23/2013**
Date of Board of Directors' meeting	06/17/2010	05/23/2013 06/17/2013 10/24/2013 12/18/2013 03/26/2014	06/20/2014 10/21/2014 04/09/2015	06/26/2015	10/19/2015
Type of options	Subscription	Subscription	Subscription	Subscription	Subscription
Number of options initially granted, including:	12,167,000	17,188,000	5,145,000	250,000	1,710,000
Number of options granted to Directors and officers [(1)]:					
Frédéric Rose					
■ *before adjustments and performance condition review*	*2,155,700*	*2,685,000*	-	-	-
■ *after 2010 & 2012 adjustments and performance condition review [(2)]*	*190,529*	-	-	-	-
■ *after 2015 adjustments [(3)]*	*197,758*	*2,786,864*			-
Number of options granted to the first ten employee beneficiaries - before adjustments and performance condition review when applicable	*6,533,400*	*4,345,000*	*1,790,000*	*250,000*	*1,310,000*
■ *after adjustments and performance condition review [(2) (3)]*	*599,324*	*4,490,875*	*1,857,913*	*259,485*	*1,310,000*
Beginning of the exercise period	06/18/2014	05/23/2015	06/20/2016 10/21/2016	06/26/2017	10/19/2017
Plan life	8 years	8 years	8 years	8 years	8 years
Expiration date	06/17/2018	05/23/2021	06/20/2022 10/21/2022	06/26/2023	10/19/2023
Exercise price at grant time	€0.66	05/23: €3.31 06/17: €3.31 10/24: €4.07 12/18: €3.81 03/26: €4.70	06/20: €6.00 10/21: €5.10 04/09: €6.05	06/26: €6.10	10/19: €7.11
Exercise period		50%: 05/23/2015	50%: 06/20/2016 10/21/2016	50%: 06/26/2017	50%: 10/19/2017
	100%: 06/18/2014	75%: 05/23/2016	75%: 06/20/2017 10/21/2017	75%: 06/26/2018	75%: 10/19/2018
		100%: 05/23/2017	100%: 06/20/2018 10/21/2018	100%: 06/26/2019	100%: 10/19/2019
Number of shares subscribed as of December 31, 2015	116,190	4,886,600	-	-	-
Number of options cancelled since the beginning of the plan	3,395,679	3,178,122	799,485	-	-
Number of options cancelled during the 2015 exercise	-	1,270,122	769,485	-	-
Number of outstanding options at the end of the exercise (after the November 17, 2015 share capital increase adjustment) [(3)]	805,476	9,590,367	4,520,245	259,485	1,710,000
Exercise price (after the November 17, 2015 share capital increase adjustments) [(3)]	€6.29	05/23: €3.19 06/17: €3.19 10/24: €3.93 12/18: NA 03/26: €4.53	06/20: €5.79 10/21: €4.92 04/09: €5.83	06/26: €5.88	10/19: €7.11

(1) Information provided pursuant to Article L. 225-184 of the French Commercial Code.
(2) 2012 capital share increase adjustment coefficient: 1,012348451.
(3) 2015 capital share increase adjustment coefficient: 1,037937866.

As of December 31, 2015, the total outstanding options under the plans amounted to 16,885,573 subscription options for the benefit to 171 beneficiaries. If all of the subscription options in the stock option plans mentioned above were exercised, Technicolor's share capital would be composed of 428,328,863 ordinary shares, *i.e.* a 4.10% increase in the number of shares as compared to the number existing as of December 31, 2015.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that 5,002,790 options were exercised in 2015.

Free Share Plans

This section constitutes the Board of Directors' report to shareholders made in accordance with Article L. 225-197-4 of the French Commercial Code, describing the allocations of the Board of Directors of free shares under Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code during fiscal year 2015.

The Shareholders' Meeting of May 23, 2013, in its sixteenth resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 38-month period, and is valid until July 23, 2016. The existing or the shares to be issued pursuant to this authorization shall not represent more than 0.50% of the share capital at the date of the Shareholders' Meeting held on May 23, 2013.

In accordance with Article L. 225-197-4 of the French Commercial Code, it is noted that the Board of Directors has not made use of this authorization during fiscal year 2015.

Long-Term Management Incentive Plan - LTIP 2011

Making use of the authorization given by the Shareholders' Meeting of June 8, 2011 in its fourteenth resolution the Board of Directors of June 8, 2011 approved a long-term incentive plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders. This three-year plan provided for the granting of Performance Units comprising a cash bonus and free shares (known as "performance shares"), representing one-third and two-thirds respectively.

In addition to a presence condition at the end of each acquisition period, the final number of Performance Units granted depended on the performance conditions related to (i) the net debt/EBITDA ratio, and (ii) the stock market performance.

The right to the delivery of the shares and the payment of the cash bonus were recorded in three annual tranches, after review by the Board of the level of achievement of the performance conditions for the year ended December 31, 2011, December 31, 2012 and December 31, 2013.

Subject to the achievement of cumulative attendance and performance conditions, this plan required, depending on the country, a four-year vesting period or a two-year vesting period with a two-year holding period as from the acquisition of the shares.

The number of shares definitely acquired by the beneficiaries amounted to 130,326 for the year ended December 31, 2011 and to 373,206 for the year ended December 31, 2012. They were delivered on June 8, 2013 for beneficiaries with a two-year acquisition period and on June 8, 2015 for the beneficiaries with a four-year acquisition period.

The number of free shares definitely acquired by the beneficiaries for the year ended December 31, 2013 amounts to 602,323. They were delivered on March 2014 for beneficiaries with a two-year acquisition period and on June 8, 2015 for the beneficiaries with a four-year acquisition period.

Therefore, the number of free shares acquired by the beneficiaries under this plan amounts to 1,105,855.

Free Share Plan 2013 (My Technicolor Shares)

Making use of the authorization given by the Shareholders' Meeting on May 23, 2013 in its sixteenth resolution, the Board of Directors of October 24, 2013 approved the implementation, in accordance with Article L. 225-197-1 of the French Commercial Code, of a global free share plan to 12,832 eligible employees of the Group in 13 countries.

This worldwide plan provides, for all beneficiaries, an acquisition period of four years. 125 shares will be delivered to eligible employees at the end of the acquisition period subject to conditions of continuous employment within the Technicolor group during the acquisition period. The plan is not subject to performance conditions.

As of December 31, 2015, the maximum number of shares to be delivered, subject to the achievement of the presence condition, was 1,022,250 shares, accounting for 0.25% of Technicolor's share capital.

Free Share Plans as of December 31, 2015

The free share plans in existence as of December 31, 2015 are as follows (table No. 10 of the AMF Guide for compiling Registration Documents)

	Free Share Plan 2013
Date of Shareholders' Meeting	**May 23, 2013**
Date of Board of Directors' meeting	**October 24, 2013**
Number of shares granted, including:	1,604,000
Number of shares granted to Directors and officers:	*N/A*
Acquisition date	November 6, 2017
End of the holding period	N/A
Cumulated number of forfeited shares	581,500
Cumulated number of delivered shares [(1)]	250
Number of outstanding free shares as of December 31, 2015	1,022,250

(1) Delivery of free shares to the succession of deceased employees.

6.1.5 HUMAN RESOURCES & SUSTAINABLE DEVELOPMENT

Technicolor's Human Resources & Corporate Social Responsibility (HR&CSR) organization is aimed at reinforcing Technicolor's strategic priorities and at contributing to the Group's objectives. In order to remain fully aligned with the needs of the Group's different businesses and to reinforce global HR leadership capability, HR&CSR has adopted in 2010 a new operating model and has, during 2015, pursued its reinforcement across the Group.

This model has three dimensions:

- strong partnership with Business;
- global centers of expertise;
- regional Human Resources competence centers, reinforced with HR sites leaders.

The integration of business strategy within the HR processes has been reinforced through the HR Business Partner function. HR Business Partners work closely with each business leader to analyze and plan the evolution of Technicolor's workforce skills and competencies, and ensure they are in line with their development goals. They leverage the Company's HR Global Centers of Expertise and Regional Competence Centers to deliver high quality and cost-efficient services.

The HR Global Centers of Expertise ensure consistency and delivery of key Group HR projects and provide specialized advice and expertise across the whole organization in the following areas:

- Compensation & Benefits focusing on rewards, incentive programs, international mobility programs, pension schemes, medical care and other benefits;
- Talent and Development focusing on people development, organizational development practices, career and performance management;
- HR Information Systems, HR Processes and KPIs focusing on implementing coherent and sustainable tools supported with adequate processes;
- Resources Management focusing on Technicolor resource plan definition and tracking;
- Corporate Social Responsibility (CSR) focusing on all areas pertaining to Sustainable Responsibility Environmental care and Social Responsibility;
- Labor Relations, focusing on keeping a consistent set of relationships and interactions with all European Union's representatives.

The Regional HR Competence Centers, built on a shared service model, ensure a consistent HR approach across sites and functions within each geographical region, and guarantee that Technicolor remains fully compliant with local employment laws and practices. In order to maximize services delivery and quality, Technicolor's regions (Asia Pacific, Americas and Europe) are regrouped under a unique leader and Regional HR Centers are geographically organized as follows:

- Asia-Pacific: including India, China, Malaysia, Hong Kong, Japan, Singapore, Taiwan, Korea, and Australia;
- Americas: including; Brazil, Chile, Peru, Columbia, Argentina, Panama, Mexico, Canada and USA;
- European Cluster France: including France, Belgium, Germany, the Emirates and Switzerland;
- European Cluster UK: including UK, the Netherlands, Sweden, Norway, Italy, Israel, Spain, Hungary and Poland.

HR Leaders are appointed within the Regional Competence centers in each of the sites to better support business activities with common processes and regulations at site level by delivering all necessary HR transactional activities. HR Site Leaders also contribute to the implementation of Corporate HR programs and facilitate coherent local communications. HR Sites Leaders report to their respective Regional HR Competence Centers.

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

All information and data reported in the next sections of Chapter 6 do not cover the activities acquired in 2015.

6.1.6 TALENT AND DEVELOPMENT

All data reported in this section do not cover the activities acquired in 2015.

The global Talent and Development policies at Group level rely mainly on the following principles:

Further to the deep analysis of the learning and development needs and the alignment of training investments with the strategy, Technicolor's priorities in Talent and Development focus on leadership development, innovation and excellence in execution to support the growth of our divisions and the implementation of the new Drive 2020 strategic plan.

In parallel, many programs in all divisions and corporate functions enable the identification of the technical and non-technical critical competencies to be developed in the next years. The outputs of these programs are the foundations of a global training and development strategy.

In addition, with the objective to improve efficiency and consistency of Talent Development actions, a comprehensive and detailed review of the architecture of jobs in the organization has been conducted in 2013 that is now the framework for various Development actions. Development Plans are since then conducted on a yearly basis by every division and function.

Talent Review and Development of Leadership

A yearly Leadership Talent Review process is conducted in all divisions and corporate functions. The process involves managers at all levels of the organization as well as the members of the Executive Committee and of the Management Committee in the identification of employees with the right level of potential and performance to integrate the Group's talent pool. The members of this talent pool are eligible to benefit from dedicated leadership development trainings, activities and events during the year.

Further to the 2015 Talent Review, the total talent pool represents 7% of the exempt population of the Group.

Members of the Leadership talent pool were led to assess their competencies through a 360 evaluation against the leadership profile as expanded to innovation and entrepreneurship in 2013. Individual Development Plans were drawn and executed from the conclusions of this assessment. HR Business Partners or coaches were assigned to each member of the talent pool to guide and support the execution of the Individual Development Plans and the development of leadership competencies.

The Leadership Development programs included workshops on "Leadership & Influence" where members of the talent pool reflect and learn how to take action not only on their leadership development but also on recognizing and fostering talents of others. These workshops took place in Paris and Los Angeles and gathered participants from all geographic regions.

Our support to our employees who have been identified as able and willing to take some group level leadership positions (Group High Potential) has been fully revamped in 2015 to stick to the needs of the Drive 2020 new strategic plan. To do so, we have launched a customized program with Berkeley – Haas Business School that was focused on the Excellence in execution. Participants were supported by a team of faculties, coaches and internal and external business leaders to cover topics from Strategic Alignment and Execution barriers to Storytelling and Accountability. At the end of the 4-day program, participants have defined their individual action plan and have also been strongly encouraged to identify the learnings they wanted to share and cascade with their teams

HR Development and Management Academy

An HR development program was created in 2011 to reinforce the people development capabilities of HR Team Members and to support the development of skills aligned with Technicolor vision, values and strategy. This initiative has been continued in 2015, and 17 people are fully trained and can operate as internal coaches for High Potentials

The Management Academy plays an important role in the support HR provides to managers in the Group. After a pilot period during which sessions were delivered both internally and externally in the U.S., UK, France and Belgium in 2014, we evolved the program to a truly "bootcamp" for management capabilities at group level. Three sessions of the fully revamped 4-day program were delivered in France, UK and U.S., impacting 45 managers in all divisions and functions.

A total of 12,358 hours of training were delivered to managers world-wide in order to enhance management capacities and posture for our employees: 5,198 hours of training in North America; 2,403 hours in APAC (India, China and Australia); 572 hours in the UK, 1,696 hours in Poland; and 1,176 hours in France, 995 in Brazil and 318 in Belgium.

Resource and Development Plans

After a pilot phase in 2013, all the divisions and functions now monitor their Resource & Development Plan. The ambition is to provide each division or function with a comprehensive HR road map that is fully consistent with the business needs and strategy evolutions. These plans that rely mainly on the existing HR processes and tools are built by HRBPs hand in hand with their business leaders. They aim at identifying HR priorities for the future and detail specific HR action plans to support the business evolutions: hiring policies, evolution and mobility, learning and development priorities and training plans, and all HR-related actions that could support the business transformation.

As part of these plans, a comprehensive work has been initiated to identify the evolutions of key jobs. This work includes a review of the mission and responsibilities of jobs as well as the set of competencies that are necessary to achieve excellence in the execution of these jobs. A set of customer facing, R&D and research jobs were the first to benefit from this initiative.

A series of learning tracks were designed to ensure the development of crucial competencies and give new perspectives on the evolution of execution in key jobs. Linked with the learning tracks, Professional accreditation programs were designed to recognize the level of competencies and achievements of the employees that have followed the tracks. The accreditation program launched in 2012 is now available for 8 jobs, representing 439 persons enrolled at end of 2015: Product/Service Line managers, R&D Project managers, Customer Project managers, Solution Architects, Customer Technical Support, New Product Introduction manager, Product Quality Assurance and Project Sourcing managers. Incumbents of these jobs who have completed all the learning tracks designed for their jobs can be candidates to be accredited in. More than 1809 man/days of training were delivered in this program since it started in 2013.

One "Training and Development program" also addresses the specific needs of a four key roles identified as critical throughout the Resource and Development Plan process (ex: Producers, Customer Service, Sales, and Heads of Departments). These roles benefit from specific curricula that are defined at job level and delivered internally or externally. The objective is to improve employee engagement and develop and maintain excellence on specific skills that will drive innovation and customer engagement and support the growth of the business in the future.

The MPC Academy also supports globally the efforts to develop excellence in our skills and jobs: this program can be defined as an endeavor to bring in raw talent freshly graduated from University and provides training to prepare them to work on shots; it targets graduate level artists who are recognized as high potential but yet to show a full level of competency. Participants benefit from 2-3 months of training while being paid, followed by 12 months of employment. This programs impacted 194 artists in three locations in 2015 (Bangalore, Vancouver, Montreal) – representing 77,290 hours of training.

Job Architecture

In order to respond to evolving business needs and provide the foundations for a number of HR programs, an update of the Technicolor job architecture has been conducted in 2013. Operational managers and HR teams from all regions have worked together to build a consistent framework throughout the divisions and geographies.

As a result, a lean and standardized collection covering all jobs in the Group is now available. This is the first step for a longer journey that will support, in the short-term, to align existing job structure and job profiles. In a longer-term, it will be used as a base layer for various activities such as resource and development plan (individual development, succession planning, benchmarking, compensation planning).

Diversity & Inclusion in the Workplace

End of 2015, a global plan for Diversity and Inclusion was launched. The objective of this plan is to improve globally our processes to ensure that practices are not discriminatory at any stage in the Group, but also to promote a mindset of openness and inclusiveness globally. The 3 key areas of the plan are gender diversity, disability and ethnicity.

Gender diversity

A first program was launched in 2014 under the sponsorship of the EXCOM, in order to better balance gender diversity and increase the ratio of women in business roles, management levels and leadership pipeline. Actions were put in place through a full range of processes:

- the governance has evolved and four women are now members of the EXCOM, representing 33% of the total number of members. At MCOM level, four new women were nominated, now reaching 40% of the total number of members;
- a recruitment policy was adopted to encourage gender diversity in senior management positions: 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 finalists submitted for open senior management positions within the Company;
- leadership talent criteria are adapted to secure equity between men and women in leadership positions; gender diversity is integrated in divisions Talent review, which outcomes are presented to EXCOM, including dedicated action plans as needed;
- two awareness sessions on diversity and inclusion were organized towards selected key populations: one session towards Group High Potential focusing on Diversity & Inclusion as performance and innovation levers, and another dedicated session towards 60 business leaders on the impact of implicit biases in decision-making.

In addition, local initiatives to promote gender diversity: are encouraged locally as in UK and India:

- in UK, out of the 82 roles advertised, 77 had at least one female applicant in the shortlist, *i.e.* 94%, including all IT roles; the maternity policy was reviewed with recommendations for changes to flexible working with the aim of retaining the female talents; and Technicolor continued its engagement with Women in Film & Television Network by continuing to sponsor a Creative Technology award for Women in the Media Industry as well as providing a mentor for the Women & Film & Television Scheme. This scheme is aimed at mid-career level women, who are facing a career challenge, whether it is returning to the industry after some time out, going freelance for the first time or achieving/dealing with a new promotion;
- in India, among the final shortlists applicants, 12% were women for Animation & Gaming, 12% for Media Services and 39% for Transversal Functions (very variable rates due to the% of female applicants). The local women's network was re-energized and 4 specific events were held during the year 2015: Women's Day celebration, 2 Women's Discussion Circle sessions and Training on Self Defense for Women employees. To increase the number of women employee's, Technicolor India incentivizes employees for referring women talent under the employee referral program;
- in France, an agreement has been reached early 2016 about "Gender Equity". It does cover compensation alignment between men and women, with a dedicated budget, training for managers to appreciate gender diversity, training to support women in developing their leadership and promoting their career.

Principle of non-discrimination

A diverse workforce is a business imperative to Technicolor in its competitive environment. It must be able to recruit and retain the most talented candidates from a broad range of disciplines and experiences. Technicolor's policy is to provide equal employment opportunity without regard to race, sex, religion, national origin, age or disability status.

Non-discrimination and equal employment opportunity policies, based upon the Ethics Charter and locally augmented according to specific legal requirements if needed, including the anti-harassment policy, are implemented at all Technicolor sites. In several countries, managers and supervisors are provided Legal awareness training sessions about anti-harassment and non-discrimination. Several initiatives were launched in 2015:

- in France, an action plan was set up in the frame of the "generation contract" to enhance employment of juniors and maintain employment of seniors;
- in the UK, equal opportunities policy is part of the employee handbook and of the induction for all new starters.

In addition to the role of the management, detection of discrimination cases also relies on the whistleblower policy allowing any employee to confidentially disclose their situation or the situation of a co-worker, without fear of publicity or adverse reaction. Such cases are reported to the Ethics Committee and investigated with the Audit team. Some countries implement in addition an official trust person or advocate for employees if there is a discrimination issue. Overall, about less than ten cases of discrimination and harassment were reported in 2015.

Employment and integration of disabled people

Depending on national legislations, legal requirements to integrate disabled persons or to hire a specified number or percentage of disabled employees, and thus the definition of a disabled employee, may strongly vary, or may not even exist. Also, labeling, categorizing, or making a record of an employee as disabled may be legally prevented in certain countries or subject to the individual authorization by each concerned employee who may refuse. Therefore statistics cannot reflect the reality with accuracy.

However, beyond the legal requirements when they exist, Technicolor strives to adapt our working places, including factories, to provide equal employment opportunities with no discrimination against disabled people with regard to hiring, training, allocation of work, promotion, or reward, and seeks to eliminate employment barriers and to accommodate disabled employees. In that regard, employment of disabled is part of our non-discrimination policy, and Technicolor has been and continues to be willing to integrate different needs including modified duties, adapted hours, and adapted workspaces.

In France, companies employing people with disabilities have been specifically contracted to subcontract dedicated tasks.

In Memphis (U.S.A.), Technicolor partners with "The Arc Mid-South", a sponsoring community agency, to hire employees with intellectual or physical disabilities.

In Manaus (Brazil), beyond facilitating access, ergonomic adjustments were performed in manufacturing processes to adapt the working place for the employees with disabilities.

6.1.7 TRAINING POLICY

All data reported in this section do not cover the activities acquired in 2015.

The objective of Technicolor training policy is to ensure the development of competencies and capabilities are 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 technologies, on the identification of new capabilities to develop and on the individual needs of employees in terms of job performance and/or of professional evolution. The creation of specific learning tracks per job has been encouraged in each division, resulting in an optimization of training resources and in an increased number of training opportunities. In order to ensure the same quality level as well as alignment and consistency, development programs regarding Leadership, Management and Technical or Functional skills are coordinated at corporate level.

To do so, Talent & Development Center of Expertise supports business heads and HR Business Partners in all aspects regarding Learning and Development. HR Business Partners coordinate the building and monitoring of the Development plans at division or function.

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 2015 encompass 245,277 hours of training. Additional training hours of informal on the job training activities and discussion groups having taken place in 2015 are not reported.

6.1.8 REMUNERATION POLICY

Total remuneration is considered a key pillar of Technicolor's Human Resources policy. The remuneration policy is tailored to acknowledge and fairly recognize an employee's contribution to the short and longer term success of the Group.

Technicolor continues to incorporate a classification structure based upon Towers Watson methodology, with grades and bands that ultimately emphasizes and reinforces the strong link between contribution and remuneration. Technicolor is steadily reviewing its job definitions and levels and reflects the evolutions of the Group. Such classification allows the Group to ensure the internal equity of remuneration packages; moreover, Technicolor participates to relevant salary surveys to assess the competitiveness of remuneration in the proper marketplaces. This provides Technicolor with sustainable, objective and equitable means of remunerating employees while closely controlling its wage bill.

The total remuneration policy is structured around flexible and competitive fixed and variable compensation elements driven by market best practices and the Group's objectives for long-term value creation appropriate to circumstances and goals:

- **competitiveness:** appropriate market benchmarks of total compensation against comparable companies allow Technicolor to offer competitive compensation packages to employees in accordance with competitive pressures in the marketplace. This ensures that Technicolor continues to attract, motivate and retain high potentials and key contributors for which Technicolor competes in an international market place while controlling cost structures;
- **equitable approach:** Technicolor believes that it remunerates its employees on an equitable basis in each of its geographical locations both in line with local standards and proposed corporate programs. The remuneration policy is set according to the Group's "broadbanding policy" which allows consistent assessment of responsibility, contribution and levels of expertise on an international business basis across all businesses and functions. In addition, the remuneration policy of top executives is managed by Corporate Human Resources to facilitate consistency of various remuneration components and ease international and cross-business mobility;
- **business and skills focus**: the remuneration of professionals, engineers and managers is a sound, market-driven policy and ultimately administered to stimulate business performance. A substantial part of the total remuneration package is composed of variable elements which drive a performance culture and support the Company's strategy. These variable elements are meant to stimulate, recognize and reward not only individual contribution, especially innovation and risk-taking, but also and in particular, solid and consistent Group and divisions performances.

In accordance with the principles and rules established by the Group, each Group entity is entitled to recognize the potential and encourage the development of its employees by means of various remuneration factors defined by the Group.

At constant currency rate exchange (end 2015) and at constant population of employees (all employees present both in 2014 and in 2015), the evolution of the base salary payroll mass (without variable elements and social contributions paid by the employer) between 2014 and 2015 increased by 4.06%.

6.1.9 LABOR RELATIONS

All data reported in this section 6 do not cover the activities acquired in 2015.

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 labor practices. This council, which meets several times each year, comprises union representatives or Members of local works councils in European countries.

In 2011, Technicolor has renewed the composition of its European Works Council in order to reflect its business evolution in Europe; as a consequence, the European Works Council is now composed with:

Country	Number of European Works Council seats
Belgium	1
France	2
Germany	1
Poland	1
UK	2

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 twice in 2015.

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 2015, Technicolor entered into 5 collective bargaining agreements in France and one such agreement in Belgium. In Italy and Spain, 100% of the employees are unionized, 3.9% in Belgium and 3.4% in Poland

In Australia, in 2015, we entered into two bargaining agreements and 28.2% of the employees belong to a union.

In Canada, in 2015, we entered into two collective bargaining agreements and 4.5% of the Group's employees are unionized. In Mexico, we entered into three bargaining agreements and 54.6% of the employees are unionized. In Brazil, we entered into six bargaining agreements. In the United States, approximately 5% of the Group's employees are unionized and were covered by the collective bargaining agreements negotiated with the national and/or local unions (one collective bargaining agreement in 2015). These agreements, with an average duration of three years, address salaries, employment benefits and working conditions and organization.

6.1.10 WORKING TIME MANAGEMENT AND ABSENTEEISM

All information and data reported in this sections do not cover the activities acquired in 2015.

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. At the end of 2015 Technicolor has about 370 part time employees working less than 5 days per week. Over the year, part time employees working at least half time represent 95% of part time employees and part time employees working at least the equivalent of 4 days per week (80% of a full time worker's time) represent 45 to 55% of part time employees.

Some activities of Technicolor experience seasonal peak workloads (such as DVD Services) and require significant interim and temporary workers to support client requirements, mainly in the distribution and warehouse sites, in addition to overtime. These seasonal workers are typically directly hired over a period of a few months (temporary) or contracted through a third party labor services company (interim), while overtime for long-term employees is more achievement-related and is used to complete very time-limited peak activity

(manufacturing or project development achievement). Seasonal workers (interim and temporary workers) are not included in the year end Group headcount figures, as the peak season does not cross year's end. The main countries employing seasonal workers are the United States, Mexico, Canada, and to a lesser extent Australia, and Western Europe.

Across Technicolor, total overtime represents about the equivalent of 544 full time jobs.

Overall, seasonal workers (fixed contract, interim and temporary) represent about the equivalent of 4,400 full time jobs while at the peak they may more than double the number of workers present on the relevant sites.

Working time is managed in the Group's various sites *via* software such as ADP (France), Oasis (UK), Kronos (UK, Australia, Canada, and U.S.), Spiral (Mexico), Myehr (China) and Telematica-ADP (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.

The average rate of employee absenteeism for sickness and unauthorized absence at the Group level in 2015 was 2.8%.

Absenteeism Methodology

Population coverage: all sites above 10 employees present throughout the 2015 are covered for the calculation. It represents 99.8% of the employees of these activities. Companies and activities acquired in 2015 (Mikros, The Mill, Ouido productions, Cinram NA activities, Cisco Connected Devices) are not covered. All employees with an active and not terminated working contract with Technicolor are included in the scope (interns, apprentices, contracted workers, employees under a notice period are excluded).

Absence reported: paid and unpaid medical leave up to 12 continuous week of absence, work accidents absence, short-term and long term disability if employment working contract is not suspended, unauthorized absences - Unpaid leave / absence - other unjustified unpaid absence. All other categories of absence are not included. The coverage has been modified in 2015 compared to 2014 to cover only the above categories. In 2014, all absences categories except vacations, bank holidays, training, severance absence, time in lieu off/compensation time, medical leave beyond 12 continuous weeks of absence were reported, including maternity and paternity leave and sabbatical, which represent the major sources of variation between the two reported years.

Absenteeism rate divides volume of recorded absence (days) by the product of theoretical number of days worked during the year and the monthly full time equivalent average headcount of the covered population.

6.1.11 ILO AND GLOBAL COMPACT PROGRESS

Technicolor closely follows the international principles laid out in the International Labor 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 and Social Responsibility program.

Technicolor has been a Member of the United Nations Global Compact since 2003. The Global Compact is a United Nations initiative which challenges Member companies to align their operations and strategies around 10 universally accepted principles in the areas of human rights, labor standards, environmental practices and anti-corruption and to develop best practices in these fields. Technicolor seeks to comply with the highest ethical standards, to take into account the legitimate and ethical interests of all its stakeholders as well as the United Nations founding principles and each year submits a Communication on Progress as part of its support and engagement in favor of the Global Compact. The most recent public Communication on Progress is available on the Group's website at the following location under the Governance and Ethics section:

http://www.technicolor.com/en/who-we-are/corporate-social-responsibility

6.1.12 HEALTH AND SAFETY MANAGEMENT

Health and Safety

All data reported in this section do not cover the activities acquired in 2015.

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 2015 and several of them are summarized below:

- some sites conducted general health prevention campaigns such as in Mexicali, focusing on diabetes, cholesterol and overweight, with support from the Local Mexicali Health Center, or in Tultitlan where the medical service brought their expertise to support three general health prevention campaigns and two on eyesight health and protection. Vaccination programs such as against the flu, were also proposed in some locations;
- in Brampton, putting safety first means placing it actually first on the agenda of daily management meetings, and to regularly update safety communication boards throughout the facility;
- the Rugby site initiated a Safety awareness newsletter mixing trivia and safety rules; and the Ontario California site sent weekly safety emails to all employees and posted them in breakrooms. In Brampton, too a monthly newsletter is distributed to all employees who also benefit from an annual health and safety training session. The Brampton site is member of a local safety group which organizes annual audits of Safety Management Systems;
- in 2015, at non-industrial sites, campaigns addressed stairwell safety, desktops ergonomics – with one site experimenting with new stand up desks (Toronto Mr. X), and weekly yoga sessions alongside site inspections;
- preparedness programs are in place and linked to relevant risks categories, fire as the first risk. The Piaseczno (Poland) EH&S team prepares yearly fire and evacuation drills, inviting the state fire brigade and professional paramedics to the exercise, providing premium training. And on the prevention side, the site purchased some fire resistant containers for hazardous waste collection in the production department. In Hollywood, where earthquake preparedness is vital, the site emphasized the need for clear hallways, and verified that shelves are bolted to walls;
- because it is important to retain focus all through the year, in 2015, the Manaus site EH&S team implemented a computerized system to implement and monitor EH&S routines;
- and because sharing safety practices is also a matter of citizenship, the Indianapolis site not only purchased a new AED (automatic defibrillator), but also became a training center for the American Health and Safety Institute for CPR/AED and first aid training. Employees were trained free of charge.

Technicolor has initiated some discussion bearing on health and safety with employee representatives, in countries where structured dialogue with employee representatives is well established. In Canada, the Brampton site discussed and agreed on a new health and safety policy, focusing on working safely, workplace violence, and the prohibition of drugs on the workplace. In the Ash Road Australian site, an agreement was made to organize consultation of employees in the decision process where working conditions were at stake. In Mexico, safety rules for work including discipline measures in case of failure to wear personal protective equipment were discussed and agreed on by management and employee representatives. In Rugby, United Kingdom, a substance misuse policy was agreed. In France, two agreements on teleworking were signed with the unions in Issy-les-Moulineaux headquarters, and one agreement on excess time compensation including mandatory time off was signed at the Boulogne post-production site, both telework and time compensation aiming at reducing work related stress and exhaustion from peak production periods in the first case, or from stress or long commutes among other factors influencing occupational health.

Technicolor understands that each employee has the ability to impact its Environment, Health and Safety (EH&S) efforts and performance, thus it is critical that they are provided with the appropriate tools, resources and knowledge. EH&S training programs develop awareness and skills that allow employees and contractors to perform their jobs in such a manner that will not only ensure compliance with appropriate laws, regulations and policies, but also so that they may prevent accidents which may lead to injuries or harm to the environment. Training programs are evaluated during the EH&S Audit process, and are a core requirement in the EH&S performance measurement process.

EH&S training

In 2015, about 31,200 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 2015, 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. Some sites were particularly active: in Brampton, the site organized as many as five charities or events through the year, in Indianapolis, three such events took place, including school supply raising for United Way, fund raising for Gleaners Food Bank, Christmas Gifts offered for the less fortunate children through the Hawthorn Community Center and the United Way. In Manaus, the site organized visits to Technicolor Environmental projects for the community. In MPC Montreal a closet cleaning operation and donation took place, and in MPC NY, visits of the facility were organized for colleges, and a Movember fundraising operation was organized (originated in Australia, the association focuses on men's health issues). The Ontario California site participated to a Christmas gift collection for children in need. In Princeton, more charitable donations took place from eyeglasses to toys and gift cards.

Safety performance

What follows are results of key safety metrics that were tracked in 2015:

In 2015, Technicolor experienced a 10.8% decrease in work-related injury and illness incident rate (number of reportable injuries and occupational illnesses per 200,000 hours worked) from 1.02 in 2014 to 0.91 in 2015.

The work-related lost workday incident rate (number of reportable lost workday injuries and occupational illnesses per 200,000 hours worked), remained stable at 0.44.

Technicolor records all days lost due to work-related injuries or illnesses as calendar days, beginning on the day after the injury or illness occurs. Severity is viewed using a variety of definitions, from French regulatory definition which equals average number of days lost per 1,000 hours worked (0,074), to average lost days per incident (16.52), to average lost days per equivalent full-time worker (0,148).

Work Related Incident Rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Incidents	Rate	Incidents	Rate
2013	201	1.13	90	0.51
2014	177	1.02	77	0.44
2015	159	0.91	77	0.44

2015 Incident and Lost Workday Incident Rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Incidents	Rate	Incidents	Rate
Connected Home	5	0.26	5	0.26
Entertainment Services	152	1.03	71	0.48
Technology	-	-	-	-
Other	2	0.48	1	0.24

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 2015.

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 2015 management report, a total of 41 reporting locations are included. All data reported in this section does not cover the activities acquired in 2015.

There were many notable environmental achievements during 2015 and several of them are summarized below:

- Energy Efficiency was a priority project at several sites in 2015, with expected gains from refurbishment with new LED or low energy bulbs lighting fixtures, across both industrial and non-industrial sites, all activities and geographies: Boulogne (France), London MPC site (United Kingdom), Manaus (Brazil), Melbourne and Sydney (Australia), Memphis (USA), Toronto Post production site (Canada), all retrofitted installations, on occasion benefitting from public funding schemes (Australia). In Memphis in particular, the replacement of fluorescent lamps with LEDs in a 805,000 square foot building is expected to yield 40% energy consumption reduction from lighting;
- an electrical engineering and design project was implemented in Piaseczno (Poland) whereby new electrical plans will allow different sections of the shop floor of DVD replication and printing to be de-energized during off peak season, allowing for precise adaptation of energy demand to production output, and gains are expected to be around 25,000 kWh;
- in Camarillo, an old and inefficient natural gas boiler was decommissioned, resulting in a 15% natural gas consumption reduction;
- in Boulogne, improvement in the air conditioning system are expected to yield efficiency gains, and in London MPC, the building management system in place controls and prevents the over use of the air conditioning system;
- on the path to reduce the carbon footprint from car commutes, Burbank and Culver City sites located in California now benefit from charging areas for electrical and hybrid vehicles: Culver City is offering electricity free of charge to employees;
- to save water, the Manaus site now uses harvested rainwater to supply toilets. To improve energy profile, exterior lighting is now powered by solar panels.

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 2015, the Group operated 41 main locations, 12 of which are industrial. By Technicolor's definition an industrial location is a facility where DVDs are produced, packaged or distributed or where any Connected Home product is made.

To provide finished products and services, Technicolor utilizes purchased materials, chemicals, components, energy, and water. As a result of the products and services it provides, there are a number of potential activities that may result in adverse impacts to the environment.

Environmental aspects reviewed in this report include waste management (total waste generated, landfilled, and recycled), energy consumption (electricity and fossil fuels), water consumption, air emissions (greenhouse gas emissions), main materials used, and processing wastewater effluents. The 41 sites included in this report may be reviewed in the subsection "Data Collection Method and Rationale" (6.2.4) 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 and Corporate Social Responsibility, 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 working alone and first-aid, Cardio-Pulmonary Resuscitation, and Automated External Defibrillator.

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 2015, about 31,200 hours of documented training were provided on a wide variety of environmental and safety compliance and protection, injury prevention, emergency preparedness and response, and occupational health topics.

Emergency Preparedness and Response

Even the best designed programs and procedures cannot eliminate the occurrence of unforeseen events. The development and periodic review of emergency preparedness and response plans is critical to the success of Technicolor's EH&S program, making these, along with associated training and testing, key components of the EH&S performance measurement process.

One of the many challenges that are present in a globally operated business is ensuring effective communication, particularly in the event of a crisis. At Technicolor, a system was designed to provide a consistent worldwide approach for managing and mitigating significant EH&S incidents. The Significant Business Incident (SBI) system enables timely communication to and involvement of top management and ensures the quick and effective allocation of appropriate resources with consistent crisis management measures throughout the world. This process also serves as a valuable tool for identifying potential concerns within each of Technicolor's businesses and to ensure that appropriate preventive measures are effectively implemented.

In 2015, eight SBIs associated with EH&S aspects were reported, and no penalties or fines were incurred as a result of these SBI events.

Environmental Management Systems

An Environmental Management System (EMS) is a continual cycle of planning, implementing, evaluating and improving practices, processes and procedures to meet environmental obligations and successfully integrate environmental concerns into normal business practices. An effective EMS helps identify and eliminate the causes of potential environmental problems, establish and achieve environmental goals, reduce potential risk and liability, and operate a more effective environmental program.

ISO 14001 is the most widely accepted international standard for an EMS. In today's global market, participation in the ISO 14001 process is one way for an organization to demonstrate its commitment to the environment. To receive certification, organizations are required to develop detailed plans and procedures to identify, evaluate, quantify, prioritize and monitor environmental impacts of its activities.

During 2015, a total of six 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
Guadalajara	Entertainment Services	October 2004
Manaus	Connected Home	August 2003
Melbourne	Entertainment Services	December 2005
Piaseczno	Entertainment Services	December 2004
Rugby	Entertainment Services	November 2004
Sydney	Entertainment Services	December 2005

Product Design and Life Cycle Assessment

As a leading supplier of set top boxes (STBs) and Home Gateways Technicolor has acquired experience and decided to incorporate Ecodesign principles and methodology into its main new products families. Rigorous product environmental performance analysis is used to measure the impact of innovations and to target key areas of focus. Specific ecodesign studies have been completed on many aspects of core product design (*e.g.*, energy consumption, electronic cards and components, casing and cable materials, accessories, etc.) as well as on related elements including packaging and transportation. To support eco-design, Technicolor uses the most recent version of a Life-Cycle Analysis Tool (EIME V5) to measure the environmental impacts of a product over its entire life (*i.e.*, from cradle to grave).

Key product environmental and safety requirements compliance

Technicolor operates in a worldwide market and thus has to deal with a wide variety of national and regional initiatives governing the environmental performance and risk management associated with its products.

In particular, energy consumption which is the main significant environmental impact for our products remains a key priority across the industry and regions.

In Europe, therefore, Technicolor continues to support voluntary EU industry initiatives such as the Industry VA for Complex set top boxes, the Code of Conduct (CoC) for Digital TV and the CoC for Broadband equipment.

Technicolor actively contributed to the revision of the 278/2009 regulation on External Power Supplies (EPS) by providing inputs to the EU commission, in particular *via* its membership of the Digital Europe organization of leading Digital Technology European companies. The scope of this revision extended beyond energy efficiency and no load power consumption to use of PVC-free and halogens-free materials, overall material usage reduction and EPS standardization to drive reusability. Also 2013 saw the finalization of the latest 801/2013 Networked (NW) standby regulations, (amendment to the 1275/2008 On/Off and Standby mode regulation). Effective industry adoption will depend upon suitable implementation guidelines becoming available. Technicolor is currently contributing to the development of such NW standby guidelines, particularly in relation to Home Gateway (GW) and Complex STB (CSTB) products.

In the Americas, in Australia, in Asia, in Africa, and in the same manner, Technicolor monitors and follows environmental regulations and standards. In the United States for example, Technicolor follows the Department of Energy proposed amendment on external power suppliers and rulemaking initiatives on efficiency standards for Set-Top Box and Network Equipment. For a number of years, most of Connected Home STB models marketed in U.S. met the Energy-Star STB energy efficiency levels. In Australia, Technicolor is an Associate Member of the Subscription Television Industry Voluntary Code for improving the energy efficiency of conditional access Set-Top Box.

Compliance methods and actions are in place with regard to the RoHS, and WEEE European directives, and the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) European regulation, or similar legislation in other regions, dealing with the Restriction on the use of Hazardous Substances within products and systems, and preparing for better end-of-life handling of Electrical and Electronic Equipment Waste. For U.S. market, Technicolor, although not directly under scope of Dodd-Frank Wall Street Reform and Consumer Protection Act, is also taking steps to develop and implement a due diligence process for identifying and managing the sourcing of "conflict minerals" based on the OECD Due Diligence guidance.

Regarding consumer product health and safety, the Group ensures that all products sold comply with all consumer safety regulations applicable in each country where the product is marketed. Additionally, in some emerging markets where safety regulations may not yet be robust, the Group applies its knowledge of appropriate product safety regulations and ensures that emerging market products comply with a higher product safety standard.

Audits and Internal Governance

EH&S audits and inspections are a key part of Technicolor's continued efforts to improve EH&S management and performance, and to prevent incidents from occurring. In addition to the establishment of Internal Audits within each manufacturing, packaging, and film lab site, a comprehensive corporate audit program was implemented in 1996. The aim of the audit program is to review the Group's industrial locations' compliance with Corporate EH&S Policies and Guidelines and specific applicable EH&S laws and regulations. The audit program has also been demonstrated to be a valuable tool for increasing EH&S awareness, identifying best practice opportunities, communicating successful initiatives between plants, creating opportunities for different approaches to problem solving, and introducing EH&S personnel to other aspects of the Group's multi-faceted business.

The audits include physical inspections of the location, review of documents and records, and examination of activities within the EH&S scope. The use of Technicolor specific audit protocols helps ensure and maintain consistency in approach while also bringing renewed focus to key corporate requirements. In addition, the protocols allow for, and require, the inclusion of location-specific regulatory and business requirements. Issues and recommendations identified during the audit process are reviewed and discussed with members of the location's management.

In 2015, three locations were audited as part of Technicolor's objective of auditing each industrial location at least every three years. As a result of these audits potential improvement items were identified and evaluated, and more importantly, appropriate associated action plans developed.

Acquisitions and Closures

Technicolor has established a process for reviewing locations prior to acquisition and upon closure to identify and understand the likelihood and extent of potential environmental contamination associated with the locations' activities. This process not only helps limit financial liability, but also to understand the type and level of support required to ensure that the Group's corporate policies and guidelines are effectively implemented. Once acquired, locations are expected to comply with Technicolor's EH&S policies and guidelines, which include, as an example, the development of chemical and waste management practices to minimize the potential for uncontrolled releases to air, water and land.

Environmental Investments, Remediation, and Pollution Prevention

In total, approximately €1.18 million was spent on environmental remediation projects in 2015.

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 that was acquired from GE in 1987. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. EPB and TCETVT continue to negotiate over the scope of that work. Technicolor has reached an agreement with General Electric with respect to allocation of the responsibility related to the soil and groundwater remediation. (for further information, please refer to note 33 of Technicolor's consolidated financial statements for 2015, 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 is on-going.
- 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 site wide 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. Post-remediation groundwater monitoring indicated a likely source point remaining within on-site soils, and this hot-spot was excavated and disposed during 2014. Localized chemical treatment was re-applied to the base of the excavation prior to backfill. Groundwater monitoring continues as the effects of the remedial treatment progress.
- During site redevelopment at a closed Hollywood film lab with a prior history of contaminated groundwater, soils underneath the buildings were assessed and contaminated soils removed where possible and disposed of properly. Additionally, installations of sub-surface soil vapor extraction systems and passive soil-vapor barriers were completed prior to replacement of the concrete flooring. These works were reviewed and approved by the governing agency prior to implementation and construction activities were completed during 2013. Soil vapor extraction processes and site groundwater delineation were activated during 2015.

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 (for further information concerning amounts reserved, please refer to notes 26.1 and 26.2 of Technicolor's consolidated financial statements for 2015, included in this report). 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 k€368 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 3.3.1 Application Level B+.

Reporting Perimeter

This report contains data from 41 operating locations, of which 12 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 2015 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 2015. 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 2015 worldwide energy use was approximately 1,124 tera joules, a decrease of about 1% compared with 2014. Of the total energy consumed, 86.8% was in the form of electricity (of which 13.3% was from renewable sources), 12.9% was in the form of fossil fuels, and 0.3% was in the form of purchased steam. When compared to total revenue, average energy intensity was 0,326 TJ/M€ across the business in 2015.

Energy consumption *(terajoules or TJ/M€)*

	Total	Electricity	Fuel sources	Total per revenue
2013	1,261 [(1)]	1,062	193	0,360
2014	1,134 [(2)]	963	168	0,340
2015	1,124 [(3)]	975	145	0,326

(1) Total energy includes about 6 TJ steam purchase.
(2) Total energy includes about 3 TJ steam purchase.
(3) Total energy includes about 4 TJ steam purchase.

2015 energy consumption *(terajoules or %)*

	Total Energy	% Total Group	Electricity	% Total Segment	Fuels	% Total Segment
Connected Home	51.5	4.6%	50.5	98.0%	1.0	2.0%
Entertainment Services	1052.1	93.6%	908.4	86.3%	143.7	13.7%
Technology	5.1	0.4%	5.1	100%	-	-
Other	15.4 [(1)]	1.4%	11.4	74.0%	0.4	2.6%

(1) Total energy includes about 4 TJ steam purchase.

Water

In 2015, water consumption at the Technicolor reporting locations increased by about 2% versus 2014 to 455 thousand cubic meters. When compared to revenues, average water consumption rate was 0,132 km^3/M€ across the business in 2014.

Where raw water is developed on-site from local wells, all consumption and pre-treatment is in accordance with granted permissions and approved processes. All water consumption, other than that related to building and facilities, is linked to DVD replication or Set-Top Box manufacturing. Locations experiencing periodic water shortages, such as DVD replication in Australia, invest in rainwater harvesting, while other manufacturing locations in Brazil, Mexico, and Poland may invest in process water recycling so that overall source consumption is reduced. Including laboratory operations in Rennes, France, total rainwater harvested during 2015 was about 292 m^3.

Water consumption *(thousand cubic meters or km^3/M€)*

	Total Consumption	Total per Revenue
2013	624	0,181
2014	447	0,134
2015	455	0,132

2015 water consumption *(thousand cubic meters)*

	Total Consumption	% Total
Connected Home	44.5	9.8%
Entertainment Services	400.3	88.0%
Technology	4.3	0.9%
Other	5.9	1.3%

Process Waste Water

Within Technicolor's facilities, 5 sites utilize water within their manufacturing processes. In order to assess the potential environmental impact of the discharge of this treated water, the Group referenced both the European Community (EC) and U.S. Environmental Protection Agency (EPA) criteria for "priority pollutants". Based upon these lists, and information provided by Technicolor's sites regarding the parameters that require monitoring and reporting, 13 pollutants were identified on either the EC or EPA list.

For 2015, the amount of treated water discharged was 96 thousand cubic meters, and the total estimated amount of discharged priority pollutants was 46 kilograms.

In addition, due to effluent characteristics, 3 sites are required to monitor biological oxygen demand (BOD) or chemical oxygen demand (COD), in 2015 an estimated total of 639 and zero metric tons were discharged within process effluent respectively

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

Raw Material Usage

The Group sources all raw materials externally. These are always industrially processed raw materials. The main raw materials consumed by the Group's businesses in 2015 were:

Raw materials *(metric tons)*

Polycarbonate molding plastic	26,137
Cardboard and paper packaging	11,352
Wood packaging	3,446
DVD bonding resin	1,427
Plastic packaging	1,141

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 28,525 tons, a decrease of 1,869 metric tons or 3% compared to 2014, but due to 2015 being the first reporting year where waste included waste from non-industrial locations (about 3% of total waste was generated by non-industrial sites), the year-to-year decrease on a same scope (industrial sites only) basis was 2,664 tons or 8.8%. The recycling rate was 77.2% decreasing about 5 percent compared to 2014 due to the inclusion of non-industrial locations with generally lower recycling rates. When compared to total revenue, the average waste generation rate across the business was 8.27 M-Ton/m€ in 2015.

Waste *(metric tons or m-ton/m€)*

	Total Waste Generated	% Treated Hazardous	% Recycled	Total per Revenue
2013	33,741	3.3%	77.1%	9.78
2014	30,394	2.4%	81.7%	9.12
2015 (1)	28,525	2.9%	77.2%	8.27

(1) Group waste figures for 2015 include all reported non-industrial waste.

2015 waste generation *(metric tons or%)*

	Total Waste Generated	% Total	% Treated Hazardous	% Recycled
Connected Home	730.7	2.6%	4.4%	49.1%
Entertainment Services	27,684	97.0%	2.8%	78.1%
Technology	45.5	0.2%	0.1%	45.5%
Other	65.2	0.2%	2.3%	54.9%

New questionnaires about waste were sent to non-industrial sites for the first time during 2013 in recognition of their increased significance in the Group EHS profile due to headcount and surface area. It helped these sites begin to focus on their waste streams, although work remains for 2016 to more completely measure and categorize this waste generation. For 2015, the overall reported waste was significant at about 3% of the Group total tonnage, with approximately 54 tons of hazardous waste from non-industrial locations (batteries, mercury-containing bulbs, e-waste). Some sites are already well into reducing the amount of office paper used through a groupwide paperless initiative.

Air Emission

Upon evaluation of its operations, Technicolor determined the most significant but limited air emission contaminant resulting from the Group's operations (Scope 1) to be carbon dioxide associated with on-site combustion of fuels for heating.

In 2015, a total of 8,160 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)*

Scope 1 emissions	CO_2
2013	10,285
2014	9,478
2015	8,160

Indirect emissions from consumption of electricity (Scope 2) were 140,515 metric tons CO_2 and were estimated using guidance and tools from the GHG Protocol (World Resources Institute (2014) GHG Protocol tool version 4.5 for stationary combustion).

Scope 2 emissions	CO_2
2013 (reference, not verified)	149,198
2014	139,323
2015	140,515

Climate Change

In 2015, Technicolor participated for the eighth consecutive year in the Carbon Disclosure Project, targeting collaboration between large international firms and investors related to global warming. Technicolor's answer is available on the CDP's website: http://www.cdproject.net.

The Group's first carbon footprint assessment was published for the year 2008, taking into account business travel, worker travel between home and work, incoming and outgoing freight and transportation, energy use, waste disposal, raw materials, and the use of refrigerants and industrial gasses.

Climate change is integrated into Technicolor's business strategy along two primary axes: development of eco-friendly products and services and infrastructure improvements to reduce emissions or to maintain performance when faced with climate impacts. The development strategy has Technicolor joining or leading various industry groups, regulatory committees, or trade collaborations as a way to find or to create improvements and manage them in to the product or service offerings. The infrastructure strategy is to seek out improved efficiencies in technology or human process/behavior.

Examples are upgrades of existing lighting installations, building management systems, Research & Innovation programs linked to integration of smartgrid software in Set-Top Box, energy efficiency improvements from eco-design of products or packaging, anticipation on upcoming legislation, increase use of energy from renewable resources.

Locally other initiatives exist such as a "green car" policy for leased vehicles or a CO_2 emissions compensation program implemented at the Set-Top Box manufacturing facility in Manaus, Brazil.

Finally, Technicolor is preparing its facilities to mitigate the material effects of climate change (principally severe weather episodes such as heavy rainfalls and flooding or draughts or storms) by putting in place the needed prevention programs and adapting emergency action and contingency plans where needed.

Biodiversity

All 41 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 2015, no sites reported any impact on sensitive habitats.

Noise

Potential pollution not directly related to chemicals or waste, such as noise pollution or noise restrictions, are assessed at the site level and mitigating measures are taken where appropriate. For many locations, any requirements for periodic noise measurement at property boundaries are sufficient to prove compliance. However, any stakeholder or neighboring community concerns will receive additional attention and generally result in operational or technical solutions such as limited delivery hours, improved smoothness of on-site roadways to avoid noise from bouncing trucks, re-design of rotating fans to reduce blade tip speed, additional noise-reduction devices on reciprocating equipment, or limited hours of operation for other specialized equipment.

Land Use

Technicolor does not use, alter, mine, quarry, or process soil or minerals as part of its activities. Leased or owned property is used solely as real estate on which the Group locates its facilities (manufacturing and production sites, offices and warehouses).

6.2.4 DATA COLLECTION METHOD AND RATIONALE

This report contains data from 41 locations. Given the diversity of the Group's operations, environmental impacts vary by location, thus not every location is required to report on each of the established metrics. It does not include sites of activities acquired in 2015.

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, 2015 to December 31, 2015.

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:

Site			2013			2014			2015		
	Segment (ref 2014)	Location	E	Utility	H&S	E	Utility	H&S	E	Utility	H&S
Avon	Entertainment Services	France								X	X
Bangalore	Entertainment Services	India		X	X		X	X		X	X
Bangkok [(1)]	Entertainment Services	Thailand	X	X	X						
Beijing	Connected Home	China		X	X		X	X		X	X
Brampton	Entertainment Services	Canada	X	X	X	X	X	X	X	X	X
Boulogne	Entertainment Services	France		X	X		X	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
Culver City	Technology	California, USA					X	X		X	X
Edegem	Connected Home	Belgium		X	X		X	X		X	X
Glendale [(1)]	Entertainment Services	California, USA		X	X		X	X			
Glendale (film) [(1)]	Entertainment Services	California, USA	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
Hollywood	Entertainment Services	California, USA		X	X		X	X		X	X
Indianapolis	Connected Home	Indiana, USA		X	X		X	X		X	X
Issy	Corporate	France		X	X		X	X		X	X
Livonia	Entertainment Services	Michigan, USA	X	X	X	X	X	X	X	X	X
London MPC	Entertainment Services	UK		X	X		X	X		X	X
London (post)	Entertainment Services	UK								X	X
Los Altos	Technology	California, USA								X	X
Manaus	Connected Home	Brazil	X	X	X	X	X	X	X	X	X
Melbourne	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Memphis	Entertainment Services	Tennessee, USA	X	X	X	X	X	X	X	X	X
Mexicali	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Montreal	Entertainment Services [(2)]	Canada	X	X	X		X	X		X	X
Montreal MPC	Entertainment Services	Canada					X	X		X	X
New York MPC	Entertainment Services	New York, USA					X	X		X	X
New York MRX	Entertainment Services	New York, USA								X	X
Ontario California [(3)]	Entertainment Services	California, USA	X	X	X	X	X	X		X	X
Paramount	Entertainment Services	California, USA		X	X		X	X		X	X
Perivale [(1)]	Entertainment Services	UK		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
Princeton	Technology	New Jersey, USA		X	X		X	X		X	X
Rennes Cesson	Connected Home	France	X	X	X		X	X		X	X
Rome [(1)]	Entertainment Services	Italy	X	X	X						
Rugby	Entertainment Services	UK	X	X	X	X	X	X	X	X	X
San Francisco [(1)]	Entertainment Services	California, USA		X	X		X	X			
Santa Monica MPC	Entertainment Services	California, USA		X	X		X	X		X	X
Sydney	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Toronto MRX	Entertainment Services	Canada								X	X
Toronto (post)	Entertainment Services	Canada		X	X		X	X		X	X
Tultitlan	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Vancouver MPC	Entertainment Services	Canada		X	X		X	X		X	X
Vancouver (post)	Entertainment Services	Canada		X	X		X	X		X	X
Warsaw	Corporate	Poland		X	X		X	X		X	X
Wilmington [(1)]	Entertainment Services	Ohio, USA	X	X	X	X	X	X			

E = Environmental data, Utility = Water and Energy data, H&S = Work injury and illness data.

(1) These sites have been closed or sold.
(2) The prior Montreal location stopped Photochemical film operations during 2012 and was refurbished for digital production operations for 2013 and beyond.
(3) The prior Ontario location stopped Industrial during 2014 and remaining non-industrial operations moved to a different facility beginning 2015.

6.3 STAKEHOLDER RELATIONS AND LOCAL IMPACTS OF THE COMPANY'S ACTIVITIES

All data reported in this section do not cover the activities acquired in 2015.

Technicolor's main activities are in the field of Research, Intellectual Property, Entertainment Services and Connected Home devices. They require creative talents for innovation of technologies and services and for development of products. This leads Technicolor to maintain relationships with a variety of key stakeholder groups to ensure growth and sustainability of its businesses, primarily:

- Employees;
- Clients and Customers;
- Investors and Shareholders;
- Educational Institutions and Research Bodies;
- Standard Setting or Standard Developing Organizations;
- Communities;
- Suppliers and Subcontractors;
- Public Authorities.

Within these general categories, specific stakeholders are identified as engagement opportunities based on their nearness to or connection with critical aspects of Technicolor (people, products, services, or property). Dialog may take place in a variety of ways, such as face-to-face meetings, memberships, surveys, contracts, or public event/forum/webinar/panel, as detailed in the below descriptive examples.

In the field of research, emphasis is put on cooperation with educational institutions, public research bodies and other companies to keep the technology pace. During 2015, 18 cooperative programs involving academics were running, with European as well as overseas educational institutions and public research bodies. In addition, Technicolor contributes actively to several technology clusters, including at the governance level, where R&D activities are located. Technicolor has established strong relationships with neighboring educational institutions in close proximity to Technicolor research locations such as Stanford University in Palo Alto (California) and Berkeley Universities (California) and Inria (France).

Standardization bodies are key for the implementation of patents in the frame of our Licensing activity. Technicolor contributes to 58 standardization bodies or standard setting organizations around the world and is part of the governance for some of them, as shown in the following table about aspects of Technicolor's significant participation with stakeholders.

Customer satisfaction is monitored and managed through regular face-to-face structured meetings with individual customers and executive review of any customer complaints for all activities. In addition Connected Home also drives customer satisfaction surveys for its activities as they involve a large number of customers. Findings of these surveys and meetings are used to correct processes and improve relationships and quality of products and services.

Retaining our talents is important. Employee satisfaction surveys are conducted on selected sites, typically where retention rate may be an issue. Two surveys were performed in 2015. Following the acquisition of Connected Devices activities from Cisco, a worldwide employee satisfaction survey has been launched for all employees of Connected Home with results in 2016.

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.

Following flooding disasters in Chennai and Cuddalore (India) in 2015, Technicolor supported relief initiatives, supplied first aid and supported volunteer employees to help both impacted employees and the local communities.

Technicolor strives to hire locally most of its employees. Technicolor's locations are usually in very large cities and surrounding metropolitan areas and, as a result, Technicolor holds a minority employer position in most employment areas where it is located and has limited direct local economic influence, except for research and development impact as detailed above.

Due to the continuous changes in the digital cinema domain, Technicolor divested from several domains. When sale of the impacted activities to an external party was not achievable, the Group committed significant resources and support, according to its existing policies, in order to mitigate the impact for the concerned stakeholders.

We maintain strong relationships with our shareholders and investment community, including adherence to AMF recommendations 2012-05, approved at the 2013 AGM, having to do with improved dialog between shareholders and issuers. Technicolor participated to 351 events (roadshows, conference calls and conferences), met 554 institutions (institutional investors) and had 80 contacts with analysts during the course of the year. Overall Technicolor handled 634 meetings or calls with investors and analysts over the course of the year.

Technicolor focuses its involvement in community initiatives on digital artist education. In addition to its support to the Training Academies (see section 6.5), the Group support other educational initiatives to give opportunities to young talent to access to studios and to develop their skills: training students in schools, donating equipment, one week work experience, paid summer internship in VFX studios, supporting third party digital artists schools (India).

It also continues to support activities in various environments relating to the world of film: launching festivals for new talent, organizing screenings for children in hospitals *(Les Toiles Enchantées)*, supporting charities, and developing new experimental technologies or supporting joint initiatives with students to foster product and service innovation.

Aspects of Technicolor's Significant Participation with Stakeholders

Stakeholder Group	Type
Allseen Alliance	Standards Development
Advanced Television Systems Committee	Standards Development
Blu-ray Disc Association	Standards Development
Cap Digital (FR)	Research Cluster
Networked and Electronic Media Initiative - European Technology Platform	Research Cluster
Digital Video Broadcasting Group	Standards Development
High Definition Forum (FR)	Standards Development
High Definition Multimedia Interface Forum	Standards Development
Moving Pictures Expert Group	Standards Setting
Images & Reseaux (FR)	Research Cluster
ETSI	Standards Setting
UHD Alliance	Standards Setting

Technicolor continues to develop trusted relations with public authorities where it operates in order to secure a favorable business, social and technological environment. Such relations are managed either directly or indirectly through industry associations, and follow strictly our business ethics rules, especially competition and anti-bribery rules as well as transparency through the national registration processes of declaration of interest.

During 2015, the strongest themes related to Social Responsibility that were linked to the wide range of stakeholders centered on conservation of natural resources, increased attention to community sustainability, increased transparency, and continuous improvement related to human rights in supply chain.

6.4 SUPPLIER AND SUB-CONTRACTOR RELATIONS

All data reported in this section do not cover the activities acquired in 2015.

Through meetings, contracts, and other methods of formal communication, the Group shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by Human Rights laws and standards, and strive for continual improvement in their environmental management systems, processes and products.

Technicolor requires its suppliers and sub-contractors to actively support its EH&S Principles. Suppliers are required to comply with the legal requirements and standards of their service or industry as applicable under the national law of the countries in which they operate. Technicolor suppliers and sub-contractors also ensure the compliance of their components and products with specific legal requirements applicable in the countries where their products are being sold.

Beyond raw material and component purchasing, the main areas where Technicolor subcontracts production and services are the manufacturing of set- -top boxes and gateways (86%), and part of the logistics of the DVD Services in Europe (35%) (see section 7.1.1). In addition, to manage seasonal peak workloads within DVD Services, Technicolor uses contracted labor services to provide additional workforce on packaging and distribution sites in America, where site headcount may double during the peak season.

To ensure effective supplier and subcontractor assessments, Technicolor has defined and implemented the Supplier Ethics program with a specific audit scope and focus for suppliers categorized as “high risk,” defined as suppliers in countries with a relatively high potential for adverse Human Rights Issues. This key supplier audit tool, which includes a review of EH&S systems and performance, has been developed and implemented since 2003, with 29 audits performed in 2015. The primary sub-contracting scope within the Group is within the Connected Home business, where sub-contracting represents the majority of units sold, and thus almost all audits originating as part of the Supplier Ethics program are targeting suppliers and sub-contractors for the Connected Home business as sub-contracting is very low profile in Entertainment Services and Technology. Conversely, the year-end seasonal labor peaks are strongly represented in Entertainment Services and the Group ensures that all temporary workers receive all required EHS training, information, and equipment for their responsibilities, no matter how limited the duration of employment, the same as any other worker within the Group.

During 2015, Technicolor pursued the implementation of the Code of Conduct for the Electronics Industry Citizenship Coalition under its Applicant Member status.

Technicolor monitors key performance indicators according to SA8000 criteria for key active electronics manufacturing service partners to ensure they comply with CSR regulations and practices. Technicolor Sourcing gives preference to suppliers who have achieved ISO 9001 certification and who are certified to meet such EH&S standards such as ISO 14001 and OHSAS 18001. The Technicolor Supplier Ethics program:

- ensures that Technicolor suppliers respect our policies and program requirements;
- promotes economic and social welfare through the improvement of living standards and support for non-discriminatory employment practices. Technicolor actively seeks suppliers with similar interests and ethics commitments. Suppliers are expected to adhere to these basic principles:
  - tolerate no discrimination and encourage diversity,
  - promote best working conditions,
  - use no child or forced labor,
  - protect peoples’ health, safety and the environment,
  - support employee development,
  - respect fair market competition,
  - strive to be a good corporate citizen,
  - respect consumer and personal privacy,
  - avoid potential conflicts of interests.

To ensure that suppliers respect established principles, Technicolor sourcing management:

- defines a list of high risk commodities and countries;
- determines when ethics audits, always performed by Technicolor-selected auditors, are required;

- requires all suppliers must sign the General Rules of Conduct Compliance Certificate;
- periodically reviews all suppliers according to the Technicolor Suppliers Ethics Handbook/Checklist procedure.

Through these audits and other methods, Technicolor shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by human rights laws and standards, and strive for continual improvement in their environmental management systems, processes and products. During the audit process, instances of child labor are classified as "critical," resulting in an immediate stoppage of business. Audits revealing employee discrimination, forced labor, safety violations, permanent disabilities or fatal injuries are classified as "major," and require immediate corrective action.

Mindful of regulations banning or restricting certain chemical substances, Technicolor implemented a process for obtaining and tracking information about its suppliers. This system allows for the identification and estimation of relevant chemical substances in Technicolor's products and ensures that banned substances are not included.

6.5 EDUCATIONAL INITIATIVES

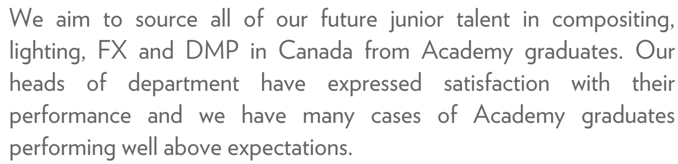
MPC Academy is a global initiative of the Group to help bring new talent into the visual effects business. It is an in-house finishing school. We hire candidates with some education in a specialty within our field, and train them up to the level where they are ready to work on feature film visual effects.

Growth in the Montreal, Vancouver, and Bangalore studios comes with a large demand for talent. The educational institutions in these areas do not graduate talent with the necessary skill sets in the quantity demanded by the industry. In response, MPC decided to be proactive and started this initiative to develop our own talent. We created in-house training space with industry standard equipment in Montreal, Vancouver and Bangalore. We offer paid employment for a one-year contract where they will spend from 8-12 weeks in full time training. Those who graduate transition into their department where they work on feature films.

Our first Academy run in our Canadian studios was in the autumn of 2014 and in our Indian studio, mid 2015. The start of 2016 brings our fifth run in both the Montreal and Vancouver studios, and our third run in Bangalore. The departments we have trained for are compositing, lighting, FX, digital matte painting (DMP), animation, roto prep and matchmove. Since this project began, MPC has trained 284 artists globally. The project has been a success and continues to be a central part of our talent strategy in Canada and India.

It represents an excellent opportunity for young people in the communities in which we operate to break into the film visual effects business. It is challenging to get a chance to work in visual effects and the MPC Academy opens the door and provides this opportunity. It is an investment not only in our own future talent, but in the communities where we operate. Access is not limited to the national citizens, but open to talent around the world, wherever they come from. We have welcomed Academy students from Mexico, Brazil, Thailand, Columbia, Indonesia, China, Japan, Korea, together with India, North American and Europe. Hundreds of young people who may not have otherwise have been given a chance have been provided an opportunity to join our creative community. They have the support of a full time trainer in the department they are preparing for, and they are given detailed feedback along the way so they understand what they need to do to succeed.

The majority of those hired into the Academy have graduated and gone on to complete their first year contract. After a year, many have received subsequent contracts from MPC and others have gone on to work for our competitors. We see that as a validation of the success of the Academy. Visual effects is a show based cyclical business. Artists tend to be contract based and work at a variety of companies on different projects. We believe that since we took a risk and invested on emergent talent and created an excellent experience for their entry to the business, that they are likely to return to MPC because of the loyalty inspired. Overall, this program allows us to contribute to local economies and employment, and can help grow a larger available talent pool for the industry cluster.



We aim to source all of our future junior talent in compositing, lighting, FX and DMP in Canada from Academy graduates. Our heads of department have expressed satisfaction with their performance and we have many cases of Academy graduates performing well above expectations.

We see this as a partnership between the Group and local education establishments make the countries we work in attractive to creative talent. To this end further steps are being taken to better prepare students while they are still in school. We have held events in both Montreal and Vancouver to invite the local colleges and universities to MPC and offer our help to better prepare their students to work in visual effects. Subsequent events have been held in Montreal including an "educator's week" in January 2016 to provide hands on training for educators in our studios using our tools.

MPC Academy represents both a central strategic talent initiative and a way for the Group to give back to the community. It helps bring social and economic benefits to the cities we work in as every Academy student will need to live, travel, eat and play in their communities. As these communities become recognized as great places for creative talent it will attract new work and companies as well as stimulate other spin-off businesses. It is a great example of a win-win situation where doing the right thing is also good business.

6.6 REPORT OF ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD-PARTY, ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PUBLISHED IN THE MANAGEMENT REPORT

This is a free English translation of the Statutory Auditors' report issued in French and is 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 standards applicable in France.

For the year ended 31st 2015

To the Shareholders,

In our capacity as Statutory Auditors of TECHNICOLOR S.A (the "Company"), appointed as independent third party and certified by COFRAC under numbers 3-1048[1], we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st, 2015 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available upon request at the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

STATUTORY AUDITORS' RESPONSIBILITY

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved four people and was conducted between December 2015 and February 2016 during a four week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

(1) Whose scope is available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

1. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the chapter "6.SOCIAL INFORMATION AND SUSTAINABILITY" of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

Nature and scope of our work

We conducted about ten interviews with the people responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important(1):

- at parent entity and three sites level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities/divisions/sites selected by us(2) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 19% of headcount and between 38% and 66% of quantitative environmental data disclosed.

(1) Social indicators: total workforce at the end of the year; split by gender; hirings and terminations; number of hours person of training; average rate of employee absenteeism; Work Related Incident Rates for 200,000 hours worked; severity rate.
Environmental indicators: total waste generated; process waste water; water consumption; energy consumption.
Qualitative information: Working time management and absenteeism; Health & Safety management; Programs, systems & activities; Environmental investments, remediation and pollution prevention; Stakeholders relations and local impacts of the company's activities; Supplier and sub-contractor relations

(2) Entities covered by testing on social and environmental information: Memphis (USA), Guadalajara (Mexico) et Rennes (France).

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, February 25th 2016

One of the Statutory Auditors
Deloitte & Associés

Ariane Bucaille
Partner

Julien Rivals
Sustainability Services

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7.1 PROPERTY, PLANT AND EQUIPMENT

OPERATING FACILITIES AND LOCATIONS

Technicolor occupies, as owner or tenant, a number of office buildings, manufacturing plants, and distribution and warehousing sites around the world. Technicolor is constantly reviewing its real estate needs in order to improve efficiency and minimize costs.

In 2015, Technicolor took a number of key actions to optimize its global real estate footprint either through closure, transfer, sublease or new smaller sites.

The key actions taken to reduce the Group's real estate footprint in 2015 included:

Operating Facilities	Primary Activity	Type of Action
Romulus (MI), United States	Distribution	Closure
Mississauga (ON), Canada	Distribution	Closure
Pinewood Studios (London), United Kingdom	Production	Transfer
Burbank 2233 Ontario Street (CA), United States	Office	Transfer
Wilmington (OH), United States	Distribution	Transfer
San Francisco (CA), United States	Production	Sublease
Ontario (CA), United States	Distribution	Move to a smaller site
Princeton (NJ), United States	Office	Move to a smaller site

In 2015, Technicolor made several acquisitions that have enlarged significantly the total footprint:

Acquisitions	Primary Activity	Total Square feet
Cisco Connected Devices	Lab/Office	253,659
North American assets of Cinram	Distribution/Manufacturing	4,546,661
Mikros Image	Production	53,794
The Mill	Production	119,129

End 2015, the global real estate footprint is 14.5 million square feet compared to 9.8 million square feet end 2014, *i.e.* an increase of 48%.

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 2015, Technicolor is owner or tenant of the following key facilities:

Main Operating Facilities	Primary Activity	Own/Lease	Square Feet
Memphis (TN, United States)	Distribution	Lease	4,197,506
Huntsville (AL, United States)	Distribution/Manufacturing	Lease	1,670,974
Olyphant (PL, United States)	Manufacturing	Lease	1,024,000
LaVergne (TN, United States)	Distribution	Lease	770,000
Livonia (MI, United States)	Distribution	Lease	766,557
Toronto (ON, Canada)	Distribution	Lease	635,124
Brampton (ON, Canada)	Distribution	Lease	459,128
Kennesaw (GA, United States)	Distribution	Lease	368,931
Mexicali (Mexico)	Distribution	Lease	342,427
Rugby (United Kingdom)	Distribution	Lease	282,675
Guadalajara (Mexico)	Manufacturing	Own	272,850
Piaseczno (Poland)	Manufacturing	Own	269,000
Tultitlan (Mexico)	Distribution	Lease	239,282
Northampton (United Kingdom)	Distribution	Lease	210,000
Issy-les-Moulineaux (France)	Office	Lease	195,419
Indianapolis (IN, United States)	Lab/Office	Lease	194,310
Rennes-Cesson (France) Les Champs Blancs	Lab	Lease	194,129
Bangalore (India)	Production/Office	Lease	185,760
Lawrenceville (GA, United States)	Lab/Office	Lease	170,307
Camarillo (CA, United States)	Distribution	Lease	144,465
Prestons (Australia)	Distribution	Lease	137,014
Hollywood (CA, United States)	Office	Lease	114,958
Montreal MPC (Canada)	Production	Lease	84,109
Toronto (Canada)	Production	Lease	76,749
Sydney (NSW, Australia)	Distribution	Lease	75,057
Beijing (China)	Office	Lease	71,720
Burbank (CA, United States)	Production/Office	Lease	66,952
Los Angeles Paramount (United States)	Production/Office	Lease	64,573
Montreal Ste Catherine (Canada)	Production	Lease	61,913
Murfreesboro (TN, United States)	Distribution	Lease	60,000
London MPC (United Kingdom)	Production	Lease	59,742
Manaus (AM, Brazil)	Manufacturing	Own	50,001
Boulogne (France)	Production	Lease	48,713
Chennai (India)	Lab/Office	Lease	48,000
Melbourne (Australia)	Manufacturing/Distribution	Lease	43,411
Vancouver (Canada)	Production	Lease	43,075
Edegem (Belgium)	Office	Lease	42,076
Hanover (Germany)	Lab/Office	Lease	40,494
Glendale, Flower Street (CA, United States)	Film Lab/Office	Lease	39,950
New York - The Mill (NY, United States)	Production	Lease	36,100
Shanghai (China)	Lab/Office	Lease	32,590

Summary of Operating Facilities	Square Feet	Percentage of Surface
Office	1,315,214	9%
Lab	260,611	1.8%
Film Lab	39,950	0.3%
Manufacturing	2,986,824	20.6%
Production	840,638	5.9%
Warehouse/Distribution	9,046,864	62.4%
ALL PROPERTIES	**14,490,101**	**100%**

Production: *sites dedicated to digital work for Production Services (post production, visual effects, animation, etc.).*
Manufacturing: *sites dedicated to DVDs/Blu-rays™, set top boxes and gateways manufacturing.*
Film lab: *Photochemical film development and printing sites.*
Lab: *research sites.*
Office: *sites dedicated to corporate and support functions activities and product development.*
Warehouse/Distribution: *sites dedicated to DVDs/Blu-rays™ distribution/warehousing.*

Manufacturing, Production, Film Processing and Distribution

Technicolor's manufacturing, production, film processing, and distribution facilities accounted for 89% of its facilities space, at the end of 2015. The location of each significant facility can be found in the table above.

Technicolor's respective business segments have varying approaches to performing these activities; each is discussed in turn below.

DVD Replication and Distribution

Global distribution and supply chain activities are provided in-house and through a network of contracted Third-Party Logistic Providers (3PLs). In markets where distributed unit volumes are sufficient, Technicolor completes all distributions and logistics activities in-house. In smaller markets, or where other considerations prevail, these activities are completed by 3PL's on Technicolor's behalf. In North America and Australia, the Group distributed 100% in-house; in Europe, approximately 65% in-house and approximately 35% by 3PL's.

Post Production, VFX and Animation

Following the rapid shift to digital cinema since 2010, the Company has downsized or transferred digital distribution, Media Services and photochemical films activities. 2015 activities were mainly focused on picture and sound post production services and on VFX and animation services entirely produced in house. For more information, please refer to section 1.3.2: "Entertainment Services" of this Registration Document.

Set Top Boxes, Gateways, and Connected Devices

In 2015, Technicolor shipped a total of about 31.8 million modems and gateways, Set-Top Box, and other Connected Devices. Overall, around 14% of the Group's total volume has been manufactured in-house, with the rest of its volumes being outsourced to partners in Asia, Mexico and Argentina.

The total in-house manufacturing and replication output for the Group can be found in the table below for 2015:

In-house Manufacturing and Replication	Number of Units
Entertainment Services	
DVD replication	1.0 billion DVDs
Blu-ray™ Replication	277 million Blu-ray™ discs
Theatrical post production (picture & sound)	230 feature films
Broadcast post production (picture & sound)	224 series
VFX shots for feature films	9,000 shots
VFX shots for TV content	3,000 shots
VFX shots for advertising	150,000 shots
Connected Home	
Modems and gateways, Set-Top Box and other Connected Devices	4.4 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 Company's house of the Trade Registry of Nanterre, France.

7.2.1 CORPORATE PURPOSE

"Technicolor's 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 can be found in Chapter 4: "Corporate governance and internal control", section 4.1.2: "Composition and expertise of the Board of Directors" of this Registration Document.

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. In accordance with paragraph 3 of article L. 225-123 of the French Commercial Code, it is not granted any double voting right for shares for which it is justified of a registered form during at least two years in the name of the same shareholder" (Article 20 of the bylaws).

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 share in the profits, and to the liquidation proceeds, in an amount equal to the portion of the share capital represented by such share.

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 a share entails, by operation of law, adherence to the by-laws of the Company and to the decisions of the General Shareholders' Meeting and the Board of Directors, acting by delegation of the General 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 in 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 his identity, to participate in General Shareholders' Meetings, by attending in person, by mailing in a voting form, by designating a proxy or (...) by electronic vote during a meeting."

"Such participation, in any form whatsoever, is subject to the registration or the recording of the shares, either in the Company's registered share account, or in a bearer share account held by an authorized intermediary, within the time limits and under the conditions provided for by applicable regulations. In the case of bearer shares, the registration or the recording of the shares is confirmed by a certificate of participation delivered 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 deadline 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 cross 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 that may be decided by judicial decision upon request by the Chairman, a shareholder, or the *Autorité des marchés financiers*.

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 of 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 relating to the Incremental Term Loan described in Chapter 2: "Operating and financial review and prospects", section 2.10.3 "Financial resources" of this Registration Document.

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 €117,144.01 in 2015 for the Company and correspond to non-deductible lease payments on private vehicles.

7.5 ORGANIZATION OF THE GROUP

7.5.1 LEGAL ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2015

Main legal entities
ASIA AND AMERICA

TECHNICOLOR SA

- 100% Technicolor Asia Pacific Investments Pte Ltd. (Singapore)
  - 100% Technicolor Malaysia Sdn Bhd (Malaysia)
  - 100% Beijing Thomson Commerce Co Ltd. (China)
  - 100% Technicolor Asia Pacific Holdings Pte Ltd. (Singapore)
    - 48.88% Technicolor India Privat Ltd. (India)
  - 51.12% Technicolor India Privat Ltd. (India)
- 99.9% SOFIA SA (France)
  - 26.62% Technicolor Delivery Technologies SAS (France)
- 73.38% Technicolor Delivery Technologies SAS (France)
  - 100% Technicolor (China) Technology Co. Ltd. (China)
  - 99.99% Thomson Telecom Mexico S.A. de C.V. (Mexico)
  - 100% Technicolor Asia Limited (Hong Kong)
  - 100% Technicolor Connected Home Singapore Pte Limited (Singapore)
  - 100% Technicolor Connected Home India Pte Limited (India)
- 100% Technicolor Holdings USA. Inc. (USA)
  - 100% Technicolor Treasury USA. LLC. (USA)
- 99.99% Technicolor Brasil Midia E entretenimento Ltda. (Brazil)
- 100% Technicolor Home Entertainment Services of America LLC (USA)
  - 99.99% Technicolor Export de Mexico. S de R.L. de C.V. (Mexico)
  - 99.99% Technicolor Mexicana. S de R.L. de C.V. (Mexico)
- 99.9% Commercializadora Thomson de Mexico S.A. de C.V. (Mexico)
- 100% Thomson Licensing SAS (France)
  - 100% Thomson Engineering Laboratories. LTD. (Japan)
- 100% Gallo 8 SAS (France)
  - 100% Technicolor Holdings of Canada. Inc. (Canada)
    - 100% Technicolor Canada. Inc. (Canada)
      - 100% Mikros Image Canada Inc. (Canada)
      - 100% Mr. X Inc. (Canada)
  - 100% Technicolor Australia Investments Ltd. (UK)
    - 100% Technicolor Pty Ltd. (Australia)
      - 100% Technicolor Delivery Technologies Australia Pty Ltd. (Australia)
      - 100% Technicolor Distribution Australia Pty Ltd. (Australia)
  - 100% Technicolor Holdings Ltd. (UK)
    - 100% The Mill Facility Ltd. (UK)
      - 100% The Mill Group Inc. (USA)
      - 100% Beam TV Inc. (USA)
- 100% Technicolor USA Inc. (USA)
  - 100% Technicolor. Inc. (USA)
    - 100% Technicolor Creative Services USA. Inc. (USA)
  - 100% Thomson Licensing LLC (USA)
  - 100% Technicolor Technology Licensing LLC (USA)
  - 89.6% MediaNaviCo LLC (dba M-GO) (USA)
  - 100% Technicolor Videocassette of Michigan. Inc. (USA)
  - 100% Technicolor Home Entertainment Services. Inc. (USA) (Subsidiaries in USA and Mexico)
  - 100% Technicolor Connected Home USA LLC (USA)

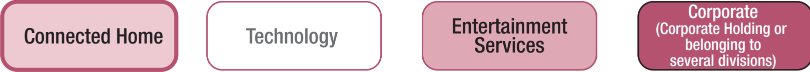
SEGMENTS:

- Connected Home
- Technology
- Entertainment Services
- Corporate (Corporate Holding or belonging to several divisions)

Main legal entities
EUROPE

- **TECHNICOLOR SA**
  - 100% → Thomson Multimedia Distribution (Netherlands) B.V (Netherlands)
  - 100% → Technicolor Entertainment Services France S.A. (France)
    - 51% → Ouido Productions SAS (France)
    - 100% → Mikros Image SA (France)
  - 100% → Technicolor Entertainment Services Spain. S.A. (Spain)
  - 100% → Technicolor Milan S.R.L. (Italy)
  - 100% → Thomson Licensing SAS (France)
    - 100% → Thomson Licensing DTV (France)
    - 100% → Tech 5 SAS (France)
    - 99.90% → Technicolor R&D France SNC (France)
    - 97% → Laboratoires Thomson AG (Switzerland)
  - 73.38% → Technicolor Delivery Technologies SAS (France)
    - 99.99% → Technicolor Connected Home Rennes SNC (France)
    - 100% → Technicolor Connected Home Germany GmbH (Germany)
    - 100% → Technicolor Connected Home Italy S.r.l (Italy)
    - 100% → Technicolor Connected Home Spain Sl (Spain)
    - 100% → Technicolor Connected Home UK Ltd. (UK)
    - 100% → Technicolor Connected Home Poland Sp. Z.o.o. (Poland)
    - 100% → Technicolor Delivery Technologies Belgium N.V (Belgium)
    - 100% → Thomson Sales Scandinavia A.B. (Sweden)
  - 99.99% → SOFIA SA (France)
    - 26.62% → Technicolor Delivery Technologies SAS (France)
  - 100% → Gallo 8 SAS (France)
    - 100% → Technicolor Holdings Ltd. (UK)
      - 100% → Technivision Ltd. (UK)
        - 100% → Technicolor Ltd. (UK)
          - 100% → Technicolor Media Services UK Ltd. (UK)
        - 100% → Technicolor Videocassette Holdings UK Ltd. (UK)
          - 100% → Technicolor Disc Services International Ltd. (UK)
          - 100% → Technicolor Video Services UK Ltd (UK)
      - 100% → Technicolor Europe Ltd. (UK)
        - 100% → Technicolor Polska Sp. Z.o.o. (Poland)
      - 100% → The Moving Picture Company Ltd. (UK)
      - 100% → The Mill Facility Ltd. (UK)
    - 100% → Technicolor Australia Investments Limited (UK)
    - 100% → Technicolor Distribution Services France SARL (France)
  - 100% → RCA Trademark Management SAS (France)
  - 100% → Technicolor Trademark Management SAS (France)
    - 100% → Technicolor Technology Licensing SAS (France)

SEGMENTS:



7.5.2 OPERATIONAL ORGANIZATION

The Group's organizational chart below contains the Group's main operating subsidiaries, classified by segments. These subsidiaries are directly held by Technicolor or indirectly held through holding companies as of December 31, 2015. They have been selected based on their contribution to the Group's revenues (external and intra-group) or on their workforce. Revenues from these subsidiaries represented 97.3% of the Group's revenues (external and intra-group) in 2015.

The list of main consolidated subsidiaries is described in Chapter 8, note 36 to the Group's consolidated financial statements. A summary table sets forth the list of Group's subsidiaries broken down by the geographic location of the entity (please refer to Chapter 8, note 4 to the consolidated financial statements).

Main financial data (revenues, profit (loss) from continuing and discontinuing activities, geographic breakdown of assets and liabilities) as well as Goodwill and trademarks are broken down for each segment in the Group's consolidated financial statements in notes 5 and 13, respectively.

	Technology	Connected Home	Entertainment Services
France	▪ Thomson Licensing SAS ▪ RCA Trademark Management SAS ▪ Technicolor R&D France SNC ▪ Technicolor Trademark Management SAS	▪ Technicolor Delivery Technologies SAS ▪ Technicolor Connected Home Rennes SNC	▪ Technicolor Distribution Services France SARL ▪ Technicolor Entertainment Services France SAS ▪ Mikros Image SA ▪ Ouido Productions SAS
Europe excl. France	▪ Deutsche Thomson OHG		▪ Technicolor Polska Sp.Z.o.o. ▪ The Moving Picture Company Ltd. (MPC) ▪ Technicolor Disc Services International Ltd. (Hammersmith) ▪ Technicolor Video Services (UK) Ltd. ▪ Thomson Multimedia Distribution (Netherlands) BV ▪ Technicolor Ltd. ▪ The Mill (Facility) Ltd.
Americas	▪ Thomson Licensing LLC	▪ Technicolor Brasil Midia E Entretenimento Ltda ▪ Technicolor Connected Home USA LLC ▪ Thomson Telecom Mexico, S.A. de C.V. ▪ Comercializadora Thomson de Mexico S.A. de C.V. ▪ Technicolor Connected Home Canada Inc.	▪ Technicolor USA Inc. ▪ Technicolor Videocassette of Michigan, Inc. ▪ Technicolor Home Entertainment Services Inc. ▪ Technicolor Creative Services USA Inc. ▪ Technicolor Canada, Inc. ▪ Technicolor Home Entertainment Services de Mexico S. de R.L. de C.V. ▪ Technicolor Mexicana, S. de R.L. de C.V. ▪ Technicolor Home Entertainment Services Southeast, LLC ▪ The Mill Group Inc. ▪ Mr. X Inc.
Asia		▪ Technicolor Delivery Technologies Australia, Pty, Ltd ▪ Technicolor (China) Technology Co., Ltd. ▪ Technicolor Malaysia Sdn Bhd ▪ Technicolor Connected Home India Private Ltd.	▪ Technicolor, Pty, Ltd. ▪ Technicolor India Privat Ltd. ▪ Technicolor Distribution Australia, Pty, Ltd.

Parent company

On December 31, 2015, Technicolor SA had 176 employees. It mainly hosts the activities of Group management, support functions, Group treasury and part of the segments Connected Home and Technology. The Company's income statement (as presented in the corporate financial statements) shows a net loss of €186 million in 2015 (compared with a loss of €173 million in 2014) (for more information regarding the parent company, refer to Technicolor SA's corporate financial statements and notes to the financial statements in Chapter 8: "Technicolor financial statements", sections 8.4 "Technicolor SA parent company financial statements" and 8.5 "Notes the parent company financial statements" of this Registration Document).

Main cash flows between the Company and the subsidiaries

The Company ensures the financing of its subsidiaries by loans and current accounts (net payable position of €355 million before depreciation at December 31, 2015) and equity instruments and, consequently, received €622 million in dividends in 2015 (compared with €231 million in 2014). The Company has organized a system of centralization of the treasury in the main countries where it operates and implements hedge transactions for the Group, in accordance with defined management rules.

The Company also provides services to companies affiliated to the Group in Information Systems, purchases, management, treasury, people and various counsels. These services are invoiced either on the basis of a percentage of the income or/and of the net profit of the subsidiaries, through a fixed fee, or charged for each service.

For more details, see note 21 to the Company's statutory accounts for related party transactions.

7.6 AVAILABLE DOCUMENTS

The bylaws and other corporate documents of the Company, any evaluation or statement prepared by an expert at the request of the Company, part of which is included or mentioned in this Registration Document, and, more generally, all documents sent or made available to shareholders pursuant to French law may be consulted at the Company's registered office, 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 Registration Document are available free of charge. This Registration Document 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 Mrs. Ariane Bucaille

Mazars
61, rue Henri-Régnault – Tour Exaltis
92400 Courbevoie
Represented by Messrs. Jean-Louis Simon and Guillaume Devaux

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 to be 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 on April 29, 2016.

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: appointed by the Combined Shareholders' Meeting of June 20, 2012. Their mandate will expire at the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2017.

Mr. Patrick de Cambourg: renewed by the Annual Ordinary Shareholders' Meeting held on June 17, 2010. His mandate will expire at the Shareholders' Meeting to be held on April 29, 2016.

7.8 TABLE OF AUDITORS' FEES

	Deloitte		Mazars		Total	
(in thousands euros)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Audit services [1]	**2,470**	**2,100**	**1,965**	**1,634**	**4,435**	**3,734**
▪ Technicolor SA	733	730	793	706	1,526	1,436
▪ Subsidiaries	1,737	1,370	1,172	928	2,909	2,298
Other services relating to the audit function [2]	**536**	**117**	**177**	**78**	**713**	**195**
▪ Technicolor SA	181	66	152	35	333	101
▪ Subsidiaries	355	51	25	43	380	94
Tax fees [3]	**214**	**39**	**-**	**14**	**214**	**53**
▪ Technicolor SA	-	-	-	-	-	-
▪ Subsidiaries	214	39	-	14	214	53
Other fees	**526**	**-**	**-**	**-**	**526**	**-**
▪ Technicolor SA	-	-	-	-	-	-
▪ Subsidiaries	526	-	-	-	526	-
TOTAL	**3,746**	**2,256**	**2,142**	**1,726**	**5,888**	**3,982**

(1) Audit Fees are the aggregate fees billed by the Statutory Auditors for professional services in connection with the audit of the Company's consolidated annual financial statements and services normally provided by these auditors in connection with statutory and regulatory filings or engagements, including reviews of interim financial statements, as well as audits of statutory financial statements of the Company and its subsidiaries.
(2) Audit-Related Fees consist of fees billed for services related to audits of financial statements in connection with disposals or acquisitions as well as other regulatory attestations.
(3) Tax Fees include fees billed for tax compliance and for tax advice on actual or contemplated transactions, expatriate employee tax services and transfer pricing studies.

7.9 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

7.9.1 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Frédéric Rose, Chief Executive Officer, Technicolor.

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to affect the fairness of the presentation.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of its consolidated subsidiaries, and that the management report, integrated within this Registration Document, fairly presents the evolution of the business, results and financial position of the Company and its consolidated subsidiaries, together with a description of the principal risks and uncertainties that they face.

I have received a letter of completion of assignment from the Statutory Auditors, in which they state that they have verified the information relating to the financial position and the financial statements set out in this Registration Document and have read the Registration Document in its entirety.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2015, included on page 254 of this Registration Document is unqualified and does not contain any observation.

The report on the annual financial statements for the same fiscal year, included on page 282 of this Registration Document is unqualified and does not contain any observation.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2014, included on page 249 of the 2014 Registration Document submitted to the AMF on March 18, 2015 under the No. D. 15-0152 and included by reference in this document is unqualified and does not contain any observation.

The Statutory Auditors' report on the annual financial statements for the same year, included on page 278 of the 2014 Registration Document is unqualified and does not contain any observation.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2013, included on page 252 of the 2013 Registration Document submitted to the AMF on March 27, 2014 under the No. D. 14-0213 and included by reference in this document is unqualified and does not contain any observation.

The Statutory Auditors' report on the annual financial statements for the same year, included on page 278 of the 2013 Registration Document is unqualified and does not contain any observation.

The historical financial information presented in this Registration Document has been subject to reports by the Statutory Auditors.

Chief Executive Officer of Technicolor,

Frédéric Rose

7.9.2 RESPONSIBLE FOR INFORMATION

Ms. Esther Gaide, Chief Financial Officer of 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

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8.1 TECHNICOLOR 2015 CONSOLIDATED FINANCIAL STATEMENTS

8.1.1 CONSOLIDATED STATEMENT OF OPERATIONS

		Year ended December 31	
(in million euros)	Note	2015	2014
CONTINUING OPERATIONS			
Revenues		3,652	3,332
Cost of sales		(2,818)	(2,513)
Gross margin		**834**	**819**
Selling and administrative expenses	*(6)*	(331)	(315)
Research and development expenses	*(7)*	(128)	(136)
Restructuring costs	*(26)*	(39)	(25)
Net impairment losses on non-current operating assets	*(8)*	(27)	(48)
Other income (expense)	*(6)*	(45)	7
Profit (loss) from continuing operations before tax and net financial income (expense)		**264**	**302**
Interest income	*(9)*	9	10
Interest expense	*(9)*	(72)	(75)
Other financial income (expense)	*(9)*	(24)	(52)
Net financial income (expense)	*(9)*	**(87)**	**(117)**
Share of loss from associates		(1)	-
Income tax	*(10)*	(55)	(48)
Profit (loss) from continuing operations		**121**	**137**
DISCONTINUED OPERATIONS			
Net gain (loss) from discontinued operations	*(11)*	**(43)**	**(9)**
NET INCOME (LOSS)		**78**	**128**
Attributable to:			
▪ *Equity holders*		*82*	*132*
▪ *Non-controlling interest*		*(4)*	*(4)*

		Year ended December 31	
(in euro, except number of shares)	Note	2015	2014
Weighted average number of shares outstanding (basic net of treasury shares held) *	*(29)*	357,355,262	347,817,962
Earnings (losses) per share from continuing operations			
▪ basic		0.35	0.41
▪ diluted		0.34	0.41
Earnings (losses) per share from discontinued operations			
▪ basic		(0.12)	(0.03)
▪ diluted		(0.12)	(0.03)
Total earnings (losses) per share			
▪ basic		0.23	0.38
▪ diluted		0.22	0.38

* *According to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted for 2014 and 2015 to take into account the share capital increase with preferential subscription rights that occurred on November 17, 2015. The earnings per share was adjusted accordingly.*

The accompanying notes on pages 177 to 253 are an integral part of these consolidated financial statements.

8.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in million euros)	Note	Period ended December 31 2015	2014
Net income (loss) for the year		**78**	**128**
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligations	*(25)*	21	(70)
Items that may be reclassified subsequently to profit or loss			
Fair value gains/(losses), gross of tax on cash flow hedges:			
■ Reclassification adjustments when the hedged forecast transactions affect profit or loss	*(22)*	1	1
Currency translation adjustments:			
■ Currency translation adjustments of the year		(32)	33
Total other comprehensive income [(1)]		**(10)**	**(36)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**68**	**92**
Attributable to:			
■ *Equity holders of the parent*		*72*	*96*
■ *Non-controlling interest*		*(4)*	*(4)*

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

The accompanying notes on pages 177 to 253 are an integral part of these consolidated financial statements.

8.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million euros)	Note	December 31, 2015	December 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment	*(12)*	302	284
Goodwill	*(13)*	1,221	448
Other intangible assets	*(13)*	454	476
Investments in associates and joint ventures	*(15)*	16	10
Investments and available-for-sale financial assets	*(15)*	22	8
Contract advances and up-front prepaid discount	*(14)*	39	53
Deferred tax assets	*(10)*	365	342
Income tax receivable		1	1
Other non-current assets	*(18)*	54	37
Cash collateral and security deposits	*(19)*	23	15
Total non-current assets		**2,497**	**1,674**
Current assets			
Inventories	*(16)*	311	99
Trade accounts and notes receivable	*(17)*	704	580
Derivative financial instruments		3	2
Income tax receivable		62	35
Other current assets	*(18)*	300	326
Cash collateral and security deposits	*(19)*	15	21
Cash and cash equivalents	*(19)*	385	328
Assets classified as held for sale	*(11)*	24	-
Total current assets		**1,804**	**1,391**
TOTAL ASSETS		**4,301**	**3,065**

The accompanying notes on pages 177 to 253 are an integral part of these consolidated financial statements.

(in million euros)	Note	December 31, 2015	December 31, 2014
EQUITY AND LIABILITIES			
Shareholders' equity			
Common stock *(411,443,290 shares at December 31, 2015 with nominal value of €1 per share)*	*(20)*	411	336
Treasury shares		(155)	(157)
Additional paid-in capital		1,233	939
Subordinated perpetual notes		500	500
Other reserves		(25)	(43)
Retained earnings (accumulated deficit)		(1,016)	(1,098)
Cumulative translation adjustment		(286)	(254)
Shareholders' equity attributable to owners of the parent		**662**	**223**
Non-controlling interest		4	(4)
TOTAL EQUITY		**666**	**219**
Non-current liabilities			
Borrowings	*(23)*	1,207	852
Retirement benefits obligations	*(25)*	353	384
Restructuring provisions	*(26)*	-	2
Other provisions	*(26)*	40	56
Deferred tax liabilities	*(10)*	126	106
Other non-current liabilities	*(28)*	159	189
Total non-current liabilities		**1,885**	**1,589**
Current liabilities			
Borrowings	*(23)*	86	59
Retirement benefit obligations	(25)	29	30
Restructuring provisions	*(26)*	20	34
Other provisions	*(26)*	90	62
Trade accounts and notes payable	*(17)*	746	502
Derivative financial instruments		1	4
Accrued employee expenses		166	130
Income tax payable		59	29
Other current liabilities	*(28)*	541	407
Liabilities classified as held for sale	*(11)*	12	-
Total current liabilities		**1,750**	**1,257**
TOTAL LIABILITIES		**3,635**	**2,846**
TOTAL EQUITY AND LIABILITIES		**4,301**	**3,065**

The accompanying notes on pages 177 to 253 are an integral part of these consolidated financial statements.

8.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(in million euros)	Note	Year ended December 31 2015	2014
Net income (loss)		**78**	**128**
Income (loss) from discontinued activities		**(43)**	**(9)**
Profit (loss) from continuing activities		**121**	**137**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		185	175
Impairment of assets [1]	*(8)*	32	49
Net changes in provisions		(48)	(39)
Gain on asset disposals		(7)	(8)
Interest (income) and expense	*(9)*	63	65
Other non-cash items (including tax)		81	67
Changes in working capital and other assets and liabilities	*(31)*	58	5
Cash generated from continuing activities		**485**	**451**
Interest paid		(58)	(66)
Interest received		10	10
Income tax paid		(52)	(43)
Net operating cash generated from continuing activities		**385**	**352**
Net operating cash used in discontinued activities	*(11)*	(23)	(15)
NET CASH FROM OPERATING ACTIVITIES (I)		**362**	**337**
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(31)*	(688)	(14)
Proceeds from sale of investments, net of cash	*(31)*	2	10
Purchases of property, plant and equipment (PPE)		(51)	(60)
Proceeds from sale of PPE and intangible assets		1	3
Purchases of intangible assets including capitalization of development costs		(56)	(50)
Cash collateral and security deposits granted to third parties		(8)	(7)
Cash collateral and security deposits reimbursed by third parties		9	13
Loans (granted to)/reimbursed by third parties		-	(1)
Net investing cash used in continuing activities		**(791)**	**(106)**
Net investing cash used in discontinued activities	*(11)*	-	(3)
NET CASH USED IN INVESTING ACTIVITIES (II)		**(791)**	**(109)**
Increase of Capital	*(31)*	227	-
Proceeds from borrowings	*(31)*	377	-
Repayments of borrowings	*(31)*	(62)	(194)
Fees paid linked to the debt and capital restructuring	*(31)*	(25)	(26)
Dividends and distributions paid to Group's shareholders	*(20.4)*	(17)	-
Other		(8)	(1)
Net financing cash generated used in continuing activities		**492**	**(221)**
Net financing cash used in discontinued activities		-	-
NET CASH USED IN FINANCING ACTIVITIES (III)		**492**	**(221)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (I + II + III)		**63**	**7**
Cash and cash equivalents at beginning of year		**328**	**307**
Exchange gains/(losses) on cash and cash equivalents		(6)	14
Cash and cash equivalents at end of year		**385**	**328**

(1) Including €5 million and €1 million of impairment of assets as part of restructuring plans in 2015 and 2014, respectively.

The accompanying notes on pages 177 to 253 are an integral part of these consolidated financial statements.

8.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in million euros)	Attributable to equity holders of the Group								Non-controlling interest	Total equity (deficit)
	Share capital	Treasury shares	Additional paid-in capital	Perpetual notes (TSS)	Other reserves	Retained earnings	Cumulative translation adjustment	Total Group equity (deficit)		
Balance at January 1, 2014	**335**	**(156)**	**940**	**500**	**15**	**(1,228)**	**(287)**	**119**	**-**	**119**
Changes in 2014										
Total other comprehensive income *	*-*	*-*	*-*	*-*	*(69)*	*-*	*33*	*(36)*	*-*	*(36)*
Net income (loss) for 2014	-	-	-	-	-	132	-	132	(4)	128
Total comprehensive income for 2014	**-**	**-**	**-**	**-**	**(69)**	**132**	**33**	**96**	**(4)**	**92**
Capital increases (see note 20.1)	1	-	(1)	-	-	-	-	-	-	-
Treasury shares purchased and sold (net amount) (see note 20.2)	-	(1)	-	-	-	-	-	(1)	-	(1)
Share-based payment to employees (see note 27)	-	-	-	-	9	-	-	9	-	9
Other	-	-	-	-	2	(2)	-	-	-	-
Balance at December 31, 2014	**336**	**(157)**	**939**	**500**	**(43)**	**(1,098)**	**(254)**	**223**	**(4)**	**219**
Changes in 2015										
Total other comprehensive income *	*-*	*-*	*-*	*-*	*22*	*-*	*(32)*	*(10)*	*-*	*(10)*
Net income (loss) for 2015	-	-	-	-	-	82	-	82	(4)	78
Total comprehensive income for 2015	**-**	**-**	**-**	**-**	**22**	**82**	**(32)**	**72**	**(4)**	**68**
Capital increases (see note 20.1)	75	-	311	-	-	-	-	386	-	386
Capital Increase allocated to NCI	-	-	-	-	(12)	-	-	(12)	12	-
Treasury shares purchased and sold (net amount) (see note 20.2)	-	2	-	-	-	-	-	2	-	2
Dividend paid	-	-	(17)	-	-	-	-	(17)	-	(17)
Share-based payment to employees (see note 27)	-	-	-	-	8	-	-	8	-	8
BALANCE AT DECEMBER 31, 2015	**411**	**(155)**	**1,233**	**500**	**(25)**	**(1,016)**	**(286)**	**662**	**4**	**666**

* *Refers to details in the "Consolidated Statement of Comprehensive Income".*

The accompanying notes on pages 177 to 253 are an integral part of these consolidated financial statements.

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NOTE 1 GENERAL INFORMATION

1.1 Description of business

Technicolor is a leader in Media & Entertainment Services, developing and monetizing next-generation video and audio technologies. Please refer to note 5 for detailed operating segments.

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.

1.2 Main events of the year

During the first half of the year, Technicolor implemented several actions to reinforce the focus of Production Services around its production activities (VFX, Animation, Postproduction), exited its loss-making Media Services activities and partnered its Digital Cinema activity with Deluxe. In the meantime, the Group has reinforced its position in Animation and Advertising through some acquisitions: Ouido Productions, a Paris-based animation house, and Mikros Image, a French leading VFX and Animation house mainly located in France and Canada. The acquisition of Mikros Image has also strengthened its production services dedicated to the French advertising market.

On June 2015, Technicolor repriced USD763 million and €301 million of its senior secured term loans issued by Tech Finance & Co. S.C.A. maturing in 2020 (the "Term Loan Debt") at new pricing of LIBOR/EURIBOR +400 bps, subject to a 1% LIBOR/EURIBOR floor, a 50 bps reduction from the previous pricing. In parallel, certain amendments to the covenants of the Term Loan Debt were negotiated, notably the gross debt to EBITDA which was revised upward to 4.0x from the previous level of 3.5x. Technicolor also increased the dividend payment basket which now amounts to €150 million between the closing date of the repricing and June 2020 and reduced the excess cash flow sweep from 75% to 50% (subject to step down if certain leverage ratios are reached).

As part of its Drive 2020 strategic plan Technicolor made several acquisitions during the year 2015 (see note 4 for more information). Two major acquisitions were made during the second half of the year 2015:

- in the Entertainment Services segment: Technicolor acquired on September 15, 2015 The Mill, a group with £109 million revenues in 2014 (€135 million at average exchange rate of 2014), the world's largest visual effects and content creation studio for the advertising industry, for a consideration of £48 million (equivalent to €66 million at September 15, 2015 exchange rate) paid cash to the existing shareholders of The Mill group. In addition and in accordance with the agreement, Technicolor paid the assumed debt of The Mill amounting to £74 million and USD98 million (equivalent respectively to €100 million and €87 million at September 15, 2015 exchange rate);
- in the Connected Home segment, acquisition on November 20, 2015 of the Cisco Connected Devices Business ("CCD"), an activity with USD2.1 billion of revenues in 2014, for initial consideration of USD600 million reduced after price adjustments to USD532 million equivalent to €498 million at exchange rate of November 20, 2015 of which €150 million (based on Technicolor share quotation as of November 20, 2015) paid in 21,418,140 newly issued shares.

These major acquisitions were financed by the end of the year 2015 through:

- €374 million in new Term Loan Debt;
- a share capital increase on November 17, 2015 through a public offering with rights issue of €227 million including the share premium (before deduction of issuance cost);
- a reserved share capital increase on November 20, 2015 for €150 million reflecting the issuance of new ordinary shares by Technicolor SA to Cisco as partial consideration for the acquisition;
- and for the remaining balance, by using cash available by the Company.

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2015 and adopted by the European Union as of February 18, 2016.

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.

Technicolor financial statements are presented in euro and has been rounded to the nearest million.

The consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 18, 2016. 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 April 2016.

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. The critical accounting assumptions and estimates are detailed in note 3.

The accounting policies applied by the Group are consistent with those followed last year except for the following standards, amendments and interpretations which have been applied for the first time in 2015.

Main standards, amendments and interpretations effective and applied as of January 1, 2015

New standard and interpretation	Effective Date (1)	Main provisions
IFRIC 21 – Levies	Annual periods beginning on or after January 1, 2015	IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that "economic compulsion" and the going concern principle do not create or imply that an obligating event has occurred. There was no significant impact identified, because the Group does not have significant tax levies.

(1) The effective dates mentioned in the table above are the dates as adopted by the European Union. These standards and interpretations issued by the IASB are nevertheless applicable by anticipation.

Main 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
Amendments to IAS 19 – Defined Benefit Plans: Employee Contribution	Annual periods beginning on or after February 1, 2015	If the amount of contributions is independent of the number of years of service, the contributions may (but are not required) to be recognized as a reduction in service cost in the period in which the related service is rendered instead of being attributed to the periods of service. If the amount of contributions is dependent on the number of years of service, the contributions are required to be attributed to periods of service using the same method required by IAS 19.70 for the gross benefit. This would involve using either the defined benefit plan's contribution formula, or a straight line basis. There was no significant impact identified.
Amendments to IAS 16 & IAS 38	Annual periods beginning on or after January 1, 2016	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of tangible assets is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The Group does not anticipate an impact.
IFRS 15 – Revenue from contracts with customers	Annual periods beginning on or after January 1, 2018	IFRS 15 specifies how and when revenue should be recognized. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The identification of impacts is in its early stage and the Group does not expect significant impacts at this stage.
IFRS 9 – Financial Instruments	Annual periods beginning on or after January 1, 2018	IFRS 9 issued on July 24, 2014 will replace IAS 39 – Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, classification, impairment, derecognition and general hedge accounting. The Standard introduces guidance on applying the business model assessment and the contractual cash flow characteristics assessment. The Group does not anticipate significant impacts.

2.2 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.

2.3 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.

2.4 Translations

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.

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 euro converted to each foreign currency) are summarized in the following table:

	Closing rate		Average rate	
	2015	**2014**	**2015**	**2014**
U.S. Dollar (USD)	1.0933	1.2151	1.1076	1.3256
Pound sterling (GBP)	0.7378	0.7812	0.7244	0.8046
Canadian Dollar (CAD)	1.5173	1.4109	1.4224	1.4674

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.

NOTE 3 GROUP CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 and relevant. Actual results may differ from these estimates, while different assumptions or conditions may yield different results.

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.

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.

3.1 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 "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 consistently applied throughout the Group.

For the year ended December 31, 2015, the Group recognized amortization expense amounting to €90 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 13) that would result, if applicable, in the calculation of an impairment test. The recoverable amount of an asset or group of assets may require the Group to use estimates to assess the future cash flows expected to arise from the asset or group of assets and a suitable discount rate in order to calculate present value. Any negative change in relation to the operating performance or the expected future cash flows of individual assets or group of assets will change the expected recoverable amount of these assets or groups of assets and therefore may require a write-down of their carrying amount.

As of December 31, 2015, 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 in 2015 on PPE and amortizable intangible assets amounts to €2 million and €23 million, respectively (see note 8). These amounts exclude impairment loss of tangible assets in the frame of a restructuring plan that amounted to €5 million in 2015.

Consequently, as of December 31, 2015, the net carrying amount of PPE and intangible assets with finite useful lives amounted to €299 million and €209 million, respectively.

3.2 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 13. Such review requires management to make material judgments and estimates.

Technicolor's management believes its policies relating to such annual impairment testing are critical accounting policies involving critical accounting estimates because determining the recoverable amount of cash-generating units requires (i) determining the appropriate discount rate to be used to discount future expected cash flows of the cash-generating unit and (ii) 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.

The impairment tests performed in 2015 resulted in no impairment. The impairment tests performed in 2014 resulted in an impairment charge of €47 million related to DVD Services Division 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 Cash Generating Unit (GRU).

As of December 31, 2015, the net book value of goodwill and trademarks amounted to €1,221 million and €245 million, respectively.

3.3 Deferred tax

Management judgment is required to determine the Group's deferred tax assets and liabilities as stated in note 10. 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 (i) the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future, and/or (ii) the expectation of exceptional gains or (iii) future income to be derived from long-term contracts. The Group considered tax-planning in assessing whether deferred tax assets should be recognized.

In 2015, taking into account updated forecasts within the French tax group and 2015 consumption, French deferred tax assets remained stable compared to the deferred tax assets recognized as at December 31, 2014. The deferred tax assets correspond to a usage by 2029 which represents the estimated Licensing activity's predictable taxable income period based on existing and future licensing programs.

As of December 31, 2015, the Group recorded deferred tax liabilities of €126 million and €365 million of deferred tax assets reflecting management's estimates of their recoverable amount.

3.4 Post-employment benefits

The Group's determination of its pension and post-retirement benefits obligations, expenses and OCI impacts for defined benefit plans is dependent on the use of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in note 25 and include, among others, the discount rate and annual rate of increase in future compensation levels. Assumptions regarding pension and post-retirement benefits obligations are based on actual historical experience and external data.

The Group is exposed to actuarial risks such as interest rate risk, investment risk, longevity risk, salary increase risk and inflation risk. The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Capital markets experience fluctuations that cause downward or upward pressure on the quoted values and higher volatility. While Technicolor's management believes the assumptions used are appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and post-retirement benefits net obligations under such plans and related future expense.

As of December 31, 2015, the post-employment benefits provision amounted to €382 million. The present value of the obligation amounted to €585 million, the fair value of plan assets amounted to €203 million. For the year ended December 31, 2015, net pension expense was €11 million, compared to €12 million in 2014 (see details in note 25).

3.5 Provisions and litigation

Technicolor's management is required to make judgments about provisions and contingencies, including the probability of pending and potential future litigation outcomes that, by their nature, are dependent on future events that are inherently uncertain. In making its determinations of likely outcomes of litigation and tax matters, management considers the opinion of outside counsel knowledgeable about each matter, as well as developments in case law. See note 33 for a description of the significant legal proceedings and contingencies for the Group.

3.6 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 judgment 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 (see note 28).

NOTE 4 SCOPE OF CONSOLIDATION

SCOPE AND CONSOLIDATION METHOD

SUBSIDIARIES

All the entities that are controlled by the Group (including special purpose entities) i.e. in which the Group has the power to govern the financial and operating policies in order to obtain benefits from the activities, are subsidiaries of the Group and are consolidated. Control is presumed to exist when the Group directly or indirectly owns more than half of the voting rights of an entity (the voting rights taken into account are the actual and potential voting rights which are immediately exercisable or convertible) and when no other shareholder holds a significant right allowing veto or the blocking of ordinary financial and operating decisions made by the Group. Consolidation is also applied to special purpose entities that met the criteria of IFRS 10, whatever their legal forms are, even where the Group holds no shares in their capital.

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.

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.

For the years ended December 31, 2015 and 2014, Technicolor's consolidated financial statements include the accounts of all investments in subsidiaries, jointly controlled entities and associates, the main ones being listed in note 36 and summarized below.

	As of December 31							
	2015				2014			
	Europe *	France	U.S.	Others	Europe *	France	U.S.	Others
Number of companies								
Parent company and consolidated subsidiaries	44	21	25	39	39	18	17	38
Companies accounted for under the equity method	-	1	5	4	1	1	2	5
Sub-total by region	**44**	**22**	**30**	**43**	**40**	**19**	**19**	**43**
TOTAL	**139**				**121**			

* *Except France.*

Interest in subsidiaries with minority holders

There has been no significant change during 2015 and 2014 in non-controlling interest.

4.1 Acquisitions and disposals

a. In 2015

Main business acquisitions

The following acquisitions are fully consolidated and accounted for by applying the acquisition method of IFRS 3 "business combination" (see note 13).

- **Ouido Productions**

On January 21, 2015, Technicolor acquired 51% of Ouido Productions ("Ouido"), a Paris-based animation company, with 6 permanent employees. This acquisition is included into the Entertainment Services segment.

The investment took the form of a capital increase by €1 million. According to the shareholder's agreement, Technicolor will purchase the remaining 49% stake in January 2016 at a price depending on the performance of the Company in issuing new animated series, up to a maximum of €8 million (fixed amount of €1 million to be paid in January 2016 and a maximum earn-out of €7 million to be paid by 2021).

The purchase price including the probable earn-out is estimated at €5 million after discount. A debt of €5 million was recognized because of the put granted to non-controlling interest. As the net assets acquired represent €(1) million, a preliminary goodwill of €7 million has been recognized and is primarily related to synergies that Technicolor anticipates following the integration of this business into the Production Services Division.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2015 is not significant.

The impacts of this transaction are detailed below:

(in million euros)	Acquirees' carrying amount before combination	Capital increase subscribed by Technicolor	Fair value adjustments	Fair value
Net asset acquired				
Intangible assets	10	-	(6)	4
Trade receivables & other assets	2	-	1	3
Cash	-	1	-	1
Borrowings	(4)	-	-	(4)
Trade payables & other liabilities	(6)	-	1	(5)
TOTAL NET ASSET ACQUIRED	**2**	**1**	**(4)**	**(1)**
Initial capital increase from January 2015				1
Purchase price acquisition to be paid (including earn-out payments' estimates)				5
TOTAL PURCHASE CONSIDERATION PAID (INCLUDING INITIAL CAPITAL INCREASE)				**6**
PRELIMINARY GOODWILL (AS OF DECEMBER 31, 2015)				**7**

Mikros Image

On June 5, 2015, Technicolor acquired Mikros Image (Mikros), a French leading VFX and Animation company mainly located in France and Canada, which counts around 260 permanent employees. This acquisition is included into the Entertainment Services segment.

The estimated purchase price was valued at €14 million as of June 5, 2015 (after net indebtedness and working capital estimated adjustments) reduced by a post-closing adjustment of €1 million. As part of the purchase price, €12 million have been paid to Mediacontech (the seller) at the closing date and €1 million put in an escrow account to cover a liability guarantee.

A purchase price allocation at fair value has been performed to identify tangible and intangible assets and liabilities, with the excess of the purchase price over such identifiable assets and liabilities allocated to goodwill. The goodwill of €8 million is primarily related to synergies that Technicolor anticipates following the integration of this business into the Production Services Division.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2015 is not significant. Final allocation will take place by June 30, 2016.

The impacts of this transaction as of December 2015 are detailed below:

(in million euros)	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
Net asset acquired			
Property, plant and equipment	3	-	3
Intangible assets	2	2	4
Trade receivables & other assets	14	-	14
Cash	1	-	1
Borrowings	(3)	-	(3)
Trade payables & other liabilities	(14)	-	(14)
TOTAL NET ASSET ACQUIRED	**3**	**2**	**5**
TOTAL PURCHASE CONSIDERATION PAID (AFTER POST-CLOSING ADJUSTMENT)			**13**
PRELIMINARY GOODWILL (AS OF DECEMBER 31, 2015)			**8**

Cisco Connected Devices

On November 20, 2015 Technicolor acquired the Cisco Connected Devices Business ("CCD") for a total consideration of USD532 million after initial price adjustment on working capital (in accordance with the agreement) in a combination of cash and shares (equivalent to €498 million at November 20, 2015 exchange rate and fair value of Technicolor shares issued). Cisco received USD372 million in cash (equivalent to €348 million at November 20, 2015 exchange rate) and 21,418,140 Technicolor newly issued shares equivalent to €150 million at fair value (*i.e.* quotation of Technicolor share as of November 20, 2015). This acquisition is included into the Connected Home segment.

This acquisition of CCD Business was structured as an asset deal which includes only certain assets but does not include certain elements of working capital such as Trade account receivables or Trade account payable and does not include any pension liabilities or other long-term liabilities. Approximately 730 employees have been offered positions within Technicolor following the completion of the transaction, excluding employees in any corporate or support functions.

In parallel, Technicolor and Cisco entered into a strategic partnership that will allow both companies to develop and deliver next generation video and broadband technologies, with cooperation on Internet of Things (IoT) solutions and services.

The unaudited opening balance sheet of assets and liabilities of the business acquired presented hereunder is translated into euros using the official exchange rate as of November 20, 2015 (*i.e.* €1 = USD1.069).

No allocation at fair value has been performed yet considering the early stage of the acquisition and the complexity of the valuation of the acquired assets (technology, customer relationships, etc.). Accordingly the difference between the total consideration paid and the carrying value of the acquired assets and liabilities assumed has been fully recorded in Goodwill for an amount of €474 million.

Final allocation with the help of valuation expert will take place in June 2016. In addition, the audit of the opening balance sheet is not finalized yet. Any adjustment that would result of this audit would impact the final purchase price allocation.

The transaction is detailed below:

(in million euros)	**Acquirees' carrying amount before combination**
Net asset acquired	
Property, plant and equipment	6
Intangible assets	-
Trade receivables & other assets	92
Cash	-
Borrowings	-
Trade payables & other liabilities	(74)
TOTAL NET ASSET ACQUIRED	**24**
TOTAL PURCHASE CONSIDERATION PAID (BEFORE POST-CLOSING ADJUSTMENT)	**498**
PRELIMINARY GOODWILL (AT THE ACQUISITION DATE)	**474**

According to the agreements, Cisco is contractually performing several transition services for Technicolor (such as logistics, invoicing, information system etc.) for different durations that could range from 3 to 18 months depending on categories of services provided and integration ramp up of the business into Technicolor.

Technicolor's consolidated financial statements include the results of operations of this activity from November 21, 2015, contributing to a revenue of €86 million and an adjusted EBITDA of €2 million.

Due to the timing of the operation, the transition process had just started as of December 2015 and the contribution since November 21, 2015 is not representative of a recurring activity level expected from this business for the months to come.

■ The Mill

On September 15, 2015 Technicolor acquired The London-based group The Mill, the world's largest visual effects and content creation studio for the advertising industry, for a total consideration of £48 million (equivalent to €66 million at September 15, 2015 exchange rate) paid in cash to the existing shareholders of The Mill group. In addition and in accordance with the agreement, Technicolor paid the assumed The Mill debt amounting to USD98 million and £74 million (equivalent to €187 million at September 15, 2015 exchange rate). This acquisition is included into the Entertainment Services segment.

The opening balance sheet of The Mill group and its affiliates hereunder presented is converted into euros using the official exchange rate as September 15, 2015 (*i.e.* €1 = 0.733 GBP).

No allocation at fair value has been performed yet considering the early stage of the acquisition and the complexity of the valuation of the acquired assets (trademark, customer relationships, etc.). Accordingly the difference between the total consideration paid and the carrying value of the acquired assets and liabilities assumed has been fully recorded in Goodwill for an amount of €214 million.

Final allocation with the help of valuation expert will take place in June 2016. In addition, the audit of the opening balance sheet is not finalized yet. Any adjustment that would result of this audit would impact the final purchase price allocation.

The transaction is detailed below:

(in million euros)	**Acquirees' carrying amount before combination**
Net asset acquired	
Property, plant and equipment	22
Intangible assets	-
Trade receivables & other assets	37
Cash	7
Borrowings (1)	(187)
Trade payables & other liabilities	(27)
TOTAL NET ASSET ACQUIRED	**(148)**
TOTAL PURCHASE CONSIDERATION PAID (BEFORE POST-CLOSING ADJUSTMENT)	**66**
PRELIMINARY GOODWILL (AT THE ACQUISITION DATE)	**214**

(1) In accordance with the agreement, the debt assumed of The Mill was fully paid by Technicolor at the date of acquisition.

The Technicolor's consolidated financial statements include the results of operations of The Mill from September 16, 2015, contributing to a revenue of €51 million and an EBITDA of €9 million.

North America optical disc replication and distribution business (DVD and Blu-ray™) acquired from Cinram

On November 12, 2015 Technicolor acquired for USD44 million (equivalent to €40 million at November 12, 2015 exchange rate) relevant North American optical disc manufacturing and distribution business from Cinram group, Inc. to serve two large studio customers. In addition and in accordance with the agreement, Technicolor paid the assumed debts amounting to USD21 million (equivalent to €19 million at November 12, 2015 exchange rate). The transaction has been entirely funded out of available cash. This acquisition is included into the Entertainment Services segment.

The opening balance sheet of the business acquired is presented hereunder into euros using the official exchange rate as November 12, 2015 (*i.e.* €1 = USD1.0772).

No allocation at fair value has been performed yet considering the early stage of the acquisition and the complexity of the valuation of the acquired assets (customer relationships, etc.). Accordingly the difference between the total consideration paid and the carrying value of the acquired assets and liabilities assumed has been fully recorded in Goodwill for an amount of €43 million.

Final allocation with the help of valuation expert will take place in June 2016. In addition, the audit of the opening balance sheet is not finalized yet. Any adjustment that would result of this audit would impact the final purchase price allocation.

The transaction is detailed below:

(in million euros)	**Acquirees' carrying amount before combination**
Net asset acquired	
Property, plant and equipment	20
Intangible assets	-
Trade receivables & other assets	55
Cash	-
Borrowings [(1)]	(19)
Trade payables & other liabilities	(59)
TOTAL NET ASSET ACQUIRED	**(3)**
TOTAL PURCHASE CONSIDERATION PAID (BEFORE POST-CLOSING ADJUSTMENT)	**40**
PRELIMINARY GOODWILL (AT THE ACQUISITION DATE)	**43**

(1) *In accordance with the agreement, the debt assumed of Cinram activities acquired was fully paid by Technicolor at the date of acquisition.*

The Technicolor's consolidated financial statements include the results of operations from November 13, 2015, contributing to a revenue of €39 million and an EBITDA of €1 million.

Pro forma selected statement of income information

The selected *pro forma* financial information below relates to the income statement for the twelve-month period ended December 31, 2015 and reflects the acquisitions of the Cisco Connected Devices Business ("CDD") and The Mill plc ("The Mill"), together the "Acquisitions", as if they had been effective as of January 1, 2015.

Pro forma adjustments related to the selected *pro forma* information of the income statement are computed assuming the Acquisitions were completed on January 1, 2015.

All *pro forma* adjustments are directly attributable to the Acquisitions. These adjustments have been prepared and computed based on available information.

Only adjustments that was expected to have a continuing effect on Technicolor's consolidated financial statements have been taken into account. For instance, the *Pro Forma* Information does not reflect any special items such as payments pursuant to restructuring and integration costs that may be incurred as a result of the Acquisitions. The *Pro Forma* Information does not include any economies of scale that may result from synergies and cost savings.

No reclassifications were made to align the acquisitions available historical financial information with Technicolor's financial statement presentation and to IFRS standards (except for the goodwill amortization of The Mill accounted for under UK Gaap which has been eliminated), but no presentation or other accounting differences that could have a material impact on the *Pro Forma* Information presented have been identified.

(in millions of euros)	**Audited financial information for Technicolor for the twelve-month period ended December 31, 2015**	**Unaudited historical financial information for CCD for the January 1, 2015 to November 20, 2015 period prior to the acquisition by Technicolor** [(1)]	**Unaudited historical financial information for The Mill for the January 1, 2015 to September 15, 2015 period prior to acquisition by Technicolor** [(2)]	**Unaudited *pro forma* adjustments** [(3)]	**Unaudited *pro forma* of the income statement for the twelve-month period ended December 31, 2015**
Revenues	3,652	1,535	130	-	5,317
Profit (loss) from continuing operations before tax and net finance income (expense)	264	99	16	14	393
Adjusted EBITDA [(4)] from continuing operations	565	104	21	14	704
Interests expenses	(72)	-	(11)	(8)	(91)

(1) *The financial information for the period January 1, 2015 to November 20, 2015 presented is unaudited and has been extracted from financial information provided by Cisco, as adjusted for fiscal year-end and translated from U.S. dollars into euro. CCD did not operate as a separate segment or business unit within the Cisco group.*

(2) *The financial information presented for the period January 1, 2015 to September 15, 2015, is unaudited and has been extracted from the financial statements of The Mill group, as translated from pounds sterling into euro.*

(3) *For CCD, the major pro forma adjustment come from the fact that Cisco, the parent company, allocated its own corporate and transversal function costs to all divisions including CCD, which are therefore included in the CCD historical financial information. Such costs have been eliminated and replaced by an estimated amount, based on Technicolor's own ratio of corporate costs and transversal functions applicable to its Connected Home segment, decreasing corporate and transversal function costs by €19 million. Moreover in order to take in consideration the costs relating to the selling team which has not been transferred to Technicolor, the selling costs have been increased by €5 million. For more detail on such adjustments please refer to the 2014 Registration Document update published on September 18, 2015.*
Additionally, an adjustment has been made to record the interest costs related to the financing of the Acquisitions as if it occurred as of January 1, 2015, which were computed using an effective interest rate of 6.62% for the twelve-month period.

(4) *Adjusted EBITDA corresponds to the profit (loss) from continuing operations before tax and net financial income (expense), net of other income (expense), depreciation and amortization (including impact of provision for risks, litigation and warranties).*

Main disposals

Digital Cinema

On June 4, 2015, Technicolor has partnered its Digital Cinema activity with Deluxe. Under this agreement, Technicolor sold to Deluxe its worldwide activities (except France) in Digital Cinema for a minimum consideration of USD24 million (equivalent to €19 million after discount at the average rate of 2015), payable over three years.

The fixed assets transferred to the partner amounted to €7 million, and Technicolor contributed for €4 million in cash. The total gain related to this disposal amounted to €5 million as of December 31, 2015, after deduction of fees paid for €(1) million. Around 260 permanent employees were transferred.

The impacts of this transaction are detailed below:

(in million euros)	**Digital Cinema**
Net assets disposed of	
Fixed assets	(7)
Cash contribution to the partner	(4)
TOTAL NET LIABILITIES/(ASSETS) DISPOSED OF	**(11)**
Deferred income recognized on the use of Technicolor Trademark	**(2)**
Disposal proceeds	**19**
Costs linked to the disposal	(1)
CTA recycled in the statement of operations	-
GAIN ON SHARES DISPOSED OF	**5**

IZON Media LLC

On June 30, 2015, Technicolor sold its subsidiary IZON Media LLC ("IZON") to Stratacache, a U.S.-based entity specialized in digital signage, for a purchase price of USD1.65 million (€1.5 million at the average rate of 2015), which may be subject to a post-closing working capital adjustment.

IZON had 111 permanent employees as of December 31, 2014.

The impacts of this transaction are detailed below:

(in million euros)	**IZON Media LLC**
Net assets disposed of	
Trade receivables	3
Other assets	1
Trade payables	(1)
Other liabilities	(3)
TOTAL NET LIABILITIES/(ASSETS) DISPOSED OF	**-**
Cash consideration received	2
Working capital adjustment	-
TOTAL DISPOSAL PROCEEDS	**2**
Costs linked to the disposal	-
CTA recycled in the statement of operations	(2)
RESULT ON SHARES DISPOSED OF	**-**

b. In 2014

Main business acquisitions

On September 4, 2014 Technicolor acquired Mr. X, Inc., a leading North American provider of visual effects to premier television and international film clients, comprising its business in Canada (two entities, Mr. X, Inc. and Mr. X Production Services Inc., both in Toronto) and its facility in the U.S. (Mr. X Gotham LLC in New York). The purchase price was valued at 15 million of Canadian dollars (equivalent to €10 million at transaction rate), including a probable earn-out of 2.6 million of Canadian dollars.

The purchase price was composed of:

- a first installment of 7.4 million of Canadian dollars which has been paid up front, on September 4, 2014;
- two installments of 1 million of Canadian dollars each which are deferred to 12 months and 18 months after closing;
- a price adjustment of 3 million of Canadian dollars corresponding to the refunding to the seller of tax credits received by Mr. X in respect of the 2012 and 2013 fiscal years;
- up to 3.5 million of Canadian dollars (discounted value of 2.6 million of Canadian dollars) of probable earn-outs payable to the vendor.

The goodwill of 2.3 million of Canadian dollars (equivalent to €1.7 million at transaction rate) is primarily related to synergies that Technicolor anticipates following the integration of this business into the Production Services Division.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2014 is not significant.

The impacts of this transaction as of December 2014 are detailed below:

(in million euros)	Acquirees' carrying amount before acquisition	Fair value adjustments	Fair value
Net asset acquired			
Intangible fixed assets (Trade Name)	-	2	2
Tangible fixed assets	4	(2)	2
Tax credit	4	-	4
Other assets incl. cash	2	-	2
Other liabilities	(2)	-	(2)
TOTAL NET ASSET ACQUIRED	**8**	**-**	**8**
Purchase consideration paid as of December 31, 2014			6
Purchase consideration to be paid (including earn out payments' estimates)			4
TOTAL PURCHASE PRICE			**10**
GOODWILL (AMOUNT AS OF DECEMBER 31, 2014)			**2**

Main disposals

No disposal had significant impact in the Group 2014 consolidated financial statements.

4.2 Significant judgments and assumptions

In accordance with IFRS 12, the following information is disclosed:

Significant judgment in determining control on entity even though Technicolor does not hold voting rights in this entity

Since June 2013 Tech Finance is fully consolidated. Tech Finance only relevant activity is to lend the funds it gets from third parties to Technicolor. Any material changes to Tech Finance debt and loan could only be initiated by Technicolor that would decide to early reimburse or amend the characteristics of its debt. Additionally, Tech Finance revenues do not allow to conduct and fund any other sort of activities.

Management has analyzed its influence in Tech Finance in accordance with IFRS 10's control definition and guidance. It has concluded, further to the analysis on power, return and the ability to use the power to affect returns of Tech Finance that this special purpose vehicle should remain in the Group's scope. Tech Finance assets and liabilities are only those related to the Debt (see note 23).

Technicolor, with 51% interest in Ouido Productions, applied the full consolidation method because Technicolor has the control over the activity of this affiliate.

NOTE 5 INFORMATION BY OPERATING SEGMENTS AND BY GEOGRAPHIC AREAS

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.

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.

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.

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.

5.1 Information about geographical areas

(in million euros)	France	UK	Rest of Europe	U.S.	Rest of Americas	Asia-Pacific	Total
December 31, 2015							
Revenues [(1)]	1,050	208	309	1,395	501	189	3,652
Segment assets	781	365	117	1,671	313	118	3,365
Non-current assets [(2)]	382	309	8	1,128	155	73	2,055
December 31, 2014							
Revenues [(1)]	907	162	282	1,302	507	172	3,332
Segment assets	514	137	109	1,144	250	127	2,281
Non-current assets [(2)]	190	90	8	800	124	70	1,282

(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.

5.2 Information by business segment

The Group's Executive Committee makes its operating decisions and assesses performances on the basis of three types of activities. These are therefore the reportable operating segments under IFRS 8: Technology, Connected Home and Entertainment Services. All the remaining activities (including unallocated Corporate functions) are grouped in a segment "Other" as a reconciling item.

■ **Technology:**

Technology segment is organized around the following divisions:

- Research & Innovation,
- Patent Licensing,
- Technology & Trademark Licensing.

Research & Innovation Division includes the Group's fundamental research activities which is recorded as a cost center in the Technology segment. Patent Licensing and Technology & Trademark Licensing generate revenues by licensing the Group's IP portfolio.

■ **Connected Home:**

Connected Home segment 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 digital set-top boxes, broadband gateways, managed wireless tablets, and other connected devices, as well as software solutions for multi-device communication and related professional services.

■ **Entertainment Services:**

Entertainment Services segment is organized around the following divisions:

- DVD Services,
- Production Services that comprises the Group's Visual Effects, Animation and Postproduction activities.

The Entertainment Services segment supports content creators from creation to postproduction (Production Services), while offering global packaged media solutions (DVD Services).

■ **"Other" segment is 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,
- IZON Media. Following the disposal of the activity IZON completed in June 2015, the Group transferred the IZON activity, formerly reported as part of Entertainment Services segment, to the Other segment.

The following comments are applicable to the two tables below:

- the Technology segment generates substantially all of its revenue from royalties. Entertainment Services and Connected Home generate their revenue from the sale of goods and services,
- the caption "EBITDA adjusted" corresponds to the profit (loss) from continuing operations before tax and net financial 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 financial 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 (expense)" 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 "Net capital expenditures" includes cash used relating to tangible and intangible capital expenditures, net of cash received from tangible and intangible asset disposals,
- the caption "Capital employed" is defined as being the aggregate of both net tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (with the exception of provisions including those related to employee benefits, income tax, payables on acquisition of companies and payables to suppliers of PPE and intangible assets).

As of December 31, 2015, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment represent more than 10% of the Group's consolidated revenues (respectively €391 million and €369 million). As of December 31, 2014, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment represented more than 10% of the Group's consolidated revenues (respectively €394 million and €365 million).

(in million euros)	Technology	Connected Home	Entertainment Services [1]	Other [1]	Consolidation Adjustments	Total
	Year ended December 31, 2015					
STATEMENT OF OPERATIONS ITEMS						
Revenues	511	1,451	1,676	14	-	3,652
Intersegment sales	-	2	4	1	(7)	-
EBITDA adjusted	**377**	**76**	**192**	**(80)**	**-**	**565**
Profit (loss) from continuing operations before tax and net financial income (expense)	**339**	**(10)**	**25**	**(90)**	**-**	**264**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(12)	-	-	(12)
Amortization of contract advances and up-front prepaid discounts	-	-	(22)	-	-	(22)
Other depreciation and amortization	(20)	(30)	(98)	(3)	-	(151)
Net impairment losses on non-current operating assets [2]	(12)	(11)	(4)	-	-	(27)
Other non-cash income (expense)	(4)	(14)	(26)	5	-	(39)
STATEMENT OF FINANCIAL POSITION ITEMS						
Assets						
Operating segment assets	127	681	955	8	-	1,771
Goodwill	-	516	705	-	-	1,221
Other segment assets	84	104	146	39	-	373
Total segment assets	**211**	**1,301**	**1,806**	**47**	**-**	**3,365**
Investments in associates	-	1	1	14	-	16
Unallocated assets						920
TOTAL CONSOLIDATED ASSETS						**4,301**
Liabilities						
Segment liabilities	156	832	699	460	-	2,147
Unallocated liabilities						1,488
TOTAL CONSOLIDATED LIABILITIES (WITHOUT EQUITY)						**3,635**
OTHER INFORMATION						
Net capital expenditures	(9)	(44)	(52)	(1)	-	(106)
Capital employed	81	52	574	(64)	-	643

(1) *Following the disposal of the activity IZON completed in June 2015, the Group transferred the IZON activity, formerly reported as part of Entertainment Services segment, to the Other segment.*

(2) *See note 8.*

(in million euros)	Technology	Connected Home	Entertainment Services [(1)]	Other [(1)]	Consolidation Adjustments	Total
	Year ended December 31, 2014					
STATEMENT OF OPERATIONS ITEMS						
Revenues	490	1,382	1,432	28	-	3,332
Intersegment sales	-	2	3	1	(6)	-
EBITDA adjusted	**359**	**77**	**191**	**(77)**	**-**	**550**
Profit (loss) from continuing operations before tax and net financial income (expense)	**340**	**34**	**9**	**(81)**	**-**	**302**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(10)	-	-	(10)
Amortization of contract advances and up-front prepaid discounts	-	-	(24)	-	-	(24)
Other depreciation and amortization	(16)	(39)	(81)	(3)	-	(139)
Net impairment losses on non-current operating assets [(2)]	-	-	(48)	-	-	(48)
Other non-cash income (expense)	(3)	(16)	(19)	(3)	-	(41)
STATEMENT OF FINANCIAL POSITION ITEMS						
Assets						
Operating segment assets	129	418	878	14	-	1,439
Goodwill	-	50	398	-	-	448
Other segment assets	189	76	109	20	-	394
Total segment assets	**318**	**544**	**1,385**	**34**	**-**	**2,281**
Investments in associates	-	1	-	9	-	10
Unallocated assets						774
TOTAL CONSOLIDATED ASSETS						**3,065**
Liabilities						
Segment liabilities	201	549	579	467	-	1,796
Unallocated liabilities						1,050
TOTAL CONSOLIDATED LIABILITIES (WITHOUT EQUITY)						**2,846**
OTHER INFORMATION						
Net capital expenditures	(12)	(33)	(62)	-	-	(107)
Capital employed	140	20	570	(35)	-	695

(1) Following the disposal of the activity IZON completed in June 2015, the Group transferred the IZON activity, formerly reported as part of Entertainment Services segment, to the Other segment. Accordingly the information above has been restated for 2014.

(2) See note 8.

NOTE 6 SELLING AND ADMINISTRATIVE EXPENSES AND OTHER INCOME (EXPENSE)

(in million euros)	2015	2014
Selling and marketing expenses	(105)	(98)
General and administrative expenses	(226)	(217)
SELLING AND ADMINISTRATIVE EXPENSES	**(331)**	**(315)**
OTHER INCOME (EXPENSE) (1)	**(45)**	**7**

(1) The line "Other income (expense)" mainly includes:
(a) In 2015:
- *€(18) million related to a settlement in Connected Home segment,*
- *€(8) million related to Brazil antitrust settlement,*
- *€(24) million on fees related to acquisitions,*
- *a gain of €5 million on disposal of Digital Cinema;*

(b) In 2014: a gain on disposal of available-for-sale financial asset.

NOTE 7 RESEARCH AND DEVELOPMENT EXPENSES

(in million euros)	2015	2014
Research and development expenses, gross	(158)	(147)
Capitalized development projects	34	27
Amortization of capitalized development projets	(28)	(34)
Subsidies (1)	24	18
RESEARCH AND DEVELOPMENT EXPENSES, NET	**(128)**	**(136)**

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

NOTE 8 NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS

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.

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.

Value in use is the present value of the future cash flow expected to be derived from an asset or group of assets.

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 recognized in "Restructuring expenses". In accordance with IAS 36, impairment of goodwill cannot be reversed.

(in million euros)	Technology	Connected Home	Entertainment Services	Total
2015				
Impairment loss on goodwill [1]	-	-	-	-
Impairment losses on intangible assets [3]	(12)	(11)	-	(23)
Impairment losses on tangible assets	-	-	(2)	(2)
Impairment losses on contract advances and up-front prepaid discount	-	-	(2)	(2)
IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [2]	**(12)**	**(11)**	**(4)**	**(27)**
Impairment reversal on intangible assets	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [2]	**(12)**	**(11)**	**(4)**	**(27)**
2014				
Impairment loss on goodwill [1]	-	-	(47)	(47)
Impairment losses on intangible assets	-	-	-	-
Impairment losses on tangible assets	-	-	(1)	(1)
IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [2]	**-**	**-**	**(48)**	**(48)**
Impairment reversal on intangible assets	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [2]	**-**	**-**	**(48)**	**(48)**

(1) In 2014 related to DVD Services (see note 13).
(2) In addition to these impairment expenses, €5 million and €1 million respectively have been written-off as part of a restructuring plan in 2015 and 2014. Total net impairment of assets amounts therefore to €32 million and €49 million in 2015 and 2014 respectively.
(3) Related to depreciation of M-GO long-term assets (€12 million) and capitalized development costs within Connected Home segment (€11 million).

NOTE 9 NET FINANCIAL INCOME (EXPENSE)

(in million euros)	2015	2014
Interest income	9	10
Interest expense	(72)	(75)
Interest expense, net [1]	**(63)**	**(65)**
Interest expense on defined benefit liability, net	(8)	(11)
Acceleration of amortization of the effective interest rate on the debt [2]	-	(20)
Foreign exchange gain/(loss)	(5)	(11)
Other	(11)	(10)
Other financial income (expense), net	**(24)**	**(52)**
NET FINANCIAL INCOME (EXPENSE)	**(87)**	**(117)**

(1) In 2015 interest expense includes €14 million (€12 million in 2014) due to the difference between the effective interest rate and the nominal rate of the debt.
(2) In 2014, debt prepayments triggered a reversal of the IFRS adjustment (gain resulting from the debt restructuring in 2010 and from the Term Loan Debt issuance in 2013) while new issuances of Term Loan Debt in April 2014 created additional positive adjustment. At December 31, 2014, the IFRS adjustment is only related to the Term Loan Debt maturing in 2020.

NOTE 10 **INCOME TAX**

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 (see note 3.3).

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 recognized in profit or loss, except to the extent that it relates to items previously recognized 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.

10.1 Income tax in the profit or loss statement

a. Income tax expense

The income tax expense can be analyzed as follows:

(in million euros)	2015	2014
Current income tax		
France	(34)	(25)
Foreign	(22)	(24)
Total current income tax	**(56)**	**(49)**
Deferred income tax		
France	-	-
Foreign	1	1
Total deferred income tax	**1**	**1**
INCOME TAX (EXPENSE) ON CONTINUING OPERATIONS	(55)	(48)

In 2015 and 2014, the current income tax charge was notably the result of current taxes due in France, Mexico, Brazil, the UK and Australia, as well as withholding taxes, which were mostly credited against taxes payable in France.

In France, the current income tax reflects income taxes payable due to the limitation of the usage of tax losses carried forward, withholding taxes on income earned by our Licensing activities and the local tax “CVAE”.

b. Group tax proof

The following table shows reconciliation of the expected tax expense – using the French corporate tax rate of 38% – and the reported tax expense. The 38% tax rate is payable by companies with revenues over €250 million. The reconciling items are described below:

(in million euros)	2015	2014
Profit (loss) from continuing operations	**121**	**137**
Income tax	(55)	(48)
Share of profit (loss) from associates	(1)	-
Pre-tax accounting income on continuing operations	**177**	**185**
	38%	38%
Expected tax (expense) income	**(67)**	**(70)**
Effect of unused tax losses and tax offsets not recognized as deferred tax assets [(1)]	(17)	(26)
Effect of different tax rates applied [(2)]	53	51
Effect of change in applicable tax rate	(3)	-
Effect of permanent differences	(4)	5
Withholding taxes not recovered [(3)]	(1)	(5)
Tax credits	-	1
Other, net [(4)]	(16)	(4)
Effective tax expense on continuing operations	**(55)**	**(48)**

(1) *In 2015 and 2014, relates mainly to the depreciation of the deferred tax assets of the U.S. partially offset by the release of depreciation in France due to the extension of Licensing visibility for one additional year (see note 3.3).*
(2) *In 2015, the mother company benefited from reduced rate taxation, resulting in a tax benefit of €32 million related to the licensing revenue (€27 million in 2014).*
(3) *Related to withholding tax paid on licensing revenues but not refunded through current income tax in France and in the U.S.*
(4) *In 2015 comprises €7 million related to “CVAE” of French entities (€6 million in 2014).*

10.2 Tax position in the statement of financial position

a. Change in net deferred taxes

(in million euros)	Deferred tax assets	Deferred tax liabilities	Total, net deferred tax assets
At January 1, 2014	**364**	**(130)**	**234**
Changes impacting continuing profit or loss	(34)	35	1
Other movement	12	(11)	1
Year ended December 31, 2014	**342**	**(106)**	**236**
Changes impacting continuing profit or loss	14	(13)	1
Other movement	9	(7)	2
YEAR ENDED DECEMBER 31, 2015	**365**	**(126)**	**239**

b. Source of deferred taxes

(in million euros)	2015	2014
Tax losses carried forward	**1,569**	**1,476**
Tax effect of temporary differences related to:		
Property, plant and equipment	29	40
Goodwill	1	4
Intangible assets	(75)	(68)
Investments and other non-current assets	(67)	(52)
Inventories	(10)	3
Receivables and other current assets	22	12
Borrowings	201	161
Retirement benefit obligations	71	60
Restructuring provisions	6	14
Other provisions	13	22
Other liabilities current and non-current	84	75
Total deferred tax on temporary differences	**275**	**271**
Deferred tax assets/(liabilities) before netting	**1,844**	**1,747**
Valuation allowances on deferred tax assets	(1,605)	(1,511)
NET DEFERRED TAX ASSETS/(LIABILITIES)	**239**	**236**

As shown above, the main temporary difference for the Group is related to tax losses carry forward, which will mostly expire beyond 2020 (€4,299 million on a total of €4,377 million at year-end 2015). Unused tax losses arise mainly from France, United States and Germany locations.

NOTE 11 DISCONTINUED OPERATIONS AND HELD FOR SALE OPERATIONS

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.

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 below. 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.

When a non-current asset or disposal group no longer meet the held for sale criteria, the asset or disposal group ceases to be classified as held for sale.

It is then measured at the lower of:

- *its carrying value before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization that would have been recognized had the asset (or disposal group) not been classified as held for sale; and*
- *its recoverable amount at the date of the subsequent decision not to sell. Recoverable value is the higher of fair value less costs to sell and value in use.*

Any adjustment to the carrying amount is included in profit and loss from continuing operations in which the assets ceased to be classified as held for sale.

11.1 Discontinued operations

For the year 2015, there has been no change in discontinued perimeter compared to 2014.

It relates to remaining subsequent impacts of activities disposed of or abandoned such as mainly TV business and Cathode Tubes activities in 2004 and 2005.

In 2015, the loss of €43 million from discontinued operations consists mainly of settlements of some risk and litigation which were related to businesses discontinued several years ago (see note 33).

In 2014, the loss from discontinued operations is mainly made of legal fees and depreciation for risk and litigation.

Cash flows used by discontinued perimeter in 2015 and 2014 are as follows:

(in million euros)	Period ended December 31 2015	2014
Profit (Loss) from discontinued operations	**(43)**	**(9)**
Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations:		
Net changes in provisions	3	(4)
(Profit)/Loss on asset sales	(2)	1
Other non-cash items (including tax)	18	1
Changes in working capital and other assets and liabilities	1	(4)
NET OPERATING CASH USED IN DISCONTINUED OPERATIONS (I)	**(23)**	**(15)**
Net cash impact from sale of investments	-	(3)
NET INVESTING CASH USED IN DISCONTINUED OPERATIONS (II)	**-**	**(3)**
NET FINANCING CASH USED IN DISCONTINUED OPERATIONS (III)	**-**	**-**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I + II + III)	**(23)**	**(18)**

11.2 Assets and liabilities held for sale

The assets and liabilities attributable to the operations not yet sold as of December 31, 2015 and December 31, 2014 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, 2014, there was no activity classified as held for sale.

As of December 31, 2015, the M-GO activity was classified as held for sale. This business has been sold on January 29, 2016 (see note 35). 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 Technology (see note 5).

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

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.

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.

(in million euros)	Land	Buildings	Machinery & Equipment	Other Tangible Assets [(1)]	Total
AT DECEMBER 31, 2013, NET	**5**	**28**	**157**	**103**	**293**
Cost	*5*	*73*	*996*	*258*	*1,332*
Accumulated depreciation	-	*(45)*	*(839)*	*(155)*	*(1,039)*
2014					
Exchange differences	-	1	14	9	24
Additions	-	-	12	38	50
Acquisitions of businesses [(3)]	-	-	2	-	2
Disposals	-	-	(1)	-	(1)
Disposals of businesses [(5)]	(2)	-	-	-	(2)
Depreciation charge	-	(3)	(55)	(22)	(80)
Impairment loss [(2)]	-	-	(1)	(1)	(2)
Other [(4)]	-	-	35	(35)	-
AT DECEMBER 31, 2014, NET	**3**	**26**	**163**	**92**	**284**
Cost	*3*	*54*	*1,026*	*269*	*1,352*
Accumulated depreciation	-	*(28)*	*(863)*	*(177)*	*(1,068)*
2015					
Exchange differences	-	1	8	7	16
Additions	-	-	7	50	57
Acquisitions of businesses [(3)]	-	-	34	17	51
Disposals	-	-	-	(1)	(1)
Disposals of businesses [(5)]	-	-	(6)	-	(6)
Depreciation charge	-	(3)	(58)	(29)	(90)
Impairment loss [(2)]	-	-	(2)	(5)	(7)
Assets classified as held for sale	-	-	-	(1)	(1)
Other [(4)]	-	-	24	(25)	(1)
AT DECEMBER 31, 2015, NET	**3**	**24**	**170**	**105**	**302**
Cost	*3*	*57*	*1,181*	*354*	*1,595*
Accumulated depreciation	-	*(33)*	*(1,011)*	*(249)*	*(1,293)*

(1) Includes assets in progress.
(2) In 2015 and 2014, it also includes an impairment of respectively €5 million and €1 million in the frame of a restructuring plan which is not included in the impairment losses on non-current operating assets disclosed in note 8.
(3) In 2015 related to the acquisition of Mikros Image for €3 million, CCD for €6 million, The Mill for €22 million and Cinram North America activities for €20 million. In 2014 related to the acquisition of Mr. X, Inc.
(4) Corresponds mainly to the transfer of tangible assets in progress to Machinery and Equipment.
(5) In 2015, mainly related to the disposal of Digital Cinema activities. In 2014, mainly related to the liquidation of Production Services activities in Italy.

NOTE 13 GOODWILL AND OTHER INTANGIBLE ASSETS

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method 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 interest 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.

INTANGIBLE ASSETS

Intangible assets consist mainly of trademarks, rights for use of patents, acquired customer relationships and capitalized development projects.

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".

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, on a stand-alone basis. 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.

In 2014 the Group has asked an independent valuation of the fair value of the Technicolor Trademark by Sorgem a leading firm in the field of brand and intangible assets financial valuation. IAS 36 mentions that the recoverable value of an asset, is the highest of its market value or value in use. This valuation confirmed that the fair market value of Technicolor trademark is above its net book value. The recent acquisitions strengthened the fair value of the trademark for 2015.

The values of the other trademarks acquired through business combinations have been assessed based on the value in use using a royalty relief methodology.

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. They are tested for impairment only if management identifies triggering events that may result in a loss of value of such assets.

OTHER INTANGIBLE ASSETS

This caption comprises mainly capitalized development projects, acquired or internally developed software and acquired technologies.

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.

(in million euros)	Patents & Trademark	Customer Relationships	Other intangibles [1]	Total Intangible Assets	Goodwill
AT DECEMBER 31, 2013, NET	**238**	**55**	**82**	**375**	**450**
Cost	*577*	*283*	*298*	*1,158*	
Accumulated depreciation	*(339)*	*(228)*	*(216)*	*(783)*	
2014					
Exchange differences	31	5	8	44	43
Additions	97	-	33	130	-
Acquisitions of businesses	2	-	-	2	2
Depreciation charge	(23)	(10)	(39)	(72)	-
Impairment loss [2]	-	-	-	-	(47)
Other	-	-	(3)	(3)	-
AT DECEMBER 31, 2014, NET	**345**	**50**	**81**	**476**	**448**
Cost	*715*	*317*	*254*	*1,286*	
Accumulated depreciation	*(370)*	*(267)*	*(173)*	*(810)*	
2015					
Exchange differences	31	4	6	41	26
Additions	1	-	47	48	1
Acquisitions of businesses	2	-	6	8	746
Depreciation charge	(22)	(12)	(42)	(76)	-
Impairment loss [2]	-	-	(23)	(23)	-
Assets classified as held for sale	-	-	(20)	(20)	-
Other	-	-	-	-	-
AT DECEMBER 31, 2015, NET	**357**	**42**	**55**	**454**	**1,221**
Cost	*776*	*284*	*260*	*1,320*	
Accumulated depreciation	*(419)*	*(242)*	*(205)*	*(866)*	

(1) Includes capitalized development projects, acquired or internally developed software and acquired technologies on a standalone basis or as part of a business combination.
(2) Impairment loss regarding other intangibles in 2015 is related to M-GO (€12 million) and Connected Home (€11 million). Impairment of goodwill in 2014 is detailed in note 13.2 hereafter.

13.1 Customer relationships

As of December 31, 2015 and 2014 management didn't identify any triggering event that may result in a loss of value of such assets.

13.2 Trademarks and Goodwill

The following table provides the allocation of the significant amounts of goodwill and trademarks to each significant Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2015.

	2015					2014				
	Goodwill			Technicolor Trademark	Other trade-marks	Goodwill			Technicolor Trademark	Other trade-marks
(in million euros)	Goodwill before impairment [(1)]	Impairment of the period	Net Amount	Net amount	Net amount [(2)]	Goodwill before impairment [(1)]	Impairment of the period	Net Amount	Net amount	Net amount [(2)]
Entertainment Services										
DVD Services	407	-	407		-	379	(47)	332		-
Production Services	298	-	298		6	66	-	66		4
Connected Home	516	-	516		-	50	-	50		-
Technology	-	-	-		33	-	-	-		33
TOTAL	**1,221**	**-**	**1,221**	**206**	**39**	**495**	**(47)**	**448**	**185**	**37**

(1) Goodwill on businesses acquired in 2015 are preliminary and before purchase price allocation that will be finalized in 2016.
(2) Includes:
- *Moving Picture Company® (MPC) trademark, Mr. X® trademark and Mikros® trademark in the Production Services Goodwill Reporting Unit;*
- *THOMSON® trademark and the license to use the RCA® trademark in the Technology Goodwill Reporting Unit.*

a. Trademarks

As of December 31, 2015, trademarks total €245 million and consist mainly of Technicolor®, RCA®, THOMSON®, MPC®, Mr. X®, and Mikros®.

	Technicolor®	RCA®	Total
Method used to determine the recoverable amount	Fair market value by an independent valuation	Discounted cash flows	
Description of key assumptions		Budget and cash flow projections	
Period for projected future cash flows		5 years	
Growth rate used to extrapolate cash flow projections beyond projection period		0%	
Post-tax discount rate applied as of December 31, 2015		8%	
Net amount of trademarks	**206**	**29**	**235**
Other trademarks			10
TOTAL NET AMOUNT OF TRADEMARKS			**245**

- For Technicolor® trademark, its fair market value is above its net book value.
- For RCA® trademark, no reasonably expected change in assumptions would result in any impairment.

b. 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, 2 GRU are considered:
  - DVD Services,
  - Production Services. In 2014, this GRU regrouped former GRUs Creation Services and Digital Production which have been merged by end of 2014 into the same common Management structure.

  This reorganization was governed by the common strategy on clients’ development and offers and by operational synergies;
- the Connected Home segment is considered as a single GRU;
- the Technology segment is considered as a single GRU.

In order to perform the annual impairment test, the Group used the following assumptions to determine the recoverable amount of the main goodwill reporting units:

	Entertainment Services		Connected Home
	DVD Services	**Production Services**	
Basis used to determine the recoverable amount	Fair Value (1)	Fair Value (2)	Fair Value (2)
Description of key assumptions	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:			
■ as of December 31, 2015	*	2%	0.3%
■ as of December 31, 2014	*	2%	2%
Post-tax discount rate applied:			
■ as of December 31, 2015 (3)	8%	8%	11%
■ as of December 31, 2014	8%	8%	10%

(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) Production Services and Connected Home recoverable value have been based on fair value this year in order to take into consideration the future integration, reorganization and restructuring due to new acquired businesses.

(3) The corresponding pre-tax discount rates are within a range from 11.5% to 17.2%.

** The main activities of the DVD Services Division has been 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.*

The Group didn’t record any impairment charge on goodwill as of December 31, 2015.

The Group recorded as of December 31, 2014 an impairment charge of €47 million on goodwill related to DVD Services Division. This impairment was triggered by adverse market trend evolution.

Sensitivity of recoverable amounts at December 31, 2015

- For DVD Services, as the fair value is slightly higher than the book value as of December 31, 2015, any negative change in the main assumptions would bring the recoverable value below the book value. An increase of 1 point in the post-tax discount rate assumption would reduce the fair value of €36 million bringing it up to an amount approximating its 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 other GRU no reasonably expected change in assumptions would result in any impairment.

NOTE 14 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.

Contract advances and up-front prepaid discount amounted to €39 million and €53 million as of December 2015 and December 2014 respectively.

NOTE 15 INVESTMENTS

15.1 Investments in associates and joint ventures

The Group has investments accounted for using the equity method (see note 36).

Details of investments in associates and joint ventures are summarized below:

	Group's share of associates' and joint ventures net assets		Group's share of associates' and joint ventures profit (loss)	
(in million euros)	**2015**	**2014**	**2015**	**2014**
Main investment in associates	13	9	3	(2)
Main investment in joint ventures	3	1	(4)	2
TOTAL	**16**	**10**	**(1)**	**-**

All investments are private companies, therefore no quoted market prices are available for its shares. Neither associate nor joint venture is individually material to the Group.

15.2 Investments and 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.

Investments and available-for-sale financial assets amounted to €22 million and €8 million as of December 2015 and December 2014 respectively.

NOTE 16 **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.

(in million euros)	2015	2014
Raw materials	40	23
Work in progress	22	11
Finished goods and purchased goods for resale [1]	271	70
Gross value	**333**	**104**
Less: valuation allowance	(22)	(5)
TOTAL	**311**	**99**

(1) Increase mainly related to the inventories within the CCD business acquired for €93 million.

NOTE 17 TRADE ACCOUNTS AND NOTES RECEIVABLE & TRADE ACCOUNTS AND NOTES PAYABLE

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.

(in million euros)	2015	2014
Trade accounts and notes receivable	723	607
Less: valuation allowance	(19)	(27)
TOTAL TRADE ACCOUNTS AND NOTES RECEIVABLE (1)	**704**	**580**

(1) Including €70 million and €59 million which are past due respectively as of December 31, 2015 and December 31, 2014 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 (€704 million as of December 31, 2015 compared to €580 million as of December 31, 2014).

NOTE 18 OTHER CURRENT AND NON-CURRENT ASSETS

FINANCIAL ASSETS (EXCLUDING AVAILABLE-FOR-SALE FINANCIAL ASSETS, SEE NOTE 15)

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.

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.

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 asset under "Trade accounts and notes receivable" except for maturities greater than 12 months after the balance sheet date, in which case, loans and receivables are classified as non-current assets. Loans and receivables are, subsequent to initial recognition, carried at amortized cost using the effective interest method.

(in million euros)	2015	2014
Other non-current assets	54	37
Other current assets	300	326
TOTAL OTHER ASSETS	**354**	**363**
Detail of other current assets		
Value added tax receivable	38	33
Research tax credit and subsidies	33	33
Prepaid expenses	43	39
Other current assets (1)	186	221
Total Other current assets	**300**	**326**

(1) As of December 31, 2015 and December 31, 2014 other current assets include €48 million and €140 million of accrued royalty income respectively. The decrease is mainly related to the slowdown of MPEG LA licensing program.

NOTE 19 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.

(in million euros)	2015	2014
Cash	213	113
Cash equivalents	172	215
TOTAL	**385**	**328**
CASH COLLATERAL AND SECURITY DEPOSITS (1)	**38**	**36**

(1) Cash to secure credit facilities and other obligations of the Group, out of which the current portion amounts to €15 million as of December 31, 2015 and €21 million as of December 31, 2014. 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.

See note 21.2 for more information on average interest and maturity of deposits.

NOTE 20 SHAREHOLDERS' EQUITY

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.

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.

EQUITY TRANSACTION COSTS

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

20.1 Changes in share capital

On June 8, 2015, the share capital of Technicolor was increased by 738,205 new shares of €1 each in order to deliver the free shares vested under the management long-term incentive plan (LTIP 2011) share based plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in-capital by €738,205.

Between May 23, 2015 and December 31, 2015, as part of the 2015 Management Incentive Plan, some share subscription options were exercised, giving rise to the creation of 5,002,790 new shares at an average price of €3.33 per share for a total €16,651,582 corresponding to an increase in the share capital of €5,002,790 and additional paid-in-capital by €11,648,792.

On November 17, 2015 Technicolor issued 48,376,485 new shares in a capital increase with preferential subscription rights at a price of €4.7 per share and representing a gross proceeds of €227,369,479.

On November 20, 2015 Technicolor issued 21,418,140 new shares through a reserved capital increase to Cisco Systems, Inc. and representing a gross amount of €150 million (at Fair value of Technicolor shares as of November 20, 2015) in partial payment of the acquisition of CCD.

As of December 31, 2015, Technicolor's share capital amounted to €411,443,290 divided into 411,443,290 fully paid-up shares, each with a nominal value of €1.00.

As of December 31, 2015, and to the Company's knowledge, the following entities held more than 5% of the Company' share capital:

- the *Caisse des Dépôts et Consignations* declared that it held, jointly with Bpifrance Participations SA, 8.00% of the share capital and 8.01% of the voting rights of the Company. The *Caisse des Dépôts et Consignations* has not disclosed that it has crossed a statutory threshold since then;
- Cisco Systems, Inc. declared that it held 5.21% of the share capital and voting rights of the Company.

(in euros, except number of shares)	Number of shares	Per value	Euros
Share Capital as of December 31, 2013	**335,709,392**	**1**	**335,709,392**
Share capital increased by issuance of new shares (1)	198,278	1	198,278
Share Capital as of December 31, 2014	**335,907,670**	**1**	**335,907,670**
Share capital increased by issuance of new shares for LTIP purpose (1)	738,205	1	738,205
Share capital increased by issuance of new shares for MIP purpose (2)	5,002,790	1	5,002,790
Share capital Increase with preferential subscription rights (3)	48,376,485	1	48,376,485
Share capital increase reserved to Cisco Systems Inc. (4)	21,418,140	1	21,418,140
Share Capital as of December 31, 2015	**411,443,290**	**1**	**411,443,290**

(1) The share capital of Technicolor was increased by 738,205 new shares of €1 each in order to deliver the free shares vested under the LTIP 2011 share based plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in capital by €738,205 (see note 27).

(2) The share capital was increase by 5,002,790 new shares as part of the Management Incentive Plan (MIP 2010 and MIP 2015) stock option plan.

(3) Technicolor issued 48,376,485 new shares in a capital increase with preferential subscription rights at a price of €4.7 per share and representing a gross proceeds of €227,369,479 including the gross value of the share premium. The settlement of this capital increase was finalized on November 17, 2015.

(4) The acquisition of CCD was partially paid on November 20, 2015 with 21,418,140 Technicolor new shares corresponding to €150 million at fair value of Technicolor shares as of November 20, 2015.

20.2 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.

	2015	2014
Number of Treasury shares at opening (1)	**644,331**	**485,603**
Treasury shares delivered (2)	(250)	(114,034)
Treasury shares acquired (disposed of) (3)	(242,557)	272,762
Number of Treasury shares at closing (1)	**401,524**	**644,331**

(1) Global amount of Treasury shares, including the ones purchased in the frame of the Share Management Agreement.
(2) In 2014, as part of the MIP 2010, 114,034 shares were delivered to employees. In 2015, 250 free shares were delivered as part of a Free Share Plan (see note 27.1).
(3) The Combined Shareholder's Meetings on May 23, 2013, May 22, 2014 and April 9, 2015 authorized the implementation of a share repurchase program. Accordingly, in 2015, 2,322,443 shares were repurchased for a total amount of €14,399,859 and 2,565,000 shares were sold for a total amount of €15,927,303 (in 2014, number of treasury shares were increased by 272,762 for a total amount of €1,204,077).

20.3 Subordinated perpetual notes

On September 26, 2005, Technicolor issued subordinated perpetual notes (TSS) in a nominal amount of €500 million. No derivative was identified because the provisions of the notes 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).

Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes were recorded under IFRS in shareholder's equity for the net value received of €492 million (issue price less offering discount and fees). The notes could be redeemed at Technicolor's option at par on September 25, 2015 and at each interest payment date thereafter.

Further to the restructuring of the Group's debt in 2010, the characteristics of the notes are now as follows:

- they are not repayable other than (i) at Technicolor's sole option, since September 2015 or following specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in the course of the 2010 debt restructuring.

20.4 Dividends and distributions

The Group did not pay any dividend in 2014. The Shareholders' Meeting held on April 9, 2015 has voted the payment of a dividend of €0.05 per share for the fiscal year 2014. The amount of €17 million has been paid to shareholders on May 22, 2015.

20.5 Non-controlling interests

In 2015 and 2014, there was no significant change in non-controlling interests.

20.6 Net equity hedging reserve

As of December 31, 2015, a loss of €1.4 million on hedging instruments was recognized in OCI, compared to a loss of €0.4 million recognized in OCI in 2014 (See note 21).

NOTE 21 FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

21.1 Risk Management Objectives and Policies

Technicolor faces a wide variety of financial risks including market risk (due to fluctuations in exchange rates, interest rates, and prices of financial instruments), liquidity risk and credit risk.

Technicolor's financial market risks and liquidity risk are managed centrally by its Group Treasury Department in France. One regional Treasury Department in Ontario-California (United States) reports to the Group treasury. The Treasury Department is part of the Group Finance Department and reports to the Chief Financial Officer. Total staffing of Group Treasury Department is 6 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 Investment Committee and to the Executif of Committee *via* various reports showing the Company's exposures to these risks with details of the transactions undertaken to reduce these risks. Financial risks are closely monitored through specific limits and authorizations approved by the Investment Committee for each type of transaction, and controlled by the Group Internal Control Department.

To reduce interest rate and currency exchange rate risk, the Group enters into hedging transactions using derivative instruments.

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 trade receivable is 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.

21.2 Market Risk management

a. *Foreign exchange risk*

Translation Risk

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.

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 largest foreign currency translation exposure is the euro against the U.S. dollar due to a significant portion of the net revenues of the Group, as well as a portion of its operating income being in subsidiaries that use the U.S. dollar as their functional currency. This reflects the strong presence of Technicolor in the United States, particularly with the Entertainment Services and Connected Home segments. As a result, fluctuations in the U.S. dollar/euro exchange rate may 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 2015, exchange rate fluctuations of all currencies had a positive impact of €240 million on revenue and a negative impact of €35 million on profit/(loss) from continuing operations before tax and net finance costs. These translation impacts in 2015 versus 2014 were mainly due to the U.S. dollar (average rate versus the euro appreciated by 20% compared to 2014). The Group estimates that its sensitivity to translation risk has not significantly changed since the end of 2015.

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.

Transaction Risk

Foreign currency transaction risk occurs when purchases and sales are made by Group entities in currencies other than their functional currencies.

The Group's main transaction risk is its U.S. dollar exposure versus 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 versus euros for continuing operations was net revenue of USD447 million in 2015 (net revenue of USD403 million in 2014).

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. Subsidiaries regularly report to the Group Treasury Department their projected foreign currency needs and receipts 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 generally hedged with banks using foreign currency forward contracts. These hedges are recorded as cash flow hedges under IFRS, as described further in note 22 "Derivative Financial Instruments" to these consolidated financial statements.

Because of the different nature of the Group's U.S. dollar exposure related to its Licensing Division (mainly a U.S. dollar sales exposure) compared to the U.S. dollar exposures of its other divisions, the Group may manage the U.S. dollar Licensing exposure separately.

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, including those of the Licensing and Production Services Divisions as well as certain exposures in the Connected Home segment, 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.

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, 2015 only a small hedge of this type was outstanding.

Currency Swaps

In order to match the currencies that Technicolor's Group Treasury Department borrows with the currencies that it lends, Technicolor may enter into currency swaps primarily (i) to convert euro borrowings into U.S. dollars which are lent to the Group's U.S. subsidiaries and (ii) to convert U.S. dollars borrowed externally or from the Group's U.S. subsidiaries into euros. The forward points on these currency swaps are accounted for as interest, were a charge of 1 million euro in 2015 and were nil in 2014.

Sensitivity Analysis

The Group's main exposure is the fluctuation of the U.S. dollar against the euro.

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 Profit from continuing operations before tax and net finance costs and on the currency translation adjustment component of equity. 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.

2015 *(in million euros)*	Transaction	Translation	Total
Profit from continuing operations before tax and net finance costs (1)	40	(16)	24
Equity Impact (cumulative translation adjustment) (2)			53

2014 *(in million euros)*	Transaction	Translation	Total
Profit from continuing operations before tax and net finance costs (1)	30	(10)	20
Equity Impact (cumulative translation adjustment) (2)			8

(1) Profit impact:
- *transaction impact calculated before hedging 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;*
- *translation impact calculated before hedging 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.*

(2) Equity impact: 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.

b. 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.

Interest rate risk is measured by consolidating the Group's deposit and debt positions and performing sensitivity analysis. All of the Group's non-current debt is currently at floating interest rate.

At the nominal interest rates of the Term Loan Debt cash interest charges for a full year (at the December 31, 2015 exchange rate) would be €67 million on the amount of the Term Loan Debt of €1,351 million (nominal amount rather than the IFRS amount in the consolidated statement of financial position) compared to total gross cash interest charges for 2015 of €57 million. In 2014 total gross cash interest charges were €66 million. Sensitivity of the Group's interest charges to interest rate movements is shown hereafter.

Interest rate operations

No interest rate hedging operations are outstanding at December 31, 2015.

Effective interest rates

The average effective interest rates on the Group's consolidated debt are as follows:

	2015	2014
Average interest rate on borrowings	6.69%	7.85%
Average interest rate after interest rate hedging	6.69%	7.85%
Average interest rate after currency swaps and interest rate hedging	6.76%	7.85%

The average effective interest rate in 2015 on the Group's consolidated deposits was 3.12% (3.15% in 2014). These deposits generally have a maturity of less than 1 month.

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 2015 and 2014 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. A threshold of one year is pertinent as it represents the limit between current and non-current debt.

(in million euros)	2015	2014
Average debt	1,062	944
Percentage at floating rate *	99%	99%

* *Includes €1,019 million of floating rate debt for which the reference rate has a 1% floor.*

The Group's average deposits in 2015 amounted to €329 million, 100% at floating rate.

The Group's debt primarily consists of its Term Loan Debt in U.S. dollars and in euros the interest rate on which is based on LIBOR and EURIBOR respectively, both with a floor of 1.00%. The Group's deposits are primarily in U.S. dollars and in euros. 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.

Maximum impact over one year on the net exposure as of December 31, 2015 of a variation versus current rates [(1)]

(in million euros)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	(3)	(3)
Impact of interest rate variation of -1%	(1)	(1)

(1) At December 31, 2015, 3 month EURIBOR and 3 month LIBOR were -0.131% and 0.613% respectively.

Maximum impact over one year on the net exposure as of December 31, 2014 (after hedging) of a variation versus current rates [(1)]

(in million euros)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	0	0
Impact of interest rate variation of -1%	(2)	(2)

(1) At December 31, 2014, 3 month EURIBOR and 3 month LIBOR were 0.078% and 0.256% respectively.

21.3 Liquidity Risk management 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 equity 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 equity, debt, subordinated debt and committed credit lines. For further information about the details of the Group's equity and debt please refer to notes 20 and 23. For a discussion of the Group's credit lines see note 23.3 (d).

Technicolor's access to financial markets was negatively impacted by its *Sauvegarde* proceeding initiated in 2009 but the debt restructuring in 2010, the capital increases in 2012 and the improvement in its financial results allowed the Group to improve its access to the financial markets and refinance its debt in 2013 and 2014. The Group came out of *Sauvegarde* in June 2014.

In 2015 the Group reduced the interest rate and renegotiated certain conditions in a repricing transaction of its Term Loan Debt issued in 2013 and 2014. In addition, the Group raised USD200 million and €197 million of additional Term Loan Debt as well as €227 million of new shares in order to finance the acquisitions of Cisco Connected Devices and The Mill.

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, 2015 and December 31, 2014, respectively.

	At December 31, 2015						
(in million euros)	2016	2017	2018	2019	2020	Thereafter	Total
Floating rate Term Loan Debt – principal	69	69	69	70	1,074	-	1,351
Floating rate Term Loan Debt – accrued interest	11	-	-	-	-	-	11
Other debt – principal and accrued interest	6	1	1	-	-	-	8
TOTAL DEBT PRINCIPAL PAYMENTS	**86**	**70**	**70**	**70**	**1,074**	**-**	**1,370**
IFRS Adjustment							**(77)**
Debt in IFRS							**1,293**
Floating rate Term Loan Debt – interest	67	64	60	57	37	-	285
TOTAL INTEREST PAYMENTS	**67**	**64**	**60**	**57**	**37**	**-**	**285**

	At December 31, 2014						
(in million euros)	2015	2016	2017	2018	2019	Thereafter	Total
Floating rate Term Loan Debt – principal	49	49	49	49	49	709	954
Floating rate Term Loan Debt – accrued interest	9	-	-	-	-	-	9
Other debt – principal and accrued interest	1	-	1	3	3	2	10
TOTAL DEBT PRINCIPAL PAYMENTS	**59**	**49**	**50**	**52**	**52**	**711**	**973**
IFRS Adjustment							**(62)**
Debt in IFRS							**911**
Floating rate Term Loan Debt – interest	43	50	47	44	41	27	252
TOTAL INTEREST PAYMENTS	**43**	**50**	**47**	**44**	**41**	**27**	**252**

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.

21.4 Equity market risk management

At December 31, 2015 and 2014, Technicolor had no outstanding equity derivatives on its own shares.

21.5 Credit and counterparty risk management

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 €385 million at December 31, 2015. 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 occasionally by investing in diversified, highly liquid money market funds. The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets.

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. Credit risk on such transactions is minimized by the foreign exchange policy of trading short-term operations. The marked-to-market carrying values is therefore a good proxy of the maximum credit risk. Most of the foreign exchange operations are dealt with financial counterparties that have a credit rating of A-1.

The table below gives the percentage of outstanding cash deposits by counterparty credit rating:

Cash deposit: Counterparty's rating (according to Standard & Poor's)	2015	2014
A-1+	10%	14%
A-1	77%	55%
A-2	3%	1%
A-3	-	30%
B	9%	-
Money Market funds	-	-
Non rated financial institutions	1%	-
TOTAL	**100%**	**100%**

NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS

The Group may use derivatives as hedging instruments for hedges of foreign currency risks, changes in interest rates 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), 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 two years.*

The termination of hedge accounting may occur if the underlying hedged item does not materialize or if there is a voluntary revocation of the hedging relationship at the termination or the arrival of maturity of the hedging instrument. The accounting consequences are then as follows:

- *in case of 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 all cases, the result on the hedging instrument is taken into profit or loss when the hedging relationship is terminated.*

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 profit or loss.

As described in note 21 the Group uses derivatives to reduce market risk. Technicolor uses principally forward foreign currency operations to hedge foreign exchange risk.

22.1 Cash Flow Hedges

Forward foreign currency operations hedging forecast exposures of commercial purchases and sales in foreign currencies are designated as cash flow hedges.

During 2015, of the result on hedging instruments recognized in OCI at December 31, 2014, a loss of €0.4 million was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At December 31, 2015, a loss of €1.4 million on hedging instruments was recognized in OCI.

In 2015 a total of €64 million in forecasted transactions for which hedge accounting had been applied did not occur and as a result the hedges were cancelled resulting in a loss of €2 million.

22.2 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, 2015 there was a gain of €6.7 million on the outstanding hedging instruments and a loss of €6.7 million on the hedged items.

22.3 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 2015 and 2014 this impact was a loss of €1.3 million and a gain of €0.3 million, respectively, booked in "Other financial income (expense), net".

Ineffectiveness of interest rate options is recognized in profit and loss. The impact was nil in 2015 and 2014.

NOTE 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 below.

The Group's debt consists primarily of Term Loan Debt in U.S. dollars and in euros, issued by Tech Finance & Co. S.C.A in 2013, 2014 and 2015 and maturing 2020. The Term Loan Debt issued in 2013 was raised to partially refinance the Group's Reinstated Debt. In 2014 additional Term Loan Debt was issued *via* an exchange transaction and all of the Term Loan Debt was amended in a repricing transaction. Subsequently the Group's remaining Reinstated Debt was completely repaid in 2014. In June 2015, Technicolor repriced USD763 million and €301 million of its Term Loan Debt at new pricing of LIBOR / EURIBOR +400 bps subject to a 1% LIBOR / EURIBOR floor, a 50 bps reduction from the previous pricing. Additional Term Loan Debt in the amounts of USD200 million and €197 million were issued in September and November 2015 to fund the acquisition of The Mill and in part the acquisition of the CCD (see note 1.2 "Main events of the period").

23.1 Analysis by nature

(in million euros)	December 31, 2015	December 31, 2014
Debt due to financial institutions	1,277	892
Bank overdrafts	-	-
Other financial debt	5	10
Accrued interest	11	9
DEBT UNDER IFRS	**1,293**	**911**
Total non-current	*1,207*	*852*
Total current	*86*	*59*

23.2 Summary of debt

Details of the Group's debt as of December 31, 2015 are given in the table below:

(in million currency)	Currency	Nominal Amount	IFRS Amount (1)	Type of rate	Nominal rate (2)	Effective rate (2)	Repayment Type	Final maturity
Term Loan Debt	USD	942	894	Floating (3)	5.00%	6.42%	Amortizing	July 10, 2020
Term Loan Debt	EUR	490	456	Floating (4)	5.00%	6.98%	Amortizing	July 10, 2020
Total Term Loan Debt	**EUR**	**1,351**	**1,274**		**5.00%**	**6.62%**		
Total Other Debts (5)	**EUR**	**19**	**19**		**1.98%**	**1.98%**		
TOTAL	**EUR**	**1,370**	**1,293**		**4.96%**	**6.55%**		

(1) In the consolidated statement of financial position the Term Loan Debt was initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.
(2) Rates as of December 31, 2015.
(3) 3 month LIBOR with a floor of 1.00% +400 bp.
(4) 3 month EURIBOR with a floor of 1.00% +400 bp.
(5) Of which €11 million are accrued interest.

23.3 Main features of the Group's borrowings

a. *Analysis by maturity*

The table below gives the contractual maturity schedule of the Group's debt.

(in million euros)	December 31, 2015	December 31, 2014
Less than 1 month	30	22
Between 1 and 6 months	20	12
Between 6 months and less than 1 year	36	25
Total current debt less than 1 year	**86**	**59**
Between 1 and 2 years	70	49
Between 2 and 3 years	70	50
Between 3 and 4 years	70	52
Between 4 and 5 years	1,074	52
Over 5 years	-	711
Total non-current debt	**1,284**	**914**
Total nominal debt	**1,370**	**973**
IFRS Adjustment [(1)]	**(77)**	**(62)**
DEBT UNDER IFRS	**1,293**	**911**

(1) *In the consolidated statement of financial position the Term Loan Debt was initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.*

b. *Interest rate characteristics*

All of the Group's debt is at floating rate.

c. *Analysis of borrowings by currency*

(in million euros)	December 31, 2015	December 31, 2014
Euro	465	296
U.S. Dollar	826	615
Other currencies	2	-
DEBT UNDER IFRS	**1,293**	**911**

d. *Undrawn Credit Lines*

(in million euros)	December 31, 2015	December 31, 2014
Undrawn, committed lines expiring in more than one year	214	203

The Group has a receivables backed committed credit facility in an amount of USD125 million (€114 million at the December 31, 2015 exchange rate) which matures in 2019 and a €100 million revolving credit facility (the "RCF") maturing in 2018. Neither was drawn at December 31, 2015. The availability of the receivables backed credit line varies depending on the amount of receivables. In addition in January 2016 the Group entered into a new three year revolving credit facility in an amount of €125 million (the "New RCF").

e. Financial Covenants and Other Limitations

The limitations under the Term Loan Debt as amended in 2014 and 2015, the RCF as amended in 2015 and the New RCF entered into in January 2016 are described below.

Security Package

The Term Loan Debt, the RCF and the New RCF benefit from a security package consisting of share pledges, pledges of certain intra-group loans and of material cash pooling bank accounts.

Mandatory Prepayments under the Term Loan Debt

Technicolor is required to prepay the outstanding Term Loan Debt in certain circumstances, including the following:

- **asset disposal:** the net proceeds in respect of any disposal of any of its assets to an unaffiliated third party will be applied, subject to a minimum threshold, to repay the outstanding Term Loan Debt unless the proceeds are reinvested in assets useful for its business within 365 days;
- **excess cash flow** means:
  - the Group's cash flow which comprises the aggregate of net cash from operating and investing activities, minus (i) committed amounts under binding contracts to be paid for investments or capital expenditures in the next twelve months, plus (ii) the amount deducted from cash flow in for the previous year, less (iii) cash proceeds from sales of marketable securities, plus (iv) cash payments for purchases of marketable securities, minus (v) net proceeds from asset disposals and from casualty events required to prepay the Term Loan Debt, minus (vi) interest received, plus (vii) interest paid, plus (viii) loans granted to/minus loans reimbursed by third parties and minus (ix) any profit in cash flow in a subsidiary or joint venture which cannot be distributed,
  - less total funding costs, which comprise the aggregate of interest paid during the year plus all scheduled repayments of debt and all voluntary or mandatory prepayments of Term Loan Debt during the year.

A percentage of Technicolor's excess cash flow (which is defined above) must be applied to prepay the Term Loan Debt. The applicable percentage depends on the leverage ratio of the Group:

Leverage Ratio	%
> 1.00	50%
<= 1.00 and > 0.50	25%
<= 0.50	0%

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

Voluntary Prepayments under the Term Loan Debt

Under the terms of the Term Loan Debt, Technicolor can at its election prepay all or part of its outstanding term loans. All prepayments can be done at par without penalty except prepayments on or before June 5, 2016 that are in connection with a repricing of the Term Loan Debt or a replacement by new term loans must be made at 101% of principal amount.

Covenants

The Term Loan Debt and the New RCF contain a single affirmative financial covenant which requires that the total gross nominal debt be no more than 4.00 times EBITDA on a trailing twelve month basis ("leverage covenant") on June 30 and December 31 of each financial year.

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

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

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

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

Leverage covenant

Total gross debt of the Group at December 31, 2015 must be no more than 4.00 times the EBITDA of the Group for the twelve months ending December 31, 2015. For the calculation of the gross debt, the nominal debt of the Group is used and the debt in foreign currencies is valued at the closing exchange rate at December 31, 2015.

Gross Debt	€1,370 million
EBITDA*	€559 million
Gross Ratio Debt/EBITDA	2.45:1.00

** EBITDA in respect of the leverage covenant defenition*

Since 2.45 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

RCF leverage covenant

Since the Group had no drawings outstanding under the RCF at December 31, 2015 this covenant does not apply.

Other Restrictions of the Term Loan Debt and the New RCF

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

- create or grant security interests that secure financial indebtedness or other obligations of the Group on any of its present or future assets;
- incur additional financial indebtedness:
  - in excess of €50 million or 2% of consolidated assets for capital leases,
  - in excess of the greater €300 million or 50% of EBITDA for credit facility debt,
  - for all subsidiaries in excess of a basket of €100 million (excluding credit facilities and capital leases),
  - for Technicolor SA if the ratio of EBITDA to fixed charges is above a certain ratio,
  - for Thomson Licensing SAS: no additional indebtedness allowed except for drawings on the RCF and certain permitted financial indebtedness including, among others, debt under the subsidiary basket of €100 million mentioned above;
- enter into interest rate or currency hedging agreements other than for non-speculative purposes;
- enter into material transactions or arrangements with affiliates for an amount in excess of €20 million unless on an arms-length basis and if greater than €40 million approved by the Board of Directors;
- make restricted payments, if certain ratios are not met, in a cumulative amount, starting from the date of the 2015 repricing amendment over the remaining life of the Term Loan Debt greater than €150 million, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- make investments in joint ventures not controlled by the Group except to the extent the Group's consolidated leverage ratio is under a threshold and if above the threshold subject to a cumulative €100 million basket over the life of the Term Loan Debt and with certain carve-outs;
- amalgamate, merge or consolidate with or into any other person except if this other person is controlled by the Group.

The investments made by the Group (see note 31.1 for further information) in 2015 were in full compliance with the restrictions described above.

Other Restrictions of the RCF

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

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

Change of control provisions

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

Intercreditor Agreement

To establish the relative rights of certain of their creditors under the Term Loan Debt, the RCF and the New RCF, the Debt Parties, the agents representing the lenders under the Term Loan Debt, RCF and New RCF agreements and the collateral agent entered into an intercreditor agreement.

Events of Default

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

Collectively these entities are referred to as the "Debt Parties".

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

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

f. Carrying amount of the Term Loan Debt

IFRS analysis of the 2015 repricing transaction and issuance of new Term Loan Debt

The repricing performed in 2015 was executed with existing lenders and accounted for as a modification of the existing debt (no substantial change to the existing contract). All of the fees incurred in this transaction (€6 million) were booked as an IFRS adjustment to the carrying amount of the Term Loan Debt.

The fees incurred in the new Term Loan Debt issuances in September and November (€18 million) were booked as an IFRS adjustment to the carrying amount of the additional Term Loan Debt.

Carrying amount of the Term Loan Debt

The IFRS value of the Term Loan Debt is the nominal amount of the Term Loan Debt reduced by transaction costs as adjusted by the effective interest rate (EIR) method as well as any adjustments due to debt prepayments. The evolution of the IFRS discount in 2015, that is, the difference between the nominal and IFRS amount of the Term Loan Debt, is as follows:

(in million euros)

IFRS discount of the Term Loan Debt as of December 31, 2014	**(62)**
Transaction costs related to the 2015 repricing	(6)
Transaction costs related to the Term Loan Debt issuance in 2015	(18)
2014 EIR effect and variation due to exchange rates	9
IFRS DISCOUNT OF THE TERM LOAN DEBT AS OF DECEMBER 31, 2015	**(77)**

This IFRS discount of €77 million will be charged to interest over the remaining life of the Term Loan Debt using the effective interest rate method. The current weighted average effective interest rate of the Term Loan Debt is 6.62%.

NOTE 24 FAIR VALUE MEASUREMENT

24.1 Fair value of financial instruments

a. Accounting category and values on the Statement of Financial position

December 31, 2015	Accounting Categories					Fair Value			
(in million euros)	Fair value through P&L (incl. derivative instruments)	Available for-sale assets	Payables and receivables	Debt at amortized cost	Consolidated statement of financial position value	Quoted Price	Internal model with observable parameters	Internal model with non-observable parameters	Fair Value
						Level 1	Level 2	Level 3	
Investments and available-for-sale financial assets	-	22	-	-	22	-	22	-	22
Derivative financial instruments (current and non-current assets)	3	-	-	-	3	-	3	-	3
Trade accounts and notes receivable	-	-	704	-	704				704
Borrowings	-	-	-	1,293	1,293				1,376
Derivative financial instruments (current and non-current liabilities)	1	-	-	-	1				1
Trade accounts and notes payable	-	-	746	-	746				746

December 31, 2014	Accounting Categories					Fair Value			
(in million euros)	Fair value through P&L (incl. derivative instruments)	Available for sale assets	Payables and receivables	Debt at amortized cost	Consolidated statement of financial position value	Quoted Price	Internal model with observable parameters	Internal model with non-observable parameters	Fair Value
						Level 1	Level 2	Level 3	
Investments and available-for-sale financial assets	-	8	-	-	8	-	8	-	8
Derivative financial instruments (current and non-current assets)	2	-	-	-	2	-	2	-	2
Trade accounts and notes receivable	-	-	580	-	580				580
Borrowings	-	-	-	911	911				970
Derivative financial instruments (current and non-current liabilities)	4	-	-	-	4				4
Trade accounts and notes payable	-	-	502	-	502				502

Valuation methods are described in note 2.3.

b. Fair value of derivatives

The fair value of all derivative financial instruments is shown in the table below.

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.

The Group executes operations on the over the counter derivatives markets on a short-term basis.

	December 31, 2015		December 31, 2014	
(in million euros)	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – cash flow and fair value hedges	2.8	1.3	1.9	4.0
TOTAL CURRENT	**2.8**	**1.3**	**1.9**	**4.0**

24.2 Fair value measurement of non-financial assets

Non-financial assets are initially recognized at acquisition costs or manufacturing costs including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Long-term assets are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

In 2015, the Group recognized impairment charges for intangible assets with finite useful lives within the Technology and Connected Home segments.

In 2014, the Group recognized impairment charges for goodwill due to adverse market trend evolution for DVD Services.

NOTE 25 RETIREMENT BENEFIT OBLIGATIONS

POST-EMPLOYMENT OBLIGATIONS

The Group operates various post-employment schemes for some employees. Contributions paid and related to defined contribution plans, i.e. pension plans under which the Group pays fixed contributions and has no legal or constructive obligation to pay further contributions (for example if the fund does not hold sufficient assets to pay to all employees the benefits relating to employee service in the current and prior periods), are recorded as expenses when employees have rendered services entitling them to the contributions.

The other pension plans are analyzed as defined benefit plans (i.e. pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation) and are recognized in the balance sheet based on an actuarial valuation of the defined benefit obligations being carried out at the end of each annual reporting period.

The method used for determining employee benefits obligations is based on the Projected Unit Credit Method. The present value of the Group benefit obligations is determined by attributing the benefits to employee services in accordance with the benefit formula of each plan. The provisions for these benefits are determined annually by independent qualified actuaries based on demographic and financial assumptions such as mortality, employee turnover, future salaries, benefit levels and discount rates.

Remeasurement, comprising actuarial gains and losses, the effect of changes in asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in OCI in the period in which they occur. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be classified in profit or loss.

Defined benefit costs are classified as follows:

- *service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) to be recognized in profit or loss;*
- *net interest expense or income, to be recognized as financial expense and financial income (see note 9);*
- *remeasurement.*

Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.

OTHER LONG-TERM BENEFITS

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs. The obligations related to other long-term benefits (for example jubilee award) are also based on actuarial valuations. Actuarial gains or losses are recognized in the consolidated statement of operations.

The liability related to other long-term benefits are not presented within the retirement benefit obligation but within the restructuring provision or other liabilities.

25.1 Summary of the provisions and plans description

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	**2015**	2014	**2015**	2014	**2015**	2014
Opening provision	**407**	**350**	**7**	**6**	**414**	**356**
Net periodic pension cost	11	15	-	-	11	15
Curtailment gain	-	(3)	-	-	-	(3)
Benefits paid and contributions	(29)	(28)	-	-	(29)	(28)
Change in perimeter	1	(2)	-	-	1	(2)
Actuarial (gains) losses recognized in OCI	(21)	69	-	1	(21)	70
Currency translation differences	6	6	-	-	6	6
CLOSING PROVISION	**375**	**407**	**7**	**7**	**382**	**414**
Of which current	*29*	*30*	-	-	*29*	*30*
Of which non-current	*346*	*377*	*7*	*7*	*353*	*384*

a. *Defined contribution plans*

The pension costs of these plans correspond to the contributions paid by the Group to independently administered funds. These plans guarantee employee benefits that are directly related to contributions paid.

The total contributions paid by Technicolor amounted to €19 million in 2015 (€19 million in 2014).

b. *Defined benefit plans*

These plans mainly cover pension benefits, retirement indemnities and medical post-retirement benefits.

Pension benefits and retirements indemnities

Pension plans maintained by the Group are mainly the following:

- **in Germany**, employees are covered by several vested unfunded defined benefit and defined contribution pension plans. These plans mainly provide employees with retirement annuities and disability benefits. Employees participate in plan based on final pay and services. The pension plans are no longer available to new entrants.

  The retirement age is between 60 and 63 years old;
- **in the United States**, the employees of Technicolor are covered by a defined benefit pension plan. Technicolor mainly operates two defined benefit pension plans: a cash balance pension plan that covers substantially all non-union employees, funded through a trust fund, and an additional pension plan for executive employees, closed to new participants. Benefits are equal to a percentage of the plan Member's earnings each year plus a guaranteed rate of return on earned benefits until retirement.

  A hard freeze occurred over 2009 on U.S. pension plans. The rights as of January 1, 2010 remain vested but no additional pay-based credits are added to the cash balance account under the Plans. Interest credit, however, continue to be added to employees' account.

  The retirement age is 65 years old;
- **in the UK**, Technicolor mainly maintains a dedicated funded pension plan, which provides retirement annuity benefits. This plan is no longer available to new entrants.

  The retirement age is 65 years old;
- **in France**, the Group is legally required to pay lump sums to employees when they retire. The amounts paid are defined by the collective bargaining agreement in force and depend on years of service within the Group and employee's salary at retirement.

  The retirement age is 62 years old (the average retirement age observed by the Social Security is 64);
- **in other countries**, Technicolor maintains non funded pension plans in Mexico and in Japan. The benefits are mainly based on employee's pensionable salary and length of service.

Medical Post-retirement benefits

In the U.S. & in Canada, Technicolor provided to certain employees a post-retirement medical plan. The medical plan in the U.S. includes basic medical and dental benefits and has been closed to new entrants in 1992. The medical plan in Canada includes life insurance, health and dental care benefit coverage and was closed to new entrants in 2009.

In 2015, the geographical breakdown of such net obligations was as follows:

(in million euros)	Germany	U.S.	UK	France	Others	Total
Present value of defined benefit obligation	288	143	127	18	9	585
Fair value of plan assets	-	(92)	(111)	-	-	(203)
RETIREMENT BENEFIT OBLIGATIONS	**288**	**51**	**16**	**18**	**9**	**382**
Cash flows	(20)	(6)	(3)	-	-	(29)
Average duration *(in years)*	11	9	18	13	12	12

In addition, the Group pays an average yearly funding contribution to the plan assets for around €9 million (see note 25.4).

c. *Multi-employer plan*

Since August 2009, Technicolor participates in the Motion Picture Industry multi-employer defined benefit plan in the U.S. As the information about the dividing up of plan financial position and performance between each plan Member are not available, Technicolor accounts for this plan as a defined contribution plan.

The average expense incurred each year is less than €1 million.

25.2 Elements of the Statement of Operations and Other Comprehensive Income

a. Statement of Operations

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	2015	2014	2015	2014	2015	2014
Service cost:						
■ current service cost	(3)	(4)	-	-	(3)	(4)
■ past service cost and gain from settlements	-	3	-	-	-	3
Financial interest expense, net:						
■ interest cost on DBO	(16)	(19)	-	-	(16)	(19)
■ interest income on plan assets	8	8	-	-	8	8
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN PROFIT OR LOSS	**(11)**	**(12)**	**-**	**-**	**(11)**	**(12)**

b. Other Comprehensive Income (OCI)

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	2015	2014	2015	2014	2015	2014
OPENING					**(167)**	**(97)**
Actuarial gains/(losses) arisen on plan assets:						
■ due to the return on plan assets	(8)	3	-	-	(8)	3
Actuarial gains/(losses) arisen on benefit obligation:						
■ due to changes in demographic assumptions	1	(2)	-	-	1	(2)
■ due to changes in financial assumptions [(1)]	12	(70)	-	(1)	12	(71)
■ due to experience adjustments	16	-	-	-	16	-
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN OCI	**21**	**(69)**	**-**	**(1)**	**21**	**(70)**
CLOSING					**(146)**	**(167)**

(1) In 2015, the increase in discount rates (see note 25.5) led to actuarial gains amounting to €12 million when, in 2014, the decrease in discount rates resulted in actuarial losses for €(71) million.

25.3 Analysis of the change in benefit obligation and in plan assets

	Pension plan benefits		Medical Post-retirement benefits		Total	
(in million euros)	2015	2014	2015	2014	2015	2014
Benefit obligation at opening	**(601)**	**(523)**	**(7)**	**(6)**	**(608)**	**(529)**
Current service cost	(3)	(4)	-	-	(3)	(4)
Interest cost	(16)	(18)	-	-	(16)	(18)
Remeasurement – actuarial gains/(losses) arising from:						
▪ changes in demographic assumptions	1	(2)	-	-	1	(2)
▪ changes in financial assumptions	12	(70)	-	(1)	12	(71)
▪ experience adjustments	16	-	-	-	16	-
Past service cost, including gains/(losses) on curtailments	-	3	-	-	-	3
Benefits paid	36	34	-	-	36	34
Currency translation adjustments	(22)	(23)	-	-	(22)	(23)
Change in perimeter [(1)]	(1)	2	-	-	(1)	2
Benefit obligation at closing	**(578)**	**(601)**	**(7)**	**(7)**	**(585)**	**(608)**
Benefit obligation wholly or partly funded	*(257)*	*(250)*	-	-	*(257)*	*(250)*
Benefit obligation wholly unfunded	*(321)*	*(351)*	*(7)*	*(7)*	*(328)*	*(358)*
Fair value of plan assets at opening	**194**	**173**	**-**	**-**	**194**	**173**
Interest income	8	7	-	-	8	7
Remeasurement gains/(losses)	(8)	3	-	-	(8)	3
Employer contribution	10	8	-	-	10	8
Benefits paid	(17)	(14)	-	-	(17)	(14)
Currency translation adjustments	16	17	-	-	16	17
Fair value of plan assets at closing	**203**	**194**	**-**	**-**	**203**	**194**
RETIREMENT BENEFIT OBLIGATIONS	**(375)**	**(407)**	**(7)**	**(7)**	**(382)**	**(414)**

(1) In 2015, changes in perimeter are mainly related to the acquisition of Mikros Image (€1 million). In 2014, changes in perimeter are mainly due to the deconsolidation of Italian entities.

The Group expects the overall 2016 benefits paid to be equal to €34 million for defined benefits plans, of which €21 million directly by the Company to the employees and €13 million by the plans.

25.4 Plan assets

a. *Funding policy and strategy*

When defined benefit plans are funded, mainly in the U.S. and in the UK, the investment strategy of the benefit plans aims to match the investment portfolio to the membership profile.

In the UK, contributions are negotiated with the Trustees as per the triennial valuation. Trustees are advised by an external leading global provider of risk management services with regard to investment policy. The average yearly funding contribution is GBP 2 million (€3 million at 2015 average rate).

In the U.S., Technicolor's policy is to contribute on an annual basis in an amount that is at least sufficient to meet the minimum legal requirements of the U.S. law. The average yearly contribution is 6 million of U.S. dollars (€5 million at 2015 average rate).

Periodically an asset-liability analysis is performed in which the consequences of the strategic investment policies are analysed in terms of risk-and-return profiles.

- In the U.S., as the pension plan is frozen, the investment strategy aims to increase the funded ratio toward termination liability while simultaneously attempting to minimize the volatility of the funded ratio (currently funded ratio is above 70%). Asset mix is based on 34% equity instruments and 66% bonds and cash equivalents. Over the past several years, the return of the plan has on average exceeded the expected return.
- In the UK the funded status is above 80%. Asset mix is based on 35% of insurance contracts that cover obligations with pensioners, 26% of equity instruments, 15% of bonds and cash equivalents and 23% of properties. The annualized performance of the plan exceeds the expected return on a 3-year basis.

b. *Disaggregation of the fair value by category*

	Plan assets allocation at December 31		Fair value of plan assets at December 31	
(in % and in million euros)	**2015**	**2014**	**2015**	**2014**
Cash and cash equivalents	2%	2%	4	4
Equity investments	30%	33%	61	64
Debt securities	36%	32%	73	62
Properties	13%	12%	26	24
Annuity contracts	19%	21%	39	40
TOTAL	**100%**	**100%**	**203**	**194**

The fair value of the above equity and debt instruments is determined based on quoted market prices in active markets. The fair value of the plan assets did not include any Technicolor's own financial instruments or any asset used by the Group.

The 2015 actual return on plan assets amounts to less than €1 million (€10 million in 2014).

25.5 Assumptions used in actuarial calculations

	Pension plan benefits		Medical post-retirement benefits	
	2015	2014	2015	2014
Weighted average discount rate	2.8%	2.5%	3.7%	3.9%
Weighted average long-term rate of compensation increase	1.6%	1.7%	N/A	N/A

Discount rate methodology

The projected benefit cash flows under the U.S. schemes are discounted using a yield curve determined based on AA rated corporate bonds. The discount rates used for the Euro zone and the UK are determined based on AA rate corporate bonds common indexes and are as follows:

(in %)	Pension plan benefits	Early retirement	Medical post-retirement benefits
Euro zone	2.0%	0.4%	N/A
UK	3.7%	N/A	N/A
U.S.	3.6%	N/A	3.9%

25.6 Risk associated to the plans & sensitivity analysis

Pension plans are mainly exposed to:

- longevity risk due to mortality assumption;
- financial risks due to discount rate and salary increase rate assumptions.

Medical plans are mainly exposed to:

- longevity risk due to mortality assumption;
- financial risks due to discount rate and medical trend rate assumptions.

The sensitivity of the actuarial valuation is described below:

- if the discount rate is 0.25% higher, the obligation would decrease by €17 million;
- if the discount rate is 0.25% lower, the obligation would increase by €19 million;
- if the healthcare costs are 1% higher, the obligation would increase by less than €1 million;
- if the healthcare costs are 1% lower, the obligation would decrease by less than €1 million;
- if the salary increase rate is 0.25% higher, the obligation would increase by €1 million;
- if the salary increase rate is 0.25% lower, the obligation would decrease by €1 million.

The sensitivity analyses presented have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

NOTE 26 PROVISIONS FOR RESTRUCTURING AND OTHER PROVISIONS

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 financial 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.

26.1 Restructuring provisions

(in million euros)	2015	2014
Opening provisions	**36**	**59**
Current period additional provision [(1)]	41	29
Release [(1)]	(5)	(3)
Usage during the period	(49)	(45)
Currency translation adjustment and other movements	(3)	(4)
CLOSING PROVISIONS [(2)]	**20**	**36**
Of which current	*20*	*34*
Of which non-current	*-*	*2*

(1) Restructuring provisions, net of release, are mainly composed of termination costs related to continuing operations (for both employees and facilities).
(2) There is no provision related to environmental costs as of December 31, 2015, and €1 million as of December 31, 2014.

26.2 Other providions

(in million euros)	Warranty	Risk and litigation related to businesses disposed of	Other provisions related to continuing businesses (1)	Total (2)
As of January 1, 2015	18	51	49	118
Current period additional provision	15	18	10	43
Release	(8)	(11)	(10)	(29)
Usage during the period	(10)	(11)	(6)	(27)
Change in perimeter (3)	26	-	(2)	24
Currency translation adjustments and other	(1)	2	-	1
AS OF DECEMBER 31, 2015	**40**	**49**	**41**	**130**
Of which current	*40*	*19*	*31*	*90*
Of which non-current	*-*	*30*	*10*	*40*

(1) Include mainly provisions for risk and litigation.
(2) Of which:
- *€6 million for provisions related to litigation as of December 31, 2015, and €17 million as of December 31, 2014;*
- *€1 million for provisions related to environmental costs as of December 31, 2015, and €3 million as of December 31, 2014.*

(3) Related to provisions for warranty from the Cisco Connected Devices activity for €26 million.

NOTE 27 SHARE-BASED COMPENSATION PLANS

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.

27.1 Plans granted by Technicolor

- Under the thirteen resolution approved by the Shareholder's Meeting of May 22, 2008, the Board of Directors Meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1) granting non-market performance units made up of a combination of cash and stock options.

  Subject to the continuance of employment, the rights under the plan were vested on June 18, 2014 for each beneficiary in the proportion set by the Board of Directors on February 21, 2013 following the determination of the level of achievement of the non-market performance conditions on December 31, 2012. As of December 31, 2015, 805,476 subscription options are still outstanding.

- Making use of the authorization given by the Shareholder's Meeting of June 8, 2011 in its fourteenth resolution, the Board of Directors of June 8, 2011 approved the implementation of a long-term incentive plan. This three-year plan provided for the granting of Performance Units made up of a combination of cash bonus and performance shares. Subject to the continuance of employment at vesting dates, the right to the delivery of the shares and the payment of the cash bonus were recorded in three annual steps, after review by the Board of Directors of the level of achievement of the market performance conditions and of the non-market conditions for the year ended December 31, 2011, December 31, 2012 and December 31, 2013.

  The number of shares definitively acquired by the beneficiaries were delivered on June 8, 2013 for beneficiaries with a two-year acquisition period and on June 8, 2015 for the beneficiaries with a four-year acquisition period.

- The Shareholders' Meeting of May 23, 2013, in its fifteenth resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period, and is valid until July 23, 2016. Options granted under this authorization shall not give rights to a total number of shares greater than 26,843,507.

  As of December 31, 2015, 16,080,097 subscription options are still outstanding (9,590,367 options, 4,520,245 options, 259,485 options and 1,710,000 options related respectively to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

- Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in it sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global free share plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor group during the acquisition period, 125 Technicolor shares will be delivered to eligible employees at the end of the acquisition period. The plan is not subject to performance conditions.

  The compensation expense related to the Free Share Plan has been estimated with a pricing model similar to the one used for the other option plans. As of December 31, 2015, 1,022,250 free shares have been granted to employees.

As of December 31, 2015 the total number of outstanding stock options amounted to a maximum of 16,885,573 options and 1,022,250 free shares granted to employees and Directors. There are no more options granted to employees and Directors that are not in the scope of IFRS 2 because of IFRS 1 exemptions as the option life has expired in 2014.

The plans are detailled below:

	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]	Estimated fair values of the options granted [2]
MIP * Options	Subscription options	June 17, 2010	1,216,700 [1]	805,476	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.29	€2.22
MIP 2015 Options **	Subscription options	May 23, 2013 and June 17, 2013	16,398,000	9,159,622	94	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€3.19	€1.06
MIP 2015 Options **	Subscription options	October 24, 2013	200,000	207,588	1	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€3.93	€1.40
MIP 2015 Options **	Subscription options	March 26, 2014	215,000	223,157	2	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€4.53	€1.73
MIP 2016 Options **	Subscription options	June 20, 2014	2,830,000	2,667,517	40	June 2016 (50%) June 2017 (25%) June 2018 (25%)	8 years	€5.79	€1.82
MIP 2016 Options **	Subscription options	October 21, 2014	1,915,000	1,437,552	24	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€4.92	€1.45
MIP 2016 Options **	Subscription options	April 9, 2015	400,000	415,176	1	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€5.83	€1.88
MIP June 2017 Options **	Subscription options	June 26, 2015	250,000	259,485	2	June 2017 (50%) June 2018 (25%) June 2019 (25%)	8 years	€5.88	€1.91
MIP October 2017 Options **	Subscription options	December 3, 2015	1,710,000	1,710,000	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
Free Share Plan	Free shares (to be issued)	November 12, 2013	1,604,000	1,022,250	12,832	November 2017	-	-	€3.87

* *Mid-Term Incentive Plan (MIP-SP1) (see description above).*

** *Management Incentive Plans (MIP) (see description above).*

(1) *Maximum potential number.*

(2) *Exercise prices and number of options outstanding were modified following the 2015 capital increase.*

Movements in the number of options and free shares outstanding with their related weighted average exercise prices are as follows for 2015 and 2014:

	Number of options and free shares	Weighted Average Exercise Price *(in euros)*
Outstanding as of December 31, 2013 (with an average remaining contractual life of 7 years – excluding free shares)	**19,535,773**	**5.60** (ranging from 0 to 171)
Of which exercisable	*321,167*	*111.60*
Granted	5,335,000	5.47
Delivered	(322,526)	-
Forfeited & other	(1,528,034)	15.69
Outstanding as of December 31, 2014 (with an average remaining contractual life of 7 years – excluding free shares)	**23,020,213**	**4.77** (ranging from 0 to 171)
Of which exercisable	*130,089*	*47.27*
Granted	2,360,000	6.76
Delivered (Free Share Plan)	(250)	-
Delivered (LTIP and MIP)	(5,744,815)	3.33
Adjusted following the 2015 capital increase (with PSR)	684,998	3.99
Forfeited & other	(2,412,323)	11.48
Outstanding as of December 31, 2015 (with an average remaining contractual life of 6 years – excluding free shares)	**17,907,823**	**4.43** (ranging from 0 to 7)
Of which exercisable	*3,251,110*	*4.03*

Significant assumptions used

The estimated fair values of the options granted were calculated using the Black&Scholes valuation model. The inputs into the model were as follows:

	Stock options plan granted in								
(in % and in euro)	**December 2015**	**June 2015**	**April 2015**	**October 2014**	**June 2014**	**March 2014**	**October 2013**	**May & June 2013**	**June 2010**
Weighted average share price at measurement date	7.05	6.13	6.06	4.71	5.68	4.88	4.06	3.20	5.5
Weighted average exercise price	7.11	5.88	5.83	4.92	5.79	4.53	3.93	3.19	6.29
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%	52%
Expected option life *	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Risk free rate	0.12%	0.17%	0.17%	0.13%	0.31%	0.62%	0.77%	0.62%	1.85%
Expected dividend yield	0.7%	0.8%	0.8%	0%	0%	0%	0%	0%	0%
Fair value of option at measurement date	2.27	1.91	1.88	1.45	1.82	1.73	1.40	1.06	2.22

* *Expected option life 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 shares 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 LTIP, Technicolor considered an expected turnover of 4% based on historical data of related beneficiaries, an average initial share price of €5.2 in 2011 (€5.5 in 2010), and a dividend rate of 0% (in 2011 and 2010).

For the 2013 free shares granted as part of Free Share Plan, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €3.87 and a dividend rate of 0%.

27.2 Compensation expenses charged to income

The compensation expenses charged to income for the services received during the period amount to €8 million and €9 million for the years ended December 31, 2015 and 2014, respectively. The counterpart of this expense has been credited fully to equity.

NOTE 28 OTHER CURRENT AND NON-CURRENT LIABILITIES

(in million euros)	2015	2014
TOTAL OTHER NON-CURRENT LIABILITIES	**159**	**189**
Taxes payable	30	32
Current royalties	116	114
Payables for fixed assets	44	19
Other	351	242
TOTAL OTHER CURRENT LIABILITIES	**541**	**407**

NOTE 29 EARNINGS (LOSS) 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 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.*

Diluted earnings (loss) per share

	2015	2014
NUMERATOR		
Adjusted profit (loss) "Group share" from continuing operations attributable to ordinary shareholders *(in million euros)*	125	141
DENOMINATOR *:		
Weighted shares *(in thousands)* **	364,541	352,853

* *Weighted average number of share for basic earnings is 357,355 thousands shares in 2015 and 347,818 thousands shares in 2014.*
Some of stock-options plans have no dilution impact due to stock price but could have a dilution impact in the future depending on the stock price evolution (see details of these plans in note 27).

** *According to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted in 2015 and 2014 to take into account the share capital increase with preferential subscription rights that occurred on November 17, 2015.*

NOTE 30 INFORMATION ON EMPLOYEES

The geographical breakdown of the number of employees at the end of the year is as follows:

	2015	2014
Europe	4,231	3,921
North America	7,790	5,681
Asia (1)	2,510	2,183
Other countries (2)	2,189	2,416
TOTAL NUMBER OF EMPLOYEES	**16,720**	**14,201**
Number of employees in entities accounted for under the equity method	352	344
(1) Of which India	*1,915*	*1,755*
(2) Of which Mexico	*1,395*	*1,418*

There were no employees reported under the discontinued perimeter as of December 31, 2015 and 2014.

The total "Employee benefits expenses" (including only employees in the consolidated entities) is detailed as follows:

(in million euros)	2015	2014
Wages and salaries	748	677
Social security costs	92	88
Compensation expenses linked to share-base payments granted to Directors and employees (1)	8	9
Pension costs – defined benefit plans (4)	11	12
Termination benefits and other long-term benefits (2)	11	19
TOTAL EMPLOYEE BENEFITS EXPENSES (EXCLUDING DEFINED CONTRIBUTION PLANS) (3)	**870**	**805**
Pension costs – defined contribution plans	19	19

(1) *See note 27.2.*
(2) *These costs were presented in restructuring expenses within continuing operations in the consolidated statement of operations.*
(3) *The defined contribution expenses paid within a legal and mandatory social regime are included in Employee benefits expenses shown above.*
(4) *See note 25.2.*

NOTE 31 SPECIFIC OPERATIONS IMPACTING THE CONSOLIDATED STATEMENT OF CASH FLOWS

31.1 Acquisition and disposal of subsidiaries, associates and investments

The details for the acquisition of investments, net of cash position of companies acquired are as below:

(in million euros)	2015	2014
Cisco Connected Devices	(357)	-
North America optical disc and replication and distribution business acquired from Cinram	(44)	-
The Mill	(258)	-
Mikros Image	(16)	-
Mr. X Inc.	(2)	(7)
Other	(20)	(8)
Acquisition of investments	**(697)**	**(15)**
Less cash position of companies acquired	9	1
ACQUISITION OF INVESTMENTS, NET	**(688)**	**(14)**

Net cash impact from disposal of available-for-sale investments amounted to €2 million in 2015 and €10 million in 2014.

31.2 Cash impact of debt repricing and financing operations

(in million euros)	Note	2015	2014
Fees paid for debt repricing (1)	*(9)*	(25)	(26)
Reimbursement of borrowings to bank holders (2)	*(1)*	(62)	(182)
Total cash impact of the Group's debt		**(87)**	**(208)**
Increase of Capital (net of fees paid) (3)	*(1)*	227	-
Proceed from borrowings (4)	*(1)*	377	-
TOTAL CASH IMPACT OF NEW FINANCING OPERATIONS		**604**	**-**

(1) The fees paid directly linked to the debt repricing have been classified into financing cash flows. In 2015, it includes €6 million for 2015 repricing transaction and €18 million for the issuance of new Term Loan Debt. In 2014, it included €25 million related to 2014 repricing transaction.

(2) In 2015, in addition to debt contractual refunds, €7 million of other debts were reimbursed.
In 2014, in addition to debt repricing, €11 million were reimbursed to Finantia as part of the closing of the Sauvegarde Proceeding and €1 million of other debt were also reimbursed.

(3) Due to the net share capital increase on November 17, 2015 (Share capital increase of €227 million with the deduction of the fees paid after tax for €8 million), and the MIP/LTIP shares subscription cash impact for €8 million.

(4) Mainly related to the issuance of new Term Loan Debt done on September and November 2015 for €374 million.

31.3 Changes in working capital and other assets and liabilities

As French tax authorities reimburse the Research tax credit (CIR) after a three-year period, Technicolor decided to sell its CIR to a financial institution in the first half of 2015. This sale occurred at the end of June and led to the derecognition of the €18 million receivable with the following counterparts:

- a cash receipt of €15 million;
- a €2 million receivable towards the financial institution, corresponding to the residual cash to be received when the French tax authorities reimburse the CIR in 2018; and
- a €1 million expense over the period.

The Group keeps a residual continuing involvement in the derecognized receivable due to the fiscal risk.

NOTE 32 CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

32.1 Contractual obligations and commercial commitments

The following table provides information regarding the aggregate maturities of contractual obligations and commercial commitments as of December 31, 2015 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 23). 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.

- Subsidiaries within 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 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.

		Amount of commitments by maturity			
(in million euros)	2015	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)	1,368	86	140	1,142	-
Finance leases	2	-	1	1	-
Payables on acquisition and disposal of companies	27	20	5	2	-
Off-balance sheet obligations:					
Operating leases (2)	330	83	119	56	72
Other unconditional future payments (3)	59	36	17	3	3
TOTAL UNCONDITIONAL FUTURE PAYMENTS *	**1,786**	**225**	**282**	**1,204**	**75**
Conditional future payments					
Off-balance sheet obligations:					
Guarantees given and other conditional future payments (4)	64	13	-	-	51
TOTAL CONDITIONAL FUTURE PAYMENTS *	**64**	**13**	**-**	**-**	**51**

* *"Total Unconditional future payments" and "Total Conditional future payments" as of December 31, 2014 amounted respectively to €1,294 million and €68 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 €1,293 million, see note 23). 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) Operating leases are described below in this note.

(3) Other unconditional future payments relate mainly to the maintenance costs associated with the lease.

(4) These guarantees comprise:

- *guarantees for customs duties and legal court proceedings for €0.2 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 €12 million related to ongoing tax litigations;*
- *a parental guarantee provided by Technicolor SA to secure the Section 75 debt;*
- *various operational guarantees granted to customs administrations in order to be exempt from duties goods transiting through customs warehouses for re-exportation, and transit guarantees in order that taxes are paid on goods only at their final destination in the import country. The maturity of these bank guarantees match the one-month renewable term of the agreements.*

Additional information:

- *guarantees and commitments received amount to €66 million as of December 31, 2015. 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. There are no more contractual obligations and commercial commitments taken by discontinued entities as of December 31, 2015.*

32.2 Commitments related to financial instruments

Commitments related to financial instruments held by the Group generate both future cash payments and receipts. These commitments are disclosed in the following table as follows:

- forward exchange contracts, swaps and options: for their related cash inflow and outflow amounts;
- interest rate swaps: for the underlying nominal debt amounts.

(in million euros)	2015
Currency swaps	368
TOTAL COMMITMENTS GIVEN	**368**
Currency swaps	368
TOTAL COMMITMENTS RECEIVED	**368**

32.3 Commitments related to operating leases

At December 31, 2015, commitments related to future minimum and non-cancellable lease payments are detailed below:

(in million euros)	Minimum future lease payments (1)	Future lease payments commitments received (2)	Net value of future lease commitments
2016	83	(4)	79
2017	67	(3)	64
2018	52	(3)	49
2019	34	(1)	33
2020	22	-	22
After 5 years	72	-	72
TOTAL	**330**	**(11)**	**319**

(1) Minimum operating lease payments shown are not discounted.
(2) Includes mainly operating lease payments to be made by:
- *Assystem, Inc. Research, CCA International and GoPro for the subleasing of a part of the headquarter in France;*
- *Proservia for the subleasing of a part of the Rennes building in France;*
- *Picture Head and I.AM.MONEY, Inc. for the subleasing of a part of Hollywood building in the U.S.;*
- *Udemy for the subleasing of a part of the San Francisco building in the U.S.*

The above table includes the leases accrued as restructuring reserve for €1 million as of December 31, 2015.

The main operating leases relate to the headquarters in Issy-les-Moulineaux (France) and Indianapolis (U.S.):

- on April 22, 2008, Technicolor signed a commitment for an operating lease – its headquarters in France in Issy-les-Moulineaux near Paris for a duration of 9 years from November 2009;
- Technicolor USA, Inc. sold its office building (administration and technical services buildings) in March 2000 and subsequently leased back from the purchaser until 2012 and renewed until 2017.

The net operating lease expense in 2015 was €82 million (€87 million in rental expense and €5 million in rental income).

32.4 Security interests granted to secure the Term Loan Debt

The security package consisting notably of guarantees and security interests granted by the Company and subsidiaries to secure the Reinstated Debt was released when the Reinstated Debt was repaid on May 30, 2014.

On May 30, 2014, as provided for under the Term Loan Debt, a replacement security package consisting of share pledges, pledges of material intra-group loans and pledges of material cash-pooling accounts was put in place *via* Tech Finance to secure the Term Loan Debt.

Shares of subsidiaries pledged

On May 30, 2014, Technicolor SA pledged the shares of the following five subsidiaries: Gallo 8 SAS, Thomson Licensing SAS, Technicolor Delivery Technologies SAS, Technicolor Brasil Midia E Entretenimento Ltda, and Technicolor USA, Inc. to secure the Term Loan Debt.

Cash pooling accounts pledged

Pursuant to two different Cash Pooling Pledge Agreements, the cash pooling accounts of Technicolor SA in France and in the UK were pledged by Technicolor SA on May 30, 2014. The five pledged cash pooling agreements relate to the domestic and international centralization of Group Treasury, a multitarget balancing agreement, and three group treasurership standard agreements (in dollars U.S., euros and British pounds).

Intra-group loans pledged

Pursuant to an intra-group Loans Receivables Pledge Agreement, on May 30 2014, Technicolor SA pledged intra-group loans receivables from Technicolor Trademark Management, Technicolor Europe Ltd., Technicolor Videocassette Holdings (UK) Limited, Technicolor Entertainment Services France SAS, Technicolor Distribution Services France SARL, Technivision Ltd., Thomson multimedia Sales UK Ltd., Technicolor Delivery Technologies SAS, Technicolor USA, Inc., and Technicolor Australia Investments Ltd.

NOTE 33 **CONTINGENCIES**

In the ordinary course of the business, the Group is involved in various legal proceedings and is subject to tax, customs and administrative regulation. The Group's general policy is to accrue a reserve when a risk represents a contingent liability towards a third-party and when the probability of a loss is probable and it can be reasonably estimated. Significant pending legal matters include the following:

Anti-dumping duties

In a case pertaining to imports into the European Union by Technicolor subsidiaries of televisions manufactured by Technicolor in Thailand, Technicolor received reassessment notices in 2004 and 2005 relating to antidumping duties from customs authorities in the United Kingdom, Germany, France, and Italy.

Those cases are now definitively closed in France and in the United Kingdom but are still pending in Germany and Italy.

In France the French Supreme Court (*Cour de cassation*) cancelled on February 2, 2016 an adverse decision rendered by the Appeals Court of Paris, pursuant to which Technicolor paid a fine of €9.5 million (including VAT) in 2014. The French customs authority now has to pay back that full amount to Technicolor. This closes the case in France.

In the United Kingdom, Technicolor paid in July 2013 €1 million in full and final settlement of the reassessment, which closed the case in the United Kingdom.

In Italy, pursuant to an unfavorable decision by the Italian Supreme Court in September 2012, an Italian subsidiary of Technicolor was held liable for the payment of a €7.6 million reassessment to the customs authority. Technicolor considers the Supreme Court decision to be unlawful in view of European Community law and introduced an indemnity action against the Italian government.

In Germany, Technicolor is challenging the reassessment before German courts.

Poland tax Proceedings

To complete two requests for arbitrage on 2003 transfer prices between France and the United Kingdom on one side and Poland on the other side, Technicolor's Polish entity, Technicolor Polska, submitted an €8 million tax refund request to the Polish Tax Authorities in June 2009. At the same time, the Polish Tax Authorities launched an audit on the entity's 2003 income tax and 2004 withholding tax returns.

After lengthy proceedings, the Polish Tax Authorities issued provisional assessments in 2010 with respect to 2003 deductibility of research and development costs and 2004 withholding taxes resulting in additional taxes amounting to €10 million and interest amounting to €7 million. In the interim, Polish Tax Authorities had established a €17 million mortgage on Technicolor Polska's assets which prevented, as an indirect consequence, the statute of limitations from expiring. In May 2010, the Polish Tax Authorities launched another audit on the 2004 corporate income tax and 2005 withholding tax returns. In January 2011, they issued provisional assessments equivalent to the previous year assessments, *i.e.* deductibility of 2004 research and development costs and 2005 withholding taxes, amounting to €5 million in principal and €3 million in interest. In August 2011, the First Level Administrative Court of Warsaw rejected 98% of the 2010 assessments (on 2003 deductibility of research and development costs and 2004 withholding taxes) notified by the Polish Tax Authorities. In December 2011, this verdict became final as the Polish Tax Authorities did not appeal. The Polish Tax Administration decided to review the final aspects of the proceedings and has interviewed around 20 former employees. In June 2013, the Polish Tax Administration issued new assessments for tax year 2004, alleging that the 2003 research and development expenses are non-deductible, while they took the opposite position in 2010. In November 2013, the Polish tax authorities waived the 2004 and 2005 withholding taxes reassessments, for an amount of €8.9 million. At the beginning of 2014, the Polish tax authorities waived the 2004 Current Income Tax reassessments, for an amount of €3.5 million.

The Polish Tax Authorities also launched an audit for tax year 2007 and issued a preliminary assessment for approximately €0.4 million without interest and Technicolor is challenging this assessment. Currently only one mortgage for €12.6 million related to 2003 Current Income Tax remains.

Technicolor Polska continues to contest the assessments and considers them to be invalid.

France VAT audit

The French tax authorities audited the Company for 2009 tax year and issued at the end of 2012, a VAT assessment amounting to €5.6 million in principal and €0.8 million of interest.

Out of this principal amount, one VAT assessment amounting to €1.3 million, relates to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged. The other significant assessment involves the deduction of VAT by the Company as a mixed holding company for an amount of €3.7 million. In July 2013, the French tax authorities issued VAT assessments with respect to 2010 tax year on the same grounds as with respect to 2009, the two most significant of which being a €1.1 million assessment relating to the subsidy and a €7.5 million assessment relating to the deductibility of the "holding" VAT. In June 2014, a collegial tax commission decided to give up on the reassessments relating to the deductibility of the "holding" VAT (*i.e.* €3.7 million for 2009 and €7.5 million for 2010).

Following receipt of the recovery notice in September 2014, the Company paid the remaining assessments (*i.e.* €1.3 million and €1.1 million for 2009 and 2010 and €0.3 million of interest). The Company therefore filed a claim before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014).

On February 2015, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore the Company presented a claim before the administrative Tribunal of Cergy-Pontoise in April 2015. Following the receipt of an explicit rejection in May 2015, after the deadline had expired, the Company produced a complementary memorandum to the administrative Tribunal of Cergy-Pontoise in June 2015.

Taoyuan County Form RCA Employees' Solicitude Association

In April 2004, the Plaintiff, Taoyuan County Former RCA Employees' Solicitude Association (the "Association"), which is a non-profit entity composed of former RCA employees of Technicolor's subsidiary TCETVT (or heirs of former workers) who claim to have worked at TCETVT's former manufacturing facility in Taoyuan (the "Facility") filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against TCETVT and General Electric International, Inc. ("GEI"). The Association is alleging 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 originally claimed damages of NTD 2.7 billion (€75 million at the December 31, 2015 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against TCETVT, Technicolor SA, and TCE Bermuda for approximately NTD 564 million (€16 million at the December 31, 2015 exchange rate) plus interest. TCETVT, Technicolor SA and TCE Bermuda have appealed the ruling. The Association has also filed an appeal.

Technicolor considers that it is GE's legal and contractual obligation to indemnify Technicolor SA and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

Cathode Ray Tubes cases

United States

Technicolor has been defending among other defendants against the following three legal actions in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses):

- one class action brought by a group of direct purchasers of CRT that was filed in 2008. Technicolor SA was initially dropped as a named defendant when amended complaints were filed in the spring of 2009 and was brought back in the case in 2014;

- one class action brought by a group of indirect purchasers of CRT that was filed in 2008, which was subject to a tolling agreement until June 2015;
- lawsuits brought in 2013 and 2014 against Technicolor SA, Technicolor USA and other defendants by 15 direct action plaintiffs (mostly U.S. retailers), including Sharp Electronics; Best Buy Co., Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; Target Corporation and ViewSonic.

In 2015 and early 2016, Technicolor SA and Technicolor USA have succeeded in entering into settlement agreements with the direct purchasers class, the indirect purchasers class and a number of major direct action plaintiffs (Sears Roebuck, Kmart, Circuit City, Target and ViewSonic). The amount of these settlements has been taken into account as an exceptional charge in 2015 for €49 million, out of which €36 million will be paid in 2016.

This leaves Technicolor as a defendant in the U.S. only against Sharp and Best Buy and a second group of direct plaintiffs with much smaller claims.

The Group sold the CPT business in 2005 and never had activity in the CDT business. At this time, Technicolor is unable to assess the outcome from the trials and the remaining potential liability.

Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. As appropriate and to the extent required, Technicolor USA and Technicolor SA will timely file responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian authorities that they were initiating an investigation of possible cartel activity within the CRT industry in Brazil. Finally, in October 2015, the Mexican authorities closed the investigations they had launched against Technicolor on similar grounds in 2009.

Environmental matters

Some of Technicolor's current and previously-owned manufacturing sites have a history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Soil and groundwater contamination was detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired from GE in 1987. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. EPB and TCETVT continue to negotiate over the scope of that work. Technicolor has reached an agreement with General Electric with respect to allocation of responsibility related to the soil and groundwater remediation.

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 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 precisely adequate.

NOTE 34 **RELATED PARTY TRANSACTIONS**

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.*

34.1 Main transactions

(in million euros)	2015	2014
Statement of financial position items		
Trade receivables		
■ SV Holdco	-	1
■ Other joint ventures	1	1
Trade payables		
■ ST Microelectronics [(1)]	3	1
■ Trace VFX LLC	2	-
Other assets	-	-
Other liabilities	-	-
Statement of operations items		
Revenues		
■ SV Holdco	4	7
■ ST Microelectronics [(1)]	1	1
Expenses		
■ ST Microelectronics [(1)]	(18)	(26)
■ SDN [(3)]	(3)	-
Extraordinary items		
■ Technicolor Beijing [(2)]	-	(1)

(1) Mr. Lombard, Director of Technicolor, is Chairman of the Supervisory Board of ST Microelectronics since March 2011. As a consequence, ST Microelectronics is a related party of Technicolor.
(2) In 2014, the amount deals with depreciation of loan.
(3) SDN is now a related party of Technicolor since Cisco Systems Inc. (the parent company of SDN) holds 5.21% of the share capital of Technicolor.

There is no contractual obligation and other commitment with these related parties in 2015 and in 2014.

34.2 Key Management compensation

Directors' fees and compensation expenses (incl. Social security costs) amounted to €0.5 million and €0.7 million respectively in 2015 and 2014. 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 2015 will be paid in 2016.

Compensation expenses allocated during 2015 and 2014 by the Group to Members of the Executive Committee (including those who left this function during 2015 and 2014), are shown in the table below:

(in million euros)	2015	2014
Short-term employee benefits [(1)]	13	13
Share-based payment	4	4
TOTAL	**17**	**17**

(1) In case of retirement the Group has an obligation almost nil as of December 31, 2014 and 2015.

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 35 SUBSEQUENT EVENTS

The M-GO business disposal has been finalized on January 29, 2016 for a net proceed of USD12 million (€11 million).

NOTE 36 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)	**2015**	**2014**
Fully consolidated		
Technicolor SA	Parent company	Parent company
1-5 rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux (France)		
Technology		
Thomson Licensing SAS (France)	100.0	100.0
Technicolor R&D France SNC (France)	100.0	100.0
Technicolor Trademark Management SAS (France)	100.0	100.0
RCA Trademark Management SAS (France)	100.0	100.0
Deutsche Thomson OHG (Germany)	100.0	100.0
Thomson Licensing LLC (USA)	100.0	100.0
MediaNaviCo LLC (USA)	89.6	85.6
Connected Home		
Technicolor Delivery Technologies SAS (France)	100.0	100.0
Technicolor Connected Home Rennes SNC (France)	100.0	100.0
Technicolor Brasil Midia E Entretenimento Ltda (Brasil)	100.0	100.0
Technicolor Connected Home USA LLC (USA)	100.0	100.0
Thomson Telecom Mexico, SA de C.V. (Mexico)	100.0	100.0
Comercializadora Thomson de Mexico SA de C.V. (Mexico)	100.0	100.0
Technicolor Connected Home Canada Inc. (Canada)	100.0	100.0
Technicolor Delivery Technologies Australia, Pty, Ltd. (Australia)	100.0	100.0
Technicolor (China) Technology Co., Ltd. (China)	100.0	100.0
Technicolor Malaysia Sdn Bhd (Malaysia)	100.0	100.0
Connected Home Hong Kong Ltd. (Hong Kong)	100.0 **	-
Technicolor Connected Home India Private Ltd. (India)	100.0	100.0
Entertainment Services		
Technicolor Distribution Services France SARL (France)	100.0	100.0
Technicolor Entertainment Services France SAS (France)	100.0	100.0
Mikros Image SAS (France)	100.0 *	-
Ouido Productions SAS (France)	51.0 *	-
MTC (France)	100.0 *	-
Technicolor Polska Sp.Z.o.o. (Polska)	100.0	100.0
The Moving Picture Company Ltd. (MPC) (UK)	100.0	100.0
Technicolor Disc Services International Ltd. (Hammersmith) (UK)	100.0	100.0
Technicolor Video Services (UK) Ltd. (UK)	100.0	100.0
Thomson Multimedia Distribution (Netherlands) BV (Netherlands)	100.0	100.0
Technicolor Ltd. (UK)	100.0	100.0
The Mill (Facility) Ltd. (UK)	100.0 *	-
Badger Bidco Limited (UK)	100.0 *	-
Technicolor USA Inc. (USA)	100.0	100.0

Company – (Country)	% share held by Technicolor (% rounded to one decimal) 2015	2014
Technicolor Videocassette of Michigan, Inc. (USA)	100.0	100.0
Technicolor Home Entertainment Services Inc. (USA)	100.0	100.0
Technicolor Creative Services USA Inc. (USA)	100.0	100.0
Technicolor Canada Inc. (Canada)	100.0	100.0
Technicolor Home Entertainment Services de Mexico S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Mexicana, S. de R.L. de C.V. (Mexico)	100.0	100.0
Mr. X Inc. (Canada)	100.0	100.0
Technicolor Global Logistics, LLC (USA)	100.0	100.0
Technicolor Home Entertainment Services Canada ULC (Canada)	100.0 **	-
Technicolor Home Entertainment Services Southeast, LLC (USA)	100.0 **	-
Technicolor Holdings of Canada Inc. (Canada)	100.0	100.0
TECHNICOLOR Holdings USA, Inc. (USA)	100.0	100.0
The Mill group Inc. (USA)	100.0 *	-
Beam Tv Inc. (USA)	100.0 *	-
Badger USA, Inc. (USA)	100.0 *	-
MPC (Shanghai) Digital technology Co., Ltd. (China)	89.8 **	-
Technicolor, Pty, Ltd. (Australia)	100.0	100.0
Technicolor India Privat Ltd. (India)	100.0	100.0
Technicolor Distribution Australia, Pty. Ltd. (Australia)	100.0	100.0
Technicolor Audio Visual Systems Ltd. (UK)	0.0 **	100.0
Direct Home Entertainment Ltd. – TechnicolorDirect.com (UK)	0.0 **	100.0
Technicolor Vidtronics Ltd. (UK)	0.0 **	100.0
Blondes Films Limited (UK)	0.0 **	100.0
The Moving Picture Company Holdings Limited (UK)	0.0 **	100.0
Corporate		
Gallo 8 SAS (France)	100.0	100.0
Sté Fr.d'Invest.et d'Arbitrage – Sofia (France)	100.0	100.0
Technicolor Treasury USA LLC (USA)	100.0 **	-
Technicolor Asia Pacific Investments Pte. Ltd. (Singapore)	100.0	100.0
Other		
IZ-ON Media, LLC (U.S.)	0.0 *	100.0
Accounted for under the equity method		
SV Holdco, LLC (USA)	17.5	17.5
TechFund Capital Europe (France)	19.8	19.8
Technicolor SFG Technology Co. Ltd. (China)	49.0	49.0
HEVC Advance LLC (USA)	20.0 **	-
Trace VFX LLC (Canada)	20.0 *	-
PRN Polska (Polska)	0.0 **	50.0
Technicolor (Beijing) Visual Technology Co., Ltd.	0.0 **	50.0

* *Entities acquired or sold by the Group (see note 4.1).*
** *Entities created, sold, liquidated or deconsolidated for reorganization purpose.*

8.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

This is a free translation into English of the Statutory Auditors' report on the consolidated 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 is presented below the audit 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 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' Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Technicolor SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors, our role is to express an opinion on these consolidated financial statements based on our audit.

1. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group formed by the entities included in the scope of consolidation as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- note 3 to the consolidated financial statements describes the situations where management of Technicolor SA has made assumptions and used estimates. This note describes that circumstances and actual results may differ from these assumptions and estimates. Amongst the significant estimates, there are goodwill, intangibles, deferred tax assets as well as retirement benefit obligation and provisions for risks and litigation:

- as described in note 3, the Company performs, each financial year, impairment tests on goodwill and assets with indefinite useful lives, and also assesses whether there is any indication of impairment of long-term assets, according to the methods described in this note. We examined the methods used to test for impairment as well as cash flow projections and assumptions used and ensured that note 13 provides appropriate disclosures thereon,
- in relation to the deferred tax assets described in note 10, we have assessed the adequacy of the information and assumptions used as the basis for the estimates retained, reviewed the calculations performed by the Company and ensured that note 10 provides appropriate disclosures thereon,
- note 25 describes the methods used to evaluate the retirement benefit obligations. These obligations have been evaluated by external actuaries. Our procedures have consisted in reviewing the information used, assessing the assumptions retained and ensuring that note 25 provides appropriate disclosure thereon,
- regarding risks and litigation, we have reviewed the procedures used by the Group to identify, evaluate and account for them. We have also ensured that the uncertainties identified while performing these procedures were adequately disclosed in note 33;

■ notes 1.2 "Main events of the year" and 4.1 (a) "Acquisitions and disposals – 2015" to the consolidated financial statements disclose notably the takeovers in 2015 and their impact on the consolidated financial statements, of several entities or activities, mainly the Cisco Connected Devices Business and The Mill group, with the understanding that the purchase price allocations in compliance with IFRS 3 revised have not yet been performed or completed as of December 31, 2015. Our audit included checking the proper accounting treatment of those acquisitions in accordance with the methods described in note 13 "Goodwill and other intangible assets" and that the information was appropriately disclosed in notes 1.2 and 4.1 (a) to the consolidated financial statements.

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, February 25, 2016
Deloitte et Associés

French original signed by
Ariane Bucaille
Partner

Courbevoie, February 25, 2016
Mazars

French original signed by
Guillaume Devaux
Partner

Jean-Louis Simon
Partner

8.4 TECHNICOLOR SA PARENT COMPANY FINANCIAL STATEMENTS

8.4.1 STATEMENT OF OPERATIONS

(in million euros)	Note	Year ended December 31 2015	2014
Revenues	*(3)*	60	66
Other operating revenues		4	5
Total operating income		**64**	**71**
Wages and salaries		(27)	(36)
Other operating expenses		(57)	(52)
Depreciation, amortization and provisions		(7)	(14)
Loss from operations		**(27)**	**(31)**
Interest income		111	125
Interest expense		(115)	(157)
Dividends from subsidiaries		622	231
Goodwill depreciation		(33)	(233)
Other net financial gains/(losses)		(777)	(145)
Net finance expense	*(4)*	**(192)**	**(179)**
Net loss after financial loss		**(219)**	**(210)**
Capital gain / (loss) on asset disposals and contributions		-	8
Exceptional profit (expenses)		(29)	(26)
Exceptional loss	*(5)*	**(29)**	**(18)**
Income tax	*(6)*	62	55
NET LOSS		**(186)**	**(173)**

The accompanying notes on pages 261 to 280 are an integral part of these financial statements.

8.4.2 STATEMENT OF FINANCIAL POSITION

		Year ended December 31	
(in million euros)	Note	2015	2014
ASSETS			
Non-current assets			
Intangible assets		514	511
Depreciation, amortization and provisions		(413)	(379)
Intangible assets, net value	*(7)*	**101**	**132**
Property and Equipment		15	15
Depreciation, amortization and provisions		(10)	(9)
Property and Equipment, net value	*(7)*	**5**	**6**
Shares in subsidiaries	*(8)*	10,306	9,868
Provisions on shares in subsidiaries		(7,601)	(6,740)
Other shares		3	3
Other financial assets		192	23
Financial assets, net value		**2,900**	**3,154**
Total non-current assets		**3,006**	**3,292**
Current assets			
Trade Receivables		43	48
Current accounts and loans with subsidiaries		1,708	1,070
Depreciation of Group company current accounts and loans		(166)	(272)
Other current assets		78	66
Cash and cash equivalents		124	85
Total current assets	*(9)*	**1,787**	**997**
Prepayments, deferred charges and unrealized losses on foreign exchange	*(10)*	**160**	**90**
TOTAL ASSETS		**4,953**	**4,379**

The accompanying notes on pages 261 to 280 are an integral part of these financial statements.

(in million euros)	Note	Year ended December 31 2015	2014
EQUITY AND LIABILITIES			
Equity			
Common stock *(411,443,290 shares at December 31, 2015 at per value of €1.00)*	*(12)*	411	336
Additional paid-in capital		1,124	1,161
Other reserves		100	100
Retained earnings		-	(144)
Net loss for the year		(186)	(173)
Total shareholders' equity	*(12)*	**1,449**	**1,280**
Other equity instruments	*(12)*	500	500
Total shareholders' equity and equity instruments		**1,949**	**1,780**
Provisions for losses and contingencies	*(14)*	**204**	**144**
Financial liabilities			
Payables to other Group companies		1,364	1,437
Financial debts		1,363	965
Total financial liabilities	*(13)*	**2,727**	**2,402**
Current liabilities			
Trade payables		9	12
Other current liabilities		58	35
Total current liabilities	*(15)*	**67**	**47**
Deferred income and unrealized gains on foreign exchange		**6**	**6**
TOTAL EQUITY AND LIABILITIES		**4,953**	**4,379**

The accompanying notes on pages 261 to 280 are an integral part of these financial statements.

8.4.3 STATEMENT OF CHANGES IN EQUITY

(in million euros)	Common Stock	Additional paid-in capital	Legal reserves	Other reserves	Retained earnings	Net income (loss) for the year	Total
At December 31, 2013	**336**	**1,161**	**-**	**100**	**(75)**	**(69)**	**1,453**
Changes in 2014							
Allocation of 2013 balance	-	-	-	-	(69)	69	-
Net loss of the year	-	-	-	-	-	(173)	(173)
At December 31, 2014	**336**	**1,161**	**-**	**100**	**(144)**	**(173)**	**1,280**
Changes in 2015							
Allocation of 2014 balance	-	-	-	-	(173)	173	-
Transfer	-	(317)	-	-	317	-	-
April 9, 2015 dividend distribution	-	(17)	-	-	-	-	(17)
June 8, 2015 increase in capital related to stock options exercised	1	(1)	-	-	-	-	-
October 6, 2015 increase in capital related to stock options exercised	2	4	-	-	-	-	6
November 17, 2015 increase in capital	48	179	-	-	-	-	227
November 20, 2015 increase in capital	21	116	-	-	-	-	137
Fees related to capital increases	-	(8)	-	-	-	-	(8)
Stock options exercised	3	7	-	-	-	-	10
Net loss of the year	-	-	-	-	-	(186)	(186)
AT DECEMBER 31, 2015	**411**	**1,124**	**-**	**100**	**-**	**(186)**	**1,449**

The accompanying notes on pages 261 to 280 are an integral part of these financial statements.

8.5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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NOTE 1 GENERAL INFORMATION AND MAIN EVENTS

1.1 General information

The Technicolor group is a leader in Media & Entertainment Services, developing and monetizing next-generation video and audio technologies. 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 18, 2016. 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 April 2016.

1.2 Main events of the year

Debt repricing

On June 2015, Technicolor repriced USD763 million and €301 million of its senior secured term loans issued by Tech Finance & Co. S.C.A. maturing in 2020 (the "Term Loan Debt") at new pricing of LIBOR/EURIBOR +400 bps, subject to a 1% LIBOR/EURIBOR floor, a 50 bps reduction from the previous pricing. In parallel, certain amendments to the covenants of the Term Loan Debt were negotiated, notably the gross debt to EBITDA which was revised upward to 4.0x from the previous level of 3.5x. Technicolor also increased the dividend payment basket which now amounts to €150 million between the closing date of the repricing and June 2020 and reduced the excess cash flow sweep from 75% to 50% (subject to step down if certain leverage ratios are reached).

Financing of Group Acquisitions

As part of its Drive 2020 strategic plan Technicolor SA financed several acquisitions during the year 2015 through capital increases and debt issuance:

- in the Entertainment Services segment, acquisition on September 15, 2015 of The Mill, a group with £109 million revenues in 2014 (€135 million at average exchange rate of 2014), the world's largest visual effects and content creation studio for the advertising industry, for a consideration of £48 million (equivalent to €66 million at September 15, exchange rate) paid cash to the existing shareholders of The Mill Group. In addition and in accordance with the agreement, Technicolor paid the assumed debt of The Mill amounting to £74 million and U.S. USD98 million (equivalent respectively to €100 million and €87 million at September 15, 2015 exchange rate);
- in the Connected Home segment, acquisition on November 20, 2015 of the Cisco Connected Devices Business ("CCD"), an activity with USD2.1 billion of revenues in 2014, for an initial consideration of USD600 million decreased to USD532 million after price adjustment on working capital, equivalent to €498 million at exchange rate of November 20 of which a part has been paid through 21,418,140 newly issued shares.

These major acquisitions have been financed by the end of the year 2015 through:

- €374 million new term loan granted by a syndicate of banks;
- a share capital increase on November 17, 2015 through a public offering with rights issue of €227 million including the share premium (before deduction of issuance cost);
- a reserved share capital increase on November 20, 2015 for €137 million reflecting the issuance of new ordinary shares by Technicolor SA to Cisco as partial consideration for the acquisition.

As part of the CCD acquisition from Cisco, Technicolor SA acquired directly the U.S. assets via a specifically created NewCo and transferred this NewCo for the same amount to Technicolor USA Inc., a fully owned subsidiary of Technicolor SA, as contribution in kind for the capital increase of this subsidiary.

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

2.1 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 contained in the French Commercial Code. The guidelines and recommendations of the *Autorité des normes comptables*, the *Ordre des Experts Comptables* and the *Compagnie Nationale des Commissaires aux Comptes* are also applied.

The accounting policies and valuation methods used in the 2015 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.

2.2 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.

2.3 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.

2.4 Translation of foreign currency transactions

Holding activities

Foreign currency transactions are translated into euros at the exchange rate effective on the trade date. Receivables and payables in foreign currency are revalued at the rate of exchange prevailing on the balance sheet date. The differences arising on the translation compared to the historical rate are recorded as translation adjustments in the balance sheet (a provision for exchange risk is recognized when translation differences occur on receivables or debt).

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, permitted financial instruments and tracking tools. All financial market risks are monitored on a permanent basis. Periodic reports are made to the CFO, the Investment 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 currency exchange rate risk, the Group enters into hedging transactions 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)".

NOTE 3 REVENUES

(in million euros)	2015	2014
France	39	42
European Union (except France)	4	5
Other countries	17	19
TOTAL REVENUES	**60**	**66**

In 2015, revenues consist mainly in intra-group re-invoicing (€55 million), royalties on trademarks (€3 million) and other external revenues (€2 million).

In 2014, revenues consisted mainly in intra-group re-invoicing (€61 million), royalties on trademarks (€2 million) and other external revenues (€3 million).

NOTE 4 FINANCIAL RESULT

(in million euros)	2015	2014
Depreciation on financial investments, treasury shares, current accounts and risk provisions regarding subsidiaries, net of reversal (1)	(775)	(166)
Dividends received (2)	622	231
Goodwill depreciation (3)	(33)	(233)
Net gain/(losses) on foreign exchange	(2)	26
Net interest income/(expenses)	(4)	(32)
Other income/(expenses)	-	15
Subtotal	**(192)**	**(159)**
Reversal of depreciation on treasury shares transferred to extraordinary result	-	(20)
TOTAL FINANCIAL RESULT	**(192)**	**(179)**

(1) *In 2015, depreciation on financial investments (see notes 8.1 (3) and 8.1 (4)) and current accounts mainly applies to the subsidiaries Thomson Licensing SAS (€497 million depreciation on shares), Technicolor USA, Inc (€416 million depreciation on shares and €87 million of reversal of depreciation on current account) and Technicolor Delivery Technologies SAS (€23 million depreciation on shares).*
In 2014, depreciation on financial investments and current accounts mainly applied to the subsidiaries Technicolor USA, Inc. (€294 million depreciation on shares and €59 million of reversal of depreciation on current account), Technicolor Trademark Management SAS (€79 million of reversal of depreciation on shares), Technicolor Entertainment Services Spain (€66 million of depreciation on shares), Gallo 8 (€59 million of reversal of depreciation on shares) and Technicolor Delivery Technologies SAS (€47 million of depreciation on shares).

(2) *In 2015, coming mainly from Thomson Licensing SAS (€593 million), Technicolor Brasil Midia e Entretenimento Ltd.a (€19 million) and RCA Trademark Management SAS (€8 million).*
In 2014, coming mainly from Thomson Licensing SAS (€210 million), RCA Trademark Management SAS (€7 million) and Technicolor Brasil Midia e Entretenimento Ltd.a (€8 million).

(3) *See note 7 for details.*

NOTE 5 EXCEPTIONAL PROFIT (EXPENSE)

Exceptional items include income or charges of which the nature and amount are not recurring or unusual.

(in million euros)	2015	2014
Capital gains on disposals of intangible and financial assets [1]	1	8
Gains/(losses) on business disposals	-	(1)
Restructuring costs (accruals net of reversals and expenses for the year) [2]	(1)	(10)
Other net extraordinary profit (expenses) [3]	(29)	(15)
TOTAL EXCEPTIONAL PROFIT (EXPENSE)	**(29)**	**(18)**

(1) In 2015 and in 2014, results from the sale of investments.
(2) In 2015 and in 2014, corresponds mainly to a restructuring plan on the Group support functions.
(3) In 2015, corresponds mainly to:

- *the payment of €6 million as part of the repricing transaction of Term Loan Debt carried out by Technicolor;*
- *the payment of €13 million as part of a New Term Loan Debt carried out by Technicolor (net of deferred expenses of €5 million amortized over a period of five years);*
- *a litigation for €10 million.*

In 2014, corresponded mainly to:

- *the payment of €24 million as part of the repricing transaction of Term Loan Debt carried out by Technicolor (net of deferred expense of €1 million amortized over a period of six years);*
- *a reversal of provision for risks on withholding tax on dividends paid by a Taiwanese subsidiary for €2 million and a reversal of provision for risks for €3 million.*

NOTE 6 INCOME TAX

Under French tax law, Technicolor SA is the head company of the French tax consolidation group consisting in 13 companies.

The Company has tax losses to carry forward indefinitely, estimated at €2,542 million as of December 31, 2015 due mainly to the disposal of the Tubes activity in 2005.

6.1 Breakdown of booked income tax

Technicolor SA is the head company of the French tax consolidation group. Therefore Technicolor SA is responsible to the French Tax Authorities for all corporate income tax matters. Technicolor SA is allowed to collect from other members of the French tax consolidation group the amount of corporate income tax they would have paid if they were taxable separately on a standalone basis.

(in million euros)	2015	2014
Current tax booked by French subsidiaries and passed on to Technicolor SA [1]	89	76
Subsidiaries' research tax credit	25	20
Provision for tax-integrated companies [2]	(26)	(22)
Unused foreign tax credits	(1)	(4)
Other [3]	(25)	(15)
TOTAL INCOME TAX	**62**	**55**

(1) Under French consolidation regime, Technicolor gets a tax income from consolidated French subsidiaries, in particular towards Thomson Licensing SAS (€78 million).
(2) French tax consolidation group can only offset 50% of its taxable profit with its tax losses carried forward. In addition, the French tax regulation limits to 75% the deductibility of net interest expenses. The interests paid to affiliate companies not subject to a local corporate income tax at least equal to 25% of the French income corporate tax are no more deductible.
The provision for the income tax expense under tax consolidation for 2015 will be offset with €11 million of foreign withholding tax credits in connection with Thomson Licensing SAS, with €12 million of research tax credit and €3 million cash.
(3) Corresponds mainly to research tax credit to be repaid to subsidiaries. The amount to be received for the tax credit to boost competitiveness and employment (CICE) is not significant for 2015. In 2015, Technicolor SA paid to the tax authority €22 million of advance payments for corporate tax (of which €19 million charged against research tax credit) and surtax. In the absence of tax integration, the Company would show a nil net income tax expense.

6.2 Variation of deferred or latent tax bases

Certain or potential tax items to carry forward are the following:

(in million euros)	December 31, 2014	Variation	December 31, 2015
Temporarily non-deductible expenses			
■ To be deducted the following year:			
Paid vacations	3	(1)	2
Restructuring cost	16	(11)	5
Provisions for retirement	1	(1)	-
Other	20	-	20
■ To be deducted at a later date:			
Restructuring cost	2	(2)	-
Provisions for retirement	3	-	3
Provisions for subsidiary risks	-	-	-
Depreciation on current accounts	270	(103)	167
Other	7	(1)	6
To be deducted			
■ Tax losses carried forward	2,507	35	2,542

NOTE 7 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

INTANGIBLE ASSETS

Intangible assets consist mainly of capitalized IT development projects, cost of software, use of patents and goodwill (mali de fusion).

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.

TANGIBLE ASSETS

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.

(in million euros)	Intangible assets	Tangible assets
At December 31, 2014		
Cost	511	15
Accumulated depreciation	(379)	(9)
NET	**132**	**6**
2015		
Opening net amount	132	6
Acquisitions / Increase	3	-
Depreciation and amortization [(1)]	(34)	(1)
NET	**101**	**5**
At December 31, 2015		
Cost	514	15
Accumulated depreciation	(413)	(10)
NET [(2)]	**101**	**5**

(1) Concerns mainly the depreciation of the goodwill allocated to Thomson Licensing SAS (€33 million).

(2) Including €91 million of goodwill allocated to the following affiliates Technicolor Brasil Midia e Entretenimento Ltd.a (€90 million) and Technicolor Asia Pacific Investments Pte Ltd. (€1 million).

NOTE 8 FINANCIAL ASSETS

FINANCIAL ASSETS

Financial assets include 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 acquisition cost or for Thomson Licensing SAS at its fair market value. If that cost is higher than the value in use, a depreciation charge is recorded to reflect the difference. For Thomson Licensing SAS a depreciation is booked if the fair value of the subsidiary at closing (future discounted cash flow increased of the cash available) is below the net book value of its shares. 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.

8.1 Variation of financial assets

(in million euros)	Shares in subsidiaries	Other financial assets [1]	Total financial assets
At December 31, 2014			
Cost	9,868	85	9,953
Accumulated depreciation	(6,740)	(59)	(6,799)
NET	**3,128**	**26**	**3,154**
2015			
Opening net amount	3,128	26	3,154
Acquisitions / recapitalizations [2]	458	174	632
Disposals	(20)	(6)	(26)
Depreciation [3]	(958)	-	(958)
Reversals of depreciation provisions [4]	97	1	98
NET	**2,705**	**195**	**2,900**
At December 31, 2015			
Cost	10,306	253	10,559
Accumulated depreciation	(7,601)	(58)	(7,659)
NET	**2,705**	**195**	**2,900**

(1) *In 2015, includes €189 million of borrowings, €3 million of collateral and guarantees (see due dates for these receivables in note 8 (2) below) and €3 million of Technicolor treasury shares (see note 12.2).*
(2) *Corresponds to recapitalization of some subsidiaries which are mainly Technicolor USA Inc. (€416 million), Thomson Multimedia Distribution (Netherlands) BV (€25 million) and Technicolor Entertainment Services France SAS (€17 million).*
(3) *In 2015, depreciation of shares in subsidiaries concerns mainly the subsidiaries Thomson Licensing SAS (€497 million) and Technicolor USA Inc. (€416 million).*
(4) *In 2015, reversal of depreciation on financial investments concern mainly the subsidiaries Gallo 8 SAS (€38 million), Sofia SA (€20 million) and Technicolor Hong Kong Ltd. (€17 million).*

Accumulated depreciation of Technicolor's treasury shares amounted to €53 million as of December 31, 2015.

Accumulated depreciation of current accounts and loans to subsidiaries amounted to €167 million as of December 31, 2015.

8.2 Maturities of gross receivables included in other financial assets

(in million euros)	
2016	3
2017 and later	189
TOTAL	**192**

8.3 Subsidiaries and investments at December 31, 2015

(in million euros, except number of shares)	Holding percentage (%)	Number of shares	Gross value	Net value	Equity before allocation of results	Revenues of the year	Net income	Gross advances, loans and current accounts
Affiliates (more than 50% holding percentage)								
Technicolor USA, Inc. (1)	100.00%	1,005	4,410	-	(65)	1,486	(304)	906
Thomson Licensing SAS (1) (2)	100.00%	2,800,000	2,200	1,703	1,703	498	355	-
Gallo 8 SAS (1)	100.00%	32,516,195	1,089	395	354	851	29	-
Sté Fr.d'Invest.et d'Arbitrage – Sofia SA (1)	100.00%	8,883,491	542	107	107	181	3	-
Technicolor Trademark Management SAS (1)	100.00%	13,616,129	214	214	279	19	13	-
Thomson Sales Europe (1)	100.00%	10,890,085	468	-	(3)	-	-	1
Technicolor Delivery Technologies SAS (1) (3)	73.38%	1,761,120	467	108	147	641	(34)	126
Thomson Angers SAS (4)	100.00%	4,630,001	289	-	N/A	N/A	N/A	-
Thomson Multimedia Distribution (Netherlands) BV	100.00%	500	187	5	5	27	1	-
Thomson Television España	100.00%	9,928,478	128	-	(56)	-	-	56
Technicolor Entertainment Services Spain SA	100.00%	120,000	66	-	-	-	-	-
Thomson Consumer Electronics (Bermuda) Ltd.	100.00%	1,000	56	35	35	-	(1)	-
Technicolor HES America LLC (1)	100.00%	1	51	50	50	104	7	-
Technicolor Asia Pacific Investments Pte Ltd. (1)	100.00%	495,000,000	36	36	53	63	7	-
RCA Trademark Management SAS	100.00%	1,668,025	25	25	39	24	8	-
Technicolor Hong Kong Ltd.	100.00%	1,000,000	7	-	-	-	-	-
Technicolor Entertainment Services France SAS (1)	100.00%	2,119,623	39	21	21	37	(3)	-
Thomson Investment India Ltd.	51.00%	51	4	3	4	-	-	-
Technicolor Milan S.r.l.	100.00%	6,000	2	1	1	3	-	-
Technicolor China Investment (BVI) Ltd. (1)	100.00%	50,000	3	-	-	-	-	-
Technicolor Brasil Midia E Entretenimento LTDA	100.00%	34,589,668	2	2	109	188	30	-
Thomson Purchasing and Liaison Company NV Korea Branch	100.00%	1,000	2	-	-	-	-	-
Total affiliates	**N/A**	**N/A**	**10,287**	**2,705**	**N/A**	**N/A**	**N/A**	**1,089**
Investments (between 10% and 50% holding percentage)								
TechFund Capital Europe FCPR	19.80%	500	-	-	2	-	-	N/A
Other	N/A	N/A	19	1	N/A	N/A	N/A	N/A
Total investments	**N/A**	**N/A**	**19**	**1**	**N/A**	**N/A**	**N/A**	**N/A**
TOTAL	**N/A**	**N/A**	**10,306**	**2,706**	**N/A**	**N/A**	**N/A**	**N/A**

N/A: Not applicable.

(1) When shares are those of a consolidated Technicolor sub-group, the figures correspond to the sub-group, except for the gross advances, loans and current accounts.

(2) Net value based on Discounted Cash Flow adjusted with available cash.

(3) The 26.62% other shares are held by Sofia SA.

(4) Thomson Angers is in the process of being liquidated.

NOTE 9 CURRENT ASSETS

TRADE RECEIVABLES AND OTHER OPERATING ASSETS

Trade receivables and other current operating assets are valued at historical cost. A depreciation 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.

Net current assets with maturities of less than one year amount to €1,658 million as of December 31, 2015 (€981 million as of December 31, 2014). Current assets are mainly related to current accounts of Group's subsidiaries.

The increase is mostly due to the impact on affiliates of financing Group acquisitions (see note 1).

NOTE 10 PREPAYMENTS, DEFERRED CHARGES AND UNREALIZED LOSSES ON FOREIGN EXCHANGE

Corporate Treasury manages its foreign currency exposure globally and does not take foreign exchange risk on its financial debt and loans in foreign currencies. Accordingly the Term Loan Debt in foreign currency of the holding is only used to grant loans and current accounts in the foreign currency of the foreign affiliates and finally the global exchange result is totally symmetrical and neutral in the income statement.

In accordance with French accounting principles, the current accounts with foreign affiliates are converted at December 31, 2015 closing rate with a counterpart into the financial result of the income statement and generated an exchange profit because of the USD increase against the euro. Symmetrically, the Term Loan Debt in foreign currency which is used to fund the current accounts in foreign currencies of affiliates is also translated at closing rate, but, in conformity with French accounting principles, via an asset account (*Écart de Conversion Actif*) in the balance sheet (which amount to €142 million as of December 2015) and then is booked as a provision for risk in the balance sheet with an exchange loss counterpart in the financial income of the income statement.

NOTE 11 ACCRUED INCOME

Amounts accrued for are in the following captions of the balance sheet:

(in million euros)	2015	2014
Loans	3	3
Accounts receivable (primarily with related entities)	8	5
Other operating receivables	27	27
TOTAL	**38**	**35**

NOTE 12 SHAREHOLDERS' EQUITY AND EQUITY INSTRUMENTS

12.1 Capital and additional paid-in capital

On December 31, 2015, the capital of Technicolor SA was €411,443,290 (411,443,290 shares with a per value €1). Changes in capital and additional paid in capital were as follow:

(in € except number of shares)	Number of shares	Nominal value	Capital	Additional paid-in capital in euros	Total
Share capital and additional paid in capital as of December 31, 2013	**335,709,392**	**1**	**335,709,392**	**1,160,946,424**	**1,496,655,816**
Year 2014					
Share capital increased by issuance of new shares for LTIP purpose [1]	198,278	1	198,278	(198,278)	-
Share capital and additional paid in capital as of December 31, 2014	**335,907,670**	**1**	**335,907,670**	**1,160,748,146**	**1,496,655,816**
Year 2015					
Reclassification of retained earnings in additional paid-in capital	-		-	(317,150,857)	(317,150,857)
Dividend distribution	-		-	(16,795,384)	(16,795,384)
Share capital increased by issuance of new shares for LTIP purpose [1]	738,205	1	738,205	(738,205)	-
Share capital increased by issuance of new shares for MIP purpose [2]	5,002,790	1	5,002,790	11,648,792	16,651,582
Share capital increase with preferential subscription rights [3]	48,376,485	1	48,376,485	178,992,994	227,369,479
Share capital increase dedicated to Cisco Systems Inc. [4]	21,418,140	1	21,418,140	115,756,071	137,174,211
Fees related to share capital increases	-	-	-	(8,174,878)	(8,174,878)
SHARE CAPITAL AND ADDITIONAL PAID IN CAPITAL AS OF DECEMBER 31, 2015	**411,443,290**	**1**	**411,443,290**	**1,124,286,679**	**1,535,729,969**

(1) On February 28, 2011 and June 8, 2011 the Board of Directors approved a Long-Term Incentive Plan which led to the issue of 198,278 new shares on March 31, 2014 and of 738,205 new shares on June 8, 2015 (see note 12.3).
(2) The share capital was increase by 5,002,790 new shares as part of the Management Incentive Plan (MIP 2010 and MIP 2015) and the additional paid-in capital by €11,648,792.
(3) Technicolor issued 48,376,485 shares in a capital increase with preferential subscription rights at a price of €4.7 per share and representing an increase of share capital of €48,376,485 and an increase in additional paid-in capital of €178,992,994. The settlement of this capital increase was finalized on November 17, 2015.
(4) The acquisition of CCD business was partially paid on November 20, 2015 with 21,418,140 Technicolor shares corresponding to a share capital increase of €21,418,140 and an increase in additional paid-in capital of €115,756,071 based on the statutory contribution value agreed between the parties of €137 million (see note 1.2).

12.2 Treasury shares

Treasury shares are recorded at purchase cost. A depreciation 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 "extraordinary profit/(expense)".

(in euros)	2015	2014
Carrying amount [1]	**2,795,805**	**2,890,560**
Number of treasury shares	**401,524**	**644,331**
Of which:		
Allocated in the year as part of the stock options and free shares plans [2]	(250)	(114,034)
Net movement of the year related to the share repurchase program [3]	(242,557)	272,762

(1) The gross value of treasury shares held at December 31, 2015 is €55,516,805 (€56,672,120 as of December 31, 2014), depreciated for €52,721,000 (€53,781,560 as of December 2014).
(2) Shares delivered as part of the MIP 2010 in 2014 and as part of the Free Share Plan in 2015.
(3) The Combined Shareholder's Meetings on May 23, 2013, May 22, 2014 and April 9, 2015 authorized the implementation of a share repurchase program. Accordingly, in 2015, 2,322,443 shares were repurchased for a total amount of €14,399,859 and 2,565,000 shares were sold for a total amount of €15,927,303 (in 2014, Treasury shares were increased by 272,762 for a total amount of €1,204,077).

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.

12.3 Stock option plan

- Under the thirteen resolution approved by the Shareholder's Meeting of May 22, 2008, the Board of Directors meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1) granting non-market performance units made up of a combination of cash and stock options.

  Subject to the continuance of employment, the rights under the plan were vested on June 18, 2014 for each beneficiary in the proportion set by the Board of Directors on February 21, 2013 following the determination of the level of achievement of the non-market performance conditions on December 31, 2012. As of December 31, 2015, 805,476 subscription options are still outstanding.

- Making use of the authorization given by the Shareholder's Meeting of June 8, 2011 in its fourteenth resolution, the Board of Directors of June 8, 2011 approved the implementation of a long-term incentive plan. This three-year plan provided for the granting of Performance Units made up of a combination of cash bonus and performance shares. Subject to the continuance of employment at vesting dates, the right to the delivery of the shares and the payment of the cash bonus were recorded in three annual steps, after review by the Board of Directors of the level of achievement of the market performance conditions and of the non-market conditions for the year ended December 31, 2011, December 31, 2012 and December 31, 2013.

  The number of shares definitively acquired by the beneficiaries were delivered on June 8, 2013 for beneficiaries with a two-year acquisition period and on June 8, 2015 for the beneficiaries with a four-year acquisition period.

- The Shareholders' Meeting of May 23, 2013, in its fifteenth resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period, and is valid until July 23, 2016. Options granted under this authorization shall not give rights to a total number of shares greater than 26,843,507.

  As of December 31, 2015, 16,080,097 subscription options are still outstanding (9,590,367 options, 4,520,245 options, 259,485 options and 1,710,000 options related respectively to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

- Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in it sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global free share plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor group during the acquisition period, 125 Technicolor shares will be delivered to eligible employees at the end of the acquisition period. The plan is not subject to performance conditions.

  The compensation expense related to the Free Share Plan has been estimated with a pricing model similar to the one used for the other option plans. As of December 31, 2015, 1,022,250 free shares have been granted to employees.

  As of December 31, 2015 the total number of outstanding stock options amounted to a maximum of 16,885,573 options and 1,022,250 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]	Estimated fair values of the options granted [2]
MIP * Options	Subscription options	June 17, 2010	1,216,700 [1]	805,476	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.29	€2.22
**MIP 2015 Options ** **	Subscription options	May 23, 2013 and June 17, 2013	16,398,000	9,159,622	94	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€3.19	€1.06
**MIP 2015 Options ** **	Subscription options	October 24, 2013	200,000	207,588	1	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€3.93	€1.40
**MIP 2015 Options ** **	Subscription options	March 26, 2014	215,000	223,157	2	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€4.53	€1.73
**MIP 2016 Options ** **	Subscription options	June 20, 2014	2,830,000	2,667,517	40	June 2016 (50%) June 2017 (25%) June 2018 (25%)	8 years	€5.79	€1.82
**MIP 2016 Options ** **	Subscription options	October 21, 2014	1,915,000	1,437,552	24	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€4.92	€1.45
**MIP 2016 Options ** **	Subscription options	April 9, 2015	400,000	415,176	1	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€5.83	€1.88
**MIP 2017 Options ** **	Subscription options	June 26, 2015	250,000	259,485	2	June 2017 (50%) June 2018 (25%) June 2019 (25%)	8 years	€5.88	€1.91
**MIP Oct. 2017 Options ** **	Subscription options	December 3, 2015	1,710,000	1,710,000	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
Free Share Plan	Free shares (to be issued)	November 12, 2013	1,604,000	1,022,250	12,832	November 2017	-	-	€3.87

* *Mid-Term Incentive Plan (MIP SP1) (see description above).*
** *Management Incentive Plan (MIP) (see description above).*
(1) *Maximum potential number.*
(2) *Exercise prices were modified following the 2015 capital increases.*

The exercise prices of the various plans were set without the application of a discount.

In accordance with Article L. 225-184 of the French Commercial Code:

- in 2014, no option has been exercised;
- in 2015, 5,002,790 options were exercised as part of the Management Incentive Plan (MIP 2010 and MIP 2015) and 738,205 options were exercised as part of a Long-Term Incentive Plan (LTIP 2011).

12.4 Other Equity

Deeply subordinated perpetual notes TSS

Further to the restructuring of the Company' debt in 2010, the characteristics of the notes are now as follow:

- they are not repayable other than (i) at Technicolor's sole option, from September 2015 or following specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid as final payment of all interest claims in the course of the 2010 debt restructuring.

12.5 Dividends and other distributions

A dividend of €0.05 was paid in 2015 (dividend distribution: €17 million).

NOTE 13 FINANCIAL DEBTS

Technicolor completed on June 5, 2015 a repricing of the term loan with Tech Finance. Subsequently, on September 15, 2015 and November 20, 2015, this same term loan was increased by a total of USD200 million and €197 million in order to fund two major acquisitions, The Mill and CCD from Cisco (see note 1.2).

13.1 Summary of the debt

(in million euros)	December 31, 2015	December 31, 2014
Current debt (due less than one year)		
Term loan Debt with Tech Finance	69	49
Other debt to subsidiaries [1]	1,154	1,277
Other debt to third parties	12	11
Sub-total Current debt	**1,235**	**1,337**
Non-current debt (due more than one year)		
Term loan Debt with Tech Finance	1,282	905
Other debt to subsidiaries [1]	210	160
Other debt to third parties	-	-
Sub-total Non-current debt	**1,492**	**1,065**
TOTAL DEBT	**2,727**	**2,402**

(1) Current accounts and loans from Group subsidiaries.

13.2 Main features of Technicolor SA's debt

At December 31, 2015, the debt has the following features:

Term Loans with Tech Finance

(in million euros)	Amount in local currency	Currency	Amount [1]	Interest rate type	Final maturity
Term loan	942	USD	861	LIBOR [2] +400 bp	2020
Term loan	490	EUR	490	EURIBOR [2] +400 bp	2020
			1,351		
Of which current debt			*69*		
Of which non-current debt			*1,282*		

(1) Exchange rate as of December 31, 2015.
(2) LIBOR and EURIBOR are subject to a 1.00% floor.

13.3 Analysis by maturity of financial debt

(in million euros)	2015 Term Loan Debt	2014 Term Loan Debt
Within one year	69	49
1 to 2 years	69	49
2 to 3 years	69	49
3 to 4 years	70	49
4 to 5 years	1,074	49
More than 5 years	-	709
TOTAL DEBT	**1,351**	**954**
Of which current debt	*69*	*49*
Of which non-current debt	*1,282*	*905*

13.4 Analysis by currency of financial debt

(in million euros)	2015	2014
Euro	490	309
U.S. dollar	861	645
Other currencies	-	-
TOTAL DEBT	**1,351**	**954**

13.5 Financial covenants and other limitations

Technicolor SA is required to meet certain covenants with respect to the Term Loan Debt which among other things, limit its own ability and the ability of its subsidiaries to issue or guarantee debt, to pay any dividends, to reduce its share capital, to make certain payments or certain kinds of investments, to sell or to transfer assets, to merge or to complete any other transaction with its affiliates, as defined in the contracts governing the Term Loan Debt (the "contracts"). Moreover, Technicolor SA must meet a single affirmative financial covenant (consolidated leverage covenant), which requires that the total gross nominal debt be not more than 4.00 times EBITDA on a trailing twelve month basis (ratio contractually defined which includes a certain number of adjustments), as defined in the contracts.

At December 31, 2015, Technicolor SA respected all of these covenants.

13.6 Interest rate hedging operations

No interest rate hedging operations are outstanding at December 31, 2015.

NOTE 14 PROVISIONS FOR LOSSES AND CONTINGENCIES

PROVISIONS

Provisions are recorded at the balance sheet date when the Company has an obligation as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Company's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities, and as a result, has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The recorded provision represents the best estimate of the expenditure required to settle the obligation at the closing date. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded but details of the obligation are disclosed in the notes to the financial statements.

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.

POST-EMPLOYMENT OBLIGATIONS

The costs for employee pensions retirement at Technicolor are accounted for progressively as employees acquire their rights to benefits. The valuation method applied takes into account future changes in payroll obligations. Post-employment benefits are accounted for when rights to benefits are acquired and payment thereof becomes probable.

Such payments and provisions are based on the estimated salaries and seniorities of employees at their date of departure.

Actuarial assumptions are as follows:

- *discount rate: 2%;*
- *projected long-term inflation rate: 2%;*
- *salary rate of increase: 3.5%.*

The Company records its commitments for jubilee awards (médailles du travail), in compliance with the ANC Recommendation n° 2013-02 issued on November 7, 2013. These charges are recognized separately from retirement provisions and actuarial differences are booked immediately in the statement of operations.

(in million euros)	As of December 31, 2014	Increases	Usage during the period	Reversals and reclassifications	As of December 31, 2015
Provisions for retirement benefit and jubilee	**4**	**-**	**-**	**-**	**4**
Subsidiaries and other risks [1]	18	8	-	(5)	21
Restructuring measures relating to employees	19	3	(16)	(1)	5
Related to activities disposed of [2]	20	-	-	-	20
Other [3]	83	144	(1)	(72)	154
Other provisions for risks	140	155	(17)	(78)	**200**
TOTAL PROVISIONS FOR LOSSES AND CONTINGENCIES	**144**	**155**	**(17)**	**(78)**	**204**

(1) The increase concerns Technicolor Holdings USA Inc. The reversals concern mostly Comercializadora Thomson de Mexico SA de CV (€2 million) and Thomson Sales Europe (€2 million).
(2) Provision relating to the disposal of businesses, especially the Tubes activity.
(3) Mainly concern provisions to cover unrealized foreign exchange losses (see note 10).

NOTE 15 CURRENT LIABILITIES

Current liabilities mainly consist of debts with a maturity of less than one year. There are also in this caption tax and social security liabilities, trade payables and fixed assets payables.

Trade payables split by payment terms are as follow:

As of December 31, 2015 *(in million euros)*	Not falling due	Overdue 0 to 30 days	Overdue 30 to 60 days	Overdue 60 to 90 days	Overdue above 90 days	Total
Invoices (including accruals)						
Of which French suppliers	7	-	-	-	-	7
Of which Foreign suppliers	2	-	-	-	-	2
TOTAL [(1)]	**9**	**-**	**-**	**-**	**-**	**9**

(1) Excluding fixed assets payables.

In 2015, the average number of days for the payment of suppliers is 54 days.

As of December 31, 2014 *(in million euros)*	Not falling due	Overdue 0 to 30 days	Overdue 30 to 60 days	Overdue 60 to 90 days	Overdue above 90 days	Total
Invoices (including accruals)						
Of which French suppliers	6	-	3	-	1	10
Of which Foreign suppliers	2	-	-	-	-	2
TOTAL [(1)]	**8**	**-**	**3**	**-**	**1**	**12**

(1) Excluding fixed assets payables.

NOTE 16 ACCRUED CHARGES

Amount accrued for are in the following captions of the balance sheet:

(in million euros)	2015	2014
Bond loans and loans from private institutions	11	9
Trade payables	6	5
Tax and social security liabilities	14	18
Other debts	19	40
TOTAL	**50**	**72**

NOTE 17 INFORMATION ON AVERAGE NUMBER OF EMPLOYEES

	2015	2014
Engineers and managers	172	205
Employees and supervisory staff	39	54
TOTAL	**211**	**259**

NOTE 18 CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE COMMITMENTS

18.1 Off balance-sheet contractual obligations and commercial commitments

(in million euros)	December 31, 2015	December 31, 2014
Unconditional future payments		
Operating Leases	28	38
Other unconditional future payments	-	-
TOTAL UNCONDITIONAL FUTURE PAYMENTS	**28**	**38**
Conditional future payments		
Guarantees given regarding undertakings by related entities	340	200
Other conditional future payments	-	-
TOTAL CONDITIONAL FUTURE PAYMENTS	**340**	**200**

As part of its business activities, Technicolor SA may issue performance guarantees for its subsidiaries as well as comfort letters. The main performance guarantees have been made to Warner, AstroGroup and Buena Vista Pictures Distribution.

Technicolor SA has provided a parental guarantee to secure the section 75 pension debt of affiliates in the United Kingdom. The guarantee amounts €68 million as of December 31, 2015.

18.2 Commitments relating to financial instruments

(in million euros)	December 31, 2015	December 31, 2014
Currency futures (banks and subsidiaries)	2,021	1,413
TOTAL UNDERTAKINGS GIVEN	**2,021**	**1,413**
Currency futures (banks and subsidiaries)	2,017	1,411
TOTAL UNDERTAKINGS RECEIVED	**2,017**	**1,411**

18.3 Security interests granted to secure the Term Loan Debt

The security package consisting notably of guarantees and security interests granted by the Company and subsidiaries to secure the Reinstated Debt was released when the Reinstated Debt was repaid on May 30, 2014.

On May 30, 2014, as provided for under the Term Loan Debt, a replacement security package consisting of share pledges, pledges of material intra-group loans and pledges of material cash-pooling accounts was put in place via Tech Finance to secure the Term Loan Debt.

There were no changes following the repricing of the debt that occurred during the year.

Shares of subsidiaries pledged

On May 30, 2014, Technicolor SA pledged the shares of the following five subsidiaries: Gallo 8 SAS, Thomson Licensing SAS, Technicolor Delivery Technologies SAS, Technicolor Brasil Midia E Entretenimento Ltda, and Technicolor USA, Inc. to secure the Term Loan Debt.

Cash pooling accounts pledged

Pursuant to two different Cash Pooling Pledge Agreements, the cash pooling accounts of Technicolor SA in France and in the UK were pledged by Technicolor SA on May 30, 2014. The five pledged cash pooling agreements relate to the domestic and international centralization of Group Treasury, a multitarget balancing agreement, and three group treasurership standard agreements (in dollars, euros and British pounds).

Intragroup loans pledged

Pursuant to an Intragroup Loans Receivables Pledge Agreement, on May 30, 2014, Technicolor SA pledged Intragroup loans receivables from Technicolor Trademark Management, Technicolor Europe Ltd., Technicolor Videocassette Holdings (UK) Limited, Technicolor Entertainment Services France SAS, Technicolor Distribution Services France SARL, Technivision Ltd., Thomson multimedia Sales UK Ltd., Technicolor Delivery Technologies, Technicolor USA, Inc., and Technicolor Australia Investments Ltd.

NOTE 19 **CONTINGENCIES**

France VAT audit

The French tax authorities audited the Company for 2009 tax year and issued at the end of 2012, a VAT assessment amounting to €5.6 million in principal and €0.8 million of interest.

Out of this principal amount, one VAT assessment amounting to €1.3 million, relates to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged. The other significant assessment involves the deduction of VAT by the Company as a mixed holding company for an amount of €3.7 million. In July 2013, the French tax authorities issued VAT assessments with respect to 2010 tax year on the same grounds as with respect to 2009, the two most significant of which being a €1.1 million assessment relating to the subsidy and a €7.5 million assessment relating to the deductibility of the "holding" VAT. In June 2014, a collegial tax commission decided to give up on the reassessments relating to the deductibility of the "holding" VAT (i.e. €3.7 million for 2009 and €7.5 million for 2010).

Following receipt of the recovery notice in September 2014, the Company paid the remaining assessments (i.e. €1.3 million and €1.1 million for 2009 and 2010 and €0.3 million of interest). The Company therefore filed a claim before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014).

On February 2015, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore the Company presented a claim before the administrative Tribunal of Cergy-Pontoise in April 2015. Following the receipt of an explicit rejection in May 2015, after the deadline had expired, the Company produced a complementary memorandum to the administrative Tribunal of Cergy-Pontoise in June 2015.

Taoyuan County Form RCA Employees' Solicitude Association

In April 2004, the Plaintiff, Taoyuan County Former RCA Employees' Solicitude Association (the "Association"), which is a non-profit entity composed of former RCA employees of Technicolor's subsidiary TCETVT (or heirs of former workers) who claim to have worked at TCETVT's former manufacturing facility in Taoyuan (the "Facility") filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against TCETVT and General Electric International, Inc. ("GEI"). The Association is alleging 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 originally claimed damages of NTD 2.7 billion (€75 million at the December 31, 2015 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against TCETVT, Technicolor SA, and TCE Bermuda for approximately NTD 564 million (€16 million at the December 31, 2015 exchange rate) plus interest. TCETVT, Technicolor SA and TCE Bermuda have appealed the ruling. The Association has also filed an appeal.

Technicolor considers that it is GE's legal and contractual obligation to indemnify Technicolor SA and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

Cathode Ray Tubes cases

United States

Technicolor has been defending among other defendants against three legal actions in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses):

- one class action brought by a group of direct purchasers of CRT that was filed in 2008. Technicolor SA was initially dropped as a named defendant when amended complaints were filed in the spring of 2009 and was brought back in the case in 2014;
- one class action brought by a group of indirect purchasers of CRT that was filed in 2008. It was subject to a tolling agreement until June 2015;

- lawsuits brought in 2013 and 2014 against Technicolor SA, Technicolor USA and other defendants by 15 direct action plaintiffs (mostly U.S. retailers), including Sharp Electronics; Best Buy Co., Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; Target Corporation and ViewSonic.

In 2015 and early 2016, Technicolor SA and Technicolor USA have succeeded in entering into settlement agreements with the direct purchasers class, the indirect purchasers class and a number of major direct action plaintiffs (Sears Roebuck, Kmart, Circuit City, Target and ViewSonic). The amount of these settlements has been taken into account as an exceptional charge in 2015 for €49 million, out of which €36 million will be paid in 2016.

This leaves Technicolor as a defendant in the U.S. only against Sharp and Best Buy and a second group of direct plaintiffs with much smaller claims.

The Group sold the CPT business in 2005 and never had activity in the CDT business. At this time, Technicolor is unable to assess the outcome from the trials and the remaining potential liability.

Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behavior in the CRT industry. As appropriate and to the extent required, Technicolor USA and Technicolor SA will timely file responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian authorities that they were initiating an investigation of possible cartel activity within the CRT industry in Brazil. Finally, in October 2015, the Mexican authorities closed the investigations they had launched against Technicolor on similar grounds in 2009.

NOTE 20 **MANAGEMENT COMPENSATION**

Total compensation that will be paid in 2016 to Board Members of the Company for the 2015 financial year amounted to €491,000. The amounts due to non-resident for French tax purposes are subject to a withholding tax.

The amount of the fixed and variable compensation paid by Technicolor SA to the CEO for the fiscal year 2015 amounts to €849,859.

The CEO was a beneficiary of the Management Incentive Plan (MIP 2015) approved by the Board of Directors on May 23, 2013. He received 2,786,864 (after adjustment) subscription options under this plan, at an exercise price of €3.19 (after adjustment tied to the capital increase maintaining preferential subscription rights realized in 2015) without a discount.

The exercise of the options is subject to the continuance of employment and to a performance condition tied to the consolidated Free Cash Flow. Following the establishment by the Board of Directors on February 18, 2015 of the satisfaction of the condition of performance pertaining to the Free Cash Flow objective for the 2014 fiscal year, 1,393,432 options became exercisable by the CEO on May 23, 2015.

The Board of Directors meeting held on February 18, 2016 found that the consolidated Free Cash Flow condition for the 2015 fiscal year was satisfied and that the number of options that may be exercised by the CEO for fiscal year 2015 was 696,716 options. The options shall be exercisable from May 23, 2016, subject to the continuance of employment condition at that date.

The Company has no specific retirement benefits program for its Directors.

NOTE 21 RELATED PARTY TRANSACTIONS

Related party transactions are transactions with companies which are in the consolidation scope of Technicolor group. Main related party transactions and the amounts due to these companies are as follows:

(in million euros)	2015	2014
Shares in subsidiaries net of provisions	2,684	3,110
Loans	175	1
Trade receivables	41	45
Other receivables	1,547	750
Financial debt	1,364	1,437
Other debts	2	2
Financial income	728	356
Financial expense	52	437

NOTE 22 FEES PAID TO STATUTORY AUDITORS

	Mazars		Deloitte	
(in million euros)	2015	2014	2015	2014
Audit services [1]	1	1	1	1
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.

NOTE 23 SUBSEQUENT EVENTS

There are no subsequent event that may have a significant impact on Technicolor SA accounts.

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 euros, except number of shares, earning per share and number of employees)*	2011	2012	2013	2014	2015
I - Financial position at year end					
a. Share capital	223,759,083	335,543,841	335,709,392	335,907,670	411,443,290
b. Number of shares issued	223,759,083	335,543,841	335,709,392	335,907,670	411,443,290
c. Maximum number of shares to issue in the future					
Share-based payment	1,004,730 (1)	1,485,337	16,963,000	20,933,241	16,885,573
Free share	1,494,270 (1)	1,211,241	2,246,302	2,007,152	1,022,250
Notes Redeemable in Shares (NRS)	2,604,511	-	-	-	-
II - Statements of operations					
a. Revenues (excluding VAT)	82,909,048	82,552,216	86,121,912	65,947,358	60,366,804
b. Profit (Loss) before tax, amortization and provisions	(51,715,268)	2,260,395,919	(50,618,068)	177,502,850	604,666,914
c. Income tax profit	67,522,616	56,308,844	69,353,850	54,721,037	61,844,665
d. Profit (Loss) after tax, amortization and provisions	(337,613,744)	2,103,924,138	(69,113,120)	(173,415,412)	(186,468,424)
e. Dividend paid and distributions	-	-	-	16,795,384	24,686,597
III - Earning (loss) per share *(2)					
a. Profit (Loss) after tax, but before amortization and provisions	0.09	8.60	0.06	0.69	1,93
b. Profit (Loss) after tax, amortization and provisions	(1.93)	7.81	(0.21)	(0.52)	(0,54)
c. Dividend paid and distributions	-	-	-	0.05	0.06
IV - Employees					
a. Average number of employees	421	388	316	259	211
b. Wages and salaries	40,775,327	39,302,807	36,490,993	26,354,389	29,287,684
c. Social security costs	16,884,477	18,926,946	18,727,317	9,898,102	12,465,898
* Changes in the number of shares in capital:					
■ as of January 1, 2015	335,907,670 capital shares				
■ increase in capital on June 8, 2015 (by issuance of new shares for LTIP purpose)	738,205 capital shares				
■ increase in capital on October 6, 2015 (by issuance of new shares for MIP purpose)	1,989,525 capital shares				
■ increase in capital on November 17, 2015 (by issuance of new shares with preferential subscription rights)	48,376,485 capital shares				
■ increase in capital on November 20, 2015 (by issuance of new shares dedicated to Cisco Systems Inc.)	21,418,140 capital shares				
■ increase in capital by issuance of new shares for MIP purpose	3,013,265 capital shares				
■ as of December 31, 2015	411,443,290 capital shares				

(1) *Previous years statements showed a line named "Retention Plan " which has been incorporated into two lines "Share-based payment" and "Free Share" in 2012 presentation. The line "Retention Plan" for the year 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) *From 2012, "earning (loss) per share" are calculated per reference to the average number of share during the year.*
Previous years statements before 2012 showed an "earning (loss) per share" calculated per reference to the number of share as of December 31.
Profit (loss) after tax, but before amortization and provisions for the year 2011 was €0.07 euro.
Profit (loss) after tax, amortization and provisions for the year 2011 was €(1.51) euro.

8.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 is presented below 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 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 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, 2015, 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, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code *("Code de commerce")* relating to the justification of our assessments, we bring to your attention the following matters:

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 8 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, February 25, 2016
Deloitte et Associés

French original signed by
Ariane Bucaille
Partner

Courbevoie, February 25, 2016
Mazars

French original signed by
Guillaume Devaux
Partner

Jean-Louis Simon
Partner

8.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

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.

General meeting of shareholders held to approve the financial statements for the year ended December 31, 2015

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on the regulated agreements and commitments.

We are required to inform you, based on information provided to us, on the principal terms, conditions and the interests 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

Pursuant to article L. 225-40 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.

a) Agreements and commitments authorized before the year-end closing

Settlement with Vector Capital Corporation concluded on March 16, 2015

In order to settle the dispute between your Company and Vector Capital regarding the governance agreement between your Company and Vector Capital dated July 10, 2012, your Company and Vector Capital has signed a preliminary settlement on March 2, 2015 terminating the Governance Agreement.

This final settlement terminating the governance agreement has been agreed by your Board of Directors dated March 16, 2015 and signed at the same date.

This agreement did not have any impact on the Company's financial statements for the year ended December 31, 2015. It has been approved by your Board of Directors as Vector Capital held more than 10% of your Company's shares through the investment vehicle Vector TCH (Lux) 1 S.à.r.l at the date of authorization by your Board of Directors.

Advisory services agreement with Quatela Lynch Intellectual Property dated as of October 19, 2015

On October 19, 2015, the Board authorized the conclusion of a contract for advisory services between your Company and Quatela Lynch Intellectual Property. This agreement has been signed at the same date.

This agreement is related to advisory services, to the benefit of the Intellectual Property & Licensing Division of Technicolor, in the context of the division's foreseen drop in revenue in 2016 with the end of the MPEG-LA patent pool.

The Board of Directors considered that Quatela Lynch Intellectual Property Ltd. was the appropriate service provider for these assignments since:

- Mrs. Quatela benefits from lengthy experience at the head of comparable businesses, in particular at Kodak and Alcatel;
- she has acquired, over the years, extensive knowledge of the organization of the Intellectual Property & Licensing Division and of the patents portfolio of the Company, which made it possible for her to optimize the mission entrusted to her within the timeframe of the preparation of the 2016 budget.

This agreement has been entirely executed during 2015 and has not been renewed in 2016. The compensation for the assignment is an expense of USD281,144,30. This agreement was approved by your Board of Directors as Mrs Quatela is a member of the Board.

b) Agreements and commitments authorized since the year-end closing

The following agreement, authorized since the year-end closing, and previously authorized by the Board of Directors, has been brought to our attention.

Advisory services agreement with Quatela Lynch Intellectual Property authorized by the Board of Directors on January 8, 2016

On January 8, 2016, the Board authorized the conclusion of a contract for advisory services between your Company and Quatela Lynch Intellectual Property. This agreement is on providing assistance to the CEO in conducting the transformation plan of the Patents Licensing and Trademarks & Technology Licensing businesses. This agreement has been signed at the same date.

The Board of Directors considered that Quatela Lynch Intellectual Property Ltd. was the appropriate service provider for these assignments for the same reasons than the service agreement signed on October 19, 2015 and detailed above.

The negotiated compensation for the assignment is USD150,000 per month for a period that shall not exceed 12 months.

This agreement did not have any impact on the Company's financial statements for the year ended December 31, 2015. It was approved by your Board of Directors as Mrs Quatela is a member of the Board.

AGREEMENTS AND COMMITMENTS ALREADY AUTHORIZED IN PREVIOUS FISCAL YEARS

Pursuant to article R225-30 of the French Commercial Code, we have been informed of the following agreement approved in prior years and which remained current during the last year.

Amendment to the governance agreement between your Company and Vector Capital IV L.P., Vector Entrepreneur Fund III L.P., and Vector Capital Corporation concluded on July 10, 2012

An amendment to the governance agreement that was concluded on July 10, 2012 between your Company and Vector Capital IV L.P., Vector Entrepreneur Fund III L.P., and Vector Capital Corporation (hereafter "Vector Capital") was authorized by your Board of Directors on December 10, 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, 2015. It has been approved by your Board of Directors as Vector Capital held more than 10% of your Company's shares through the investment vehicle Vector TCH (Lux) 1 S.à.r.l (formerly Petalite Investments S.à r.l.) at the date of authorization by your Board of Directors.

This agreement has been terminated with the settlement agreement signed between your Company and Vector Capital and its affiliates dated March 16, 2015.

The Statutory Auditors

Neuilly-sur-Seine, February 25, 2016
Deloitte et Associés

French original signed by
Ariane Bucaille
Partner

Courbevoie, February 25, 2016
Mazars

French original signed by
Guillaume Devaux
Partner

Jean-Louis Simon
Partner

9 REGISTRATION DOCUMENT CROSS REFERENCE TABLE

Cross-reference table referring to the main headings required by annex 1 of European Commission regulation 809/2004 288

Annual Financial Report cross-reference table 292

Cross-reference table referring to the elements of the management report 293

Cross-reference table referring to environmental, social and societal information pursuant to article L. 225-102-1 and article R. 225-105-1 of the French Commercial Code 294

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 2014 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 2014 (pages 166 to 249); and
- the consolidated financial statements of the year 2013 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 2013 (pages 158 to 252); and
- the annual accounts of the Company for the year 2014 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2014 (pages 250 to 280); and
- the annual accounts of the Company for the year 2013 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2013 (pages 254 to 280).

The Registration Document of the year 2014 was filed with the *Autorité des marchés financiers* on March 18, 2015 under No. D.15-0152.

The Registration Document of the year 2013 was filed with the Autorité des marchés financier on March 27, 2014 under No. D.14-0213.

To facilitate the reading of the Registration Document, 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 Registration Document	Page No.
1.	**PERSON RESPONSIBLE**		
1.1	Names and positions of the persons responsible for the information	Chapter 7, section 7.9.2	167
1.2	Declaration by the persons responsible	Chapter 7, section 7.9.1	167
2.	**STATUTORY AUDITORS**		
2.1	Name and address	Chapter 7, sections 7.7.1 and 7.7.2	165; 166
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**	**51**
5.	**INFORMATION ABOUT THE ISSUER**		
5.1	History and development of the Company		
5.1.1	Legal and business name	Chapter 1, section 1.2.1	8
5.1.2	Place of registration and registration number	Chapter 1, section 1.2.1	8
5.1.3	Incorporation date of an issuer's length of life	Chapter 1, section 1.2.1	8
5.1.4	Domicile, legal form, applicable legislation, country of incorporation, registered office's address and telephone number	Chapter 1, section 1.2.1	8
5.1.5	Main events in the development of the Company activities	Chapter 1, section 1.2.2	8
5.2	Investments		
5.2.1	Principles investments realized during each year of the period covered by the historical financial information until the date of the document	Chapter 8, section 8.2 notes 4, 12, 13 and 31 to the consolidated financial statements	184; 205; 207; 245
5.2.2	Major investments in progress, including the geographic distribution of these investments and their financing method	N/A	
5.2.3	Major investments planned by the issuer and for which the management bodies have already taken a firm commitment	N/A	

	Information required under Appendix 1 of regulation (EC) 809/2004	Corresponding sections and Chapters of the Registration Document	Page No.
6.	**BUSINESS OVERVIEW**		
6.1	Principal activities		
6.1.1	Nature of transactions made by the Company and its principal activities	Chapter 1, sections 1.2.3 and 1.3	10; 14
6.1.2	New products/services launched on the market	Chapter 1, section 1.3	14
6.2	Principal markets	Chapter 1, section 1.3 and Chapter 2, section 2.2	14; 30
6.3	Exceptional events	N/A	
6.4	Dependency from certain contracts	Chapter 2, section 2.10.3, and Chapter 3, section 3.3	48; 55
6.5	Competitive position	Statements regarding competitive position (Preamble)	3
7.	**ORGANIZATIONAL STRUCTURE**		
7.1	Brief description	Chapter 7, sections 7.5.1 and 7.5.2	162; 164
7.2	List of main subsidiaries	Chapter 7, section 7.5.2 and Chapter 8, section 8.2 note 36 to the consolidated financial statements	164; 252
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	156; 205
8.2	Environmental issues potentially affecting the use of the tangible fixed assets	Chapter 6, section 6.2	136
9.	**OPERATING AND FINANCIAL REVIEW**		
9.1	Financial position	Chapter 2, sections 2.3, 2.9, 2.10.2 and Chapter 8	32; 36; 45; 169
9.2	Operating results		
9.2.1	Significant factors affecting the income from operations	Chapter 2, section 2.2, 2.4, 2.5 and 2.9	30; 33; 33; 36
9.2.2	Reasons for material changes in net sales or revenues	Chapter 2, section 2.9	36
9.2.3	Policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	N/A	
10.	**CASH AND CAPITAL**		
10.1	Information concerning capital resources (short and long-term)	Chapter 8, section 8.2 note 20 to the consolidated financial statements and section 8.5 note 12 to the statutory financial statements	215; 270
10.2	Sources, amounts and description of cash flows	Chapter 2, section 2.10 and Chapter 8, section 8.1.4	44; 174
10.3	Information on borrowing conditions and financing structure	Chapter 2, section 2.10.3 Chapter 8, section 8.2, Notes 22 and 23 to the consolidated financial statements	48; 223; 225
10.4	Restrictions on use of capital resources, having materially impact on business operations	Chapter 2, section 2.10.3 Chapter 3, section 3.1	48; 52
10.5	Expected sources of financing	N/A	
11.	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES**	**Chapter 1, section 1.3.1, Chapter 2, section 2.9.3 and Chapter 8, section 8.2 note 7 to the consolidated financial statements**	**14; 39; 198**
12.	**TREND INFORMATION**		
12.1	Main trends in production, sales and inventory, and in costs and selling prices, since the end of the last fiscal year	N/A	
12.2	Known trends, uncertainties, demands, commitments or events that might have a material effect on prospects for the current fiscal year	Chapter 2, sections 2.2 and 2.11	30; 49
13.	**PROFIT FORECASTS OR ESTIMATES**	**N/A**	

	Information required under Appendix 1 of regulation (EC) 809/2004	Corresponding sections and Chapters of the Registration Document	Page No.
14.	**ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**		
14.1	Information concerning Members of the administrative and management bodies (list of mandates performed during the last five years)	Chapter 4, sections 4.1.2 and 4.1.3	68; 73
14.2	Conflicts of interest in administrative and management bodies	Chapter 4, section 4.1.3.3	76
15.	**REMUNERATION AND BENEFITS**		
15.1	Remuneration paid and benefits in kind	Chapter 4, sections 4.4.2 and 4.5.2	92; 105
15.2	Amounts of provisions booked or otherwise recognized for the payment of pensions, retirement annuities or other benefits	Chapter 4, section 4.5.2	105
16.	**BOARD PRACTICES**		
16.1	Expiry date of current terms of office	Chapter 4, section 4.1.2	68
16.2	Service contracts with Members of administrative bodies	Chapter 4, section 4.1.3.6	79
16.3	Information about the Audit Committee and the Remuneration Committee	Chapter 4, section 4.2.1.4	82
16.4	Declaration – Corporate governance applicable in the home country of the issuer	Chapter 4, section 4.2.1.1	79
17.	**EMPLOYEES**		
17.1	Number of employees	Chapter 6, section 6.1.1 and Chapter 8, section 8.2 note 30	120; 244
17.2	Profit sharing and stock options	Chapter 6, sections 6.1.3 and 6.1.4, Chapter 8, section 8.2 note 27 to the consolidated financial statements	121; 122; 239
17.3	Agreements for employees' equity stake in the capital of the issuer	Chapter 6, section 6.1.2	121
18.	**MAJOR SHAREHOLDERS**		
18.1	Shareholders owning more than 5% of the share capital or voting rights	Chapter 5, section 5.1.1	108
18.2	Existence of specific voting rights	Chapter 7, section 7.2.3	159
18.3	Control of the Company	Chapter 5, section 5.1.3	112
18.4	Agreement known to the Company which could lead to a change in control if implemented	N/A	
19.	**RELATED PARTY TRANSACTIONS**	**Chapter 8, section 8.2 note 34 to the consolidated financial statements**	**250**
20.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**		
20.1	Historical financial information	Chapter 8, sections 8.1, 8.2, 8.4 and 8.5	170; 176; 256; 260
20.2	*Pro forma* financial information	N/A	
20.3	Financial statement	Chapter 8	169
20.4	Auditing of historical annual financial information		
20.4.1	Statement of audit of historical financial information	Chapter 7, sections 7.9; Chapter 8, sections 8.3 and 8.7	167; 254; 282
20.4.2	Other information contained in the Registration Document and not extracted from the issuer's audited financial statement	N/A	
20.4.3	Financial data contained in the Registration Document and not extracted from the issuer's audited financial statement	N/A	
20.5	Age of latest audited financial information	Chapter 8, section 8.1	170
20.6	Interim and other financial information	N/A	
20.6.1	Quarterly or half yearly financial information established since the date of the last audited financial statement		
20.6.2	Interim financial information in the event that the document was established more than nine months after the end of the last audited financial year	N/A	
20.7	Dividend distribution policy	Chapter 5, section 5.1.9	115
20.7.1	Dividend amount per share for each year of the fiscal year covered by the historical financial information	Chapter 5, section 5.1.9	115

	Information required under Appendix 1 of regulation (EC) 809/2004	Corresponding sections and Chapters of the Registration Document	Page No.
20.8	Legal and arbitration proceedings	Chapter 3, sections 3.4, Chapter 8, section 8.2 note 33 to the consolidated financial statements	62; 248
20.9	Significant change in the financial or business situation	N/A	
21.	**ADDITIONAL INFORMATION**	**Chapter 7**	**155**
21.1	Share capital		
21.1.1	Amount of issued capital	Chapter 5, section 5.1	108
21.1.2	Shares not representing capital	N/A	
21.1.3	Shares held by the issuer itself	Chapter 5, section 5.1.2 and Chapter 8, section 8.5 note 12 to the statutory financial statements	109; 205
21.1.4	Convertible securities, exchangeable securities or securities with warrants	Chapter 5, section 5.1.7	114
21.1.5	Terms of any acquisition right and/or commitment in respect of authorized but non-issued capital	N/A	
21.1.6	Information about the capital of any Group Member subject to an option or agreement providing an option	N/A	
21.1.7	History of the share capital	Chapter 5, sections 5.1.5 and 5.1.6	112; 113
21.2	Articles of incorporation and bylaws		
21.2.1	Issuer's objects and purposes	Chapter 7, section 7.2.1	159
21.2.2	Administrative, management and supervisory bodies	Chapter 4, section 4.1.1	68
21.2.3	Rights, privileges and restrictions attached to shares	Chapter 7, section 7.2.3	159
21.2.4	Actions necessary to change the rights of shareholders	Chapter 7, section 7.2.4	160
21.2.5	Calling-up of Annual General Meetings and Extraordinary General Meetings of shareholders	Chapter 7, section 7.2.5	160
21.2.6	Description of any provision that would have an effect of delaying, deferring or preventing a change in control	N/A	
21.2.7	Crossing thresholds	Chapter 7, section 7.2.6	160
21.2.8	Changes in the shares capital	N/A	
22.	**MATERIAL CONTRACTS**	**Chapter 7, section 7.3**	**161**
23.	**THIRD-PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**		
23.1	Information on any statement or report included in the document	N/A	
23.2	Information from a third party	Preamble	3
24.	**DOCUMENTS ON DISPLAY**	**Chapter 7, section 7.6**	**165**
25.	**INFORMATION ON HOLDINGS**	**N/A**	

ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

In application of Article 222-3 of the AMF's General Regulations, the Annual Financial Report referred to in paragraph 1 of Article 451-1-2 of the French Monetary and Financial Code contains the information described in the following pages of the Registration Document:

Annual Financial Report	Corresponding sections and Chapters of the Registration Document	Page No.
STATEMENT OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT	**Chapter 7, section 7.9.1**	**167**
MANAGEMENT REPORT		
■ Analysis of results, financial conditions, parent company and consolidated Group risks and list of authorizations to increase the share capital (Article L. 225-100 and L. 225-100-2 of the French Commercial Code)	Chapter 2, sections 2.9 and 2.10 Chapter 3 Chapter 5, section 5.1.8	36; 44; 51; 114
■ Information required by Article L. 225-100-3 of the French Commercial Code relating to factors likely to affect the outcome of a public offer	Chapter 5, section 5.1.10	115
■ Information about share buybacks (Article L. 225-211, paragraph 2, of the French Commercial Code)	Chapter 5, section 5.1.2	109
FINANCIAL STATEMENT		
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■ Statutory Auditors' report on the statutory financial statements	Chapter 8, section 8.7	282
■ Consolidated financial statements	Chapter 8, sections 8.1 and 8.2	170; 176
■ Statutory Auditors' report on the consolidated financial statements	Chapter 8, section 8.3	254

CROSS-REFERENCE TABLE REFERRING TO THE ELEMENTS OF THE MANAGEMENT REPORT

Information in the management report	Corresponding sections and Chapters of the Registration Document	Page No.
Objective and exhaustive analysis of the business and results' trend of the Group during the fiscal year (Articles L. 225-100, L. 225-100-2 and L. 233-6 of the French Commercial Code)	Chapter 2, section 2.9	36
Report on the subsidiaries' activity and results (Article L. 233-6 al. 2 of the French Commercial Code)	Chapter 2, section 2.9	36
Objective and exhaustive analysis of the financial situation including the debt situation (Article L. 225-100 al. 3 of the French Commercial Code)	Chapter 2, sections 2.9 and 2.10	36; 44
Analysis of the Company's situation during the last fiscal year, its expected development and the important events occurred since the closing date (Article L. 232-1-II of the French Commercial Code)	Chapter 1, section 1.2.4 and Chapter 2, section 2.6 Chapter 4, section 4.1.3.2	12; 35; 76
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Non financial key performance indicators (social information) (Article L. 225-100, al. 3; L. 225-102-1, al. 5 and R. 225-104 of the French Commercial Code)	Chapter 6, section 6.1	120
Chairman's report on corporate governance, internal control procedures and risk management (Article L. 225-37, al.6 of the French Commercial Code)	Chapter 4, section 4.2	79
Main risks and uncertainties (Article L. 225-100 of the French Commercial Code) and indications concerning the use of financial instruments by the Company when it's relevant for the evaluation of its assets, its liabilities, its financial condition and its profits and losses	Chapter 3	51
Information on the risks in the event of interest rate fluctuation, exchange rate fluctuation and market price fluctuation	Chapter 3, section 3.2	54
Table of the delegations granted to the Board of Directors by the Shareholders' Meetings and the use of those delegations (Article L. 225-129-5 of the French Commercial Code)	Chapter 5, section 5.1.8	114
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CROSS-REFERENCE TABLE REFERRING TO ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION PURSUANT TO ARTICLE L. 225-102-1 AND ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

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