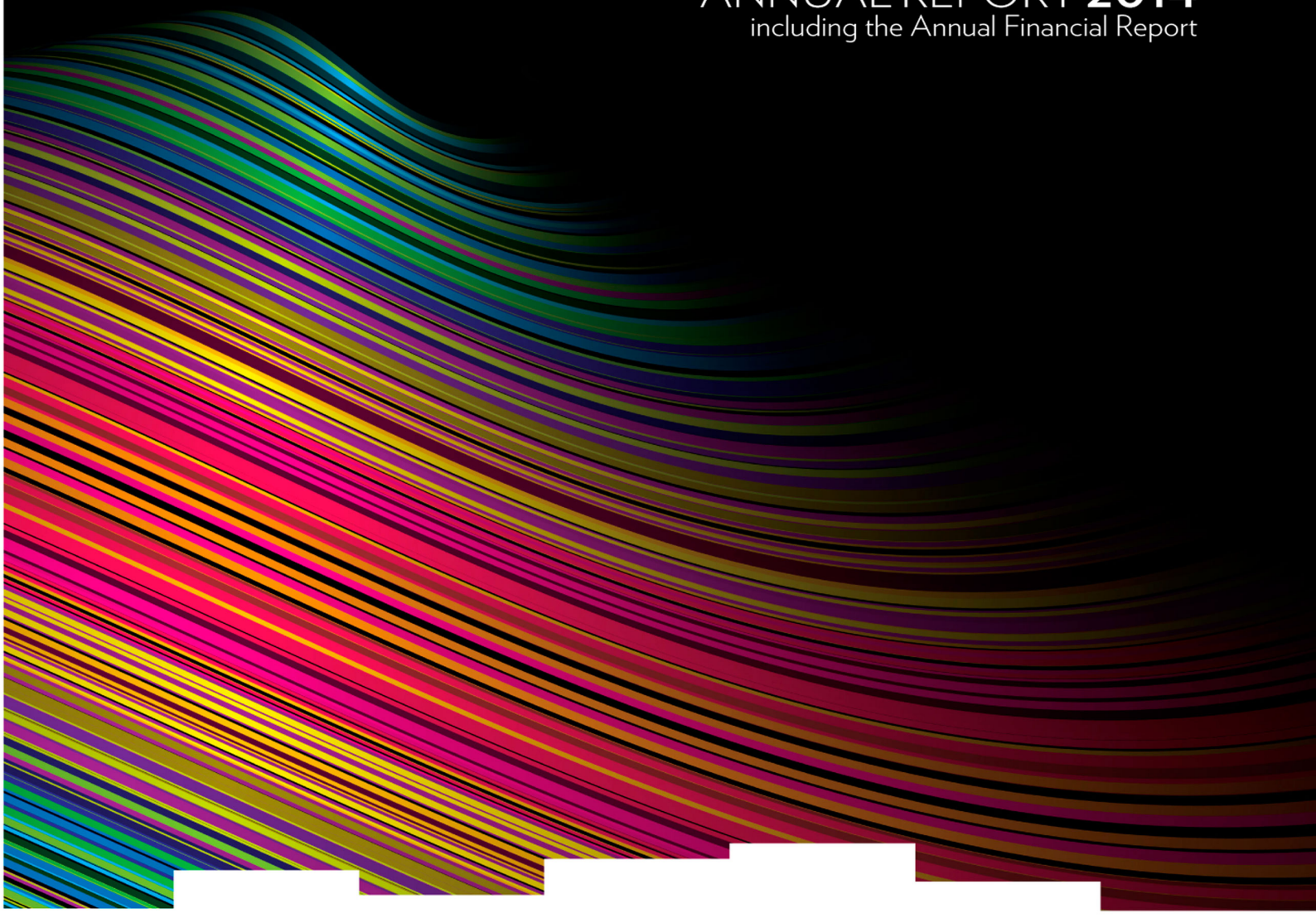
technicolor

ANNUAL REPORT **2014**

including the Annual Financial Report



Forward-looking statements 2
Statements regarding competitive position 3

1 PRESENTATION OF THE GROUP AND ITS ACTIVITIES 5
1.1 Selected financial information 6
1.2 History and strategy of the Company 8
1.3 Business overview 14

2 OPERATING AND FINANCIAL REVIEW AND PROSPECTS 27
2.1 Overview 28
2.2 Trends in technicolor eco-systems 28
2.3 Summary of results 30
2.4 Seasonality 31
2.5 Geographic breakdown of revenues and effect of exchange rate fluctuations 31
2.6 Events subsequent to December 31, 2014 33
2.7 Notification of interests acquired in the share capital of French companies in 2014 33
2.8 Notification of interests acquired in the share capital of French companies in 2013 33
2.9 Results of operations for 2013 and 2014 34
2.10 Liquidity and capital resources 42
2.11 Priorities and objectives 2015 46

3 RISK FACTORS 47
3.1 Risk related to the financial structure 48
3.2 Market risks 50
3.3 Risks related to the business 51
3.4 Other risks 57
3.5 Insurance 61

4 CORPORATE GOVERNANCE AND INTERNAL CONTROL 63
4.1 Board of Directors 64
4.2 Chairman's report on corporate governance, internal control and risk management 74
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 87
4.4 Compensation and benefits of Directors 89
4.5 Executive Committee 101

5 TECHNICOLOR AND ITS SHAREHOLDERS 105
5.1 Share capital 106
5.2 Listing information 114

6 SOCIAL INFORMATION AND SUSTAINABILITY 117
6.1 Employees and workforce 118
6.2 Environmental matters 134
6.3 Stakeholder relations and local impacts of the Company's activities 145
6.4 Supplier and sub-contractor relations 146
6.5 Technicolor Foundation for Cinema Heritage 148
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 149

7 ADDITIONAL INFORMATION 153
7.1 Property, plant and equipment 154
7.2 Memorandum and bylaws 156
7.3 Material contracts 158
7.4 Additional tax information 158
7.5 Organization of the Group 159
7.6 Available documents 162
7.7 Information on accounting services 162
7.8 Table of auditors' fees 163
7.9 Persons responsible for the Registration Document and the Annual Financial Report 164

8 FINANCIAL STATEMENTS 165
8.1 Technicolor 2014 consolidated financial statements 166
8.2 Notes to the consolidated financial statements 172
8.3 Statutory auditors' report on the consolidated financial statements as of December 31, 2014 248
8.4 Technicolor SA parent company financial statements 250
8.5 Notes to the parent company financial statements 253
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) 276
8.7 Statutory auditors' report on the financial statements for the year ended December 31, 2014 277
8.8 Statutory auditors's special report on regulated agreements and commitments as of December 31, 2014 279

9 REGISTRATION DOCUMENT CROSS REFERENCE TABLE 281

technicolor

Société Anonyme with a share capital of €335,907,670
Registered Office: 1-5 , rue Jeanne d'Arc
92130 Issy-Les-Moulineaux
Nanterre Register of Commerce and companies No. 333 773 174

ANNUAL REPORT **2014**

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document (Document de Référence) was filed with the Autorité des marchés financiers (AMF) on March 18, 2015 in accordance with Article 212-13 of the AMF General Regulations. It may be used in connection with a financial transaction provided it is accompanied by a transaction note (note d'opération) approved by the AMF. This document was prepared by the issuer and is the responsibility of the signatories thereof.

This Registration Document can be consulted on the website of the AMF (French version only (www.amf-france.org) and on the website of Technicolor (www.technicolor.com).)

FORWARD-LOOKING STATEMENTS

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

This Annual Report includes:

(i) the Annual Financial Report *(Rapport Financier Annuel)* issued pursuant to Article L. 451-1-2-I and II of the French Monetary and Financial Code *(Code monétaire et financier)* and referred to in Article 222-3 of the AMF General Regulation *(Règlement Général de l'AMF)* (a cross-reference table is set forth on page 286 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 287 mentions the elements of this report); and

(iii) the Chairman's report on corporate governance, internal control procedures and risk management issued pursuant to Article L. 22537 of the French Commercial Code (this report is included in Chapter 4: "Corporate governance and internal control procedures" in section 4.2: "Chairman's report on corporate governance, internal control and rise management" on page 74 *et seq.*).

This Annual Report contains certain forward-looking statements with respect to Technicolor's financial condition, results of operations and business and certain plans and objectives of the Group. These statements are based on management's current expectations and beliefs in light of the information currently available and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In addition to statements that are forward-looking by reason of context, other forward-looking statements may be identified by use of the terms "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "projects", "predicts" and "continue" and similar expressions identify forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that are anticipated to occur in the future. Such statements are also subject to assumptions concerning, among other things, Technicolor's anticipated business strategies; its intention to introduce new products and services; anticipated trends in its business; and Technicolor's ability to continue to control costs and maintain quality.

STATEMENTS REGARDING COMPETITIVE POSITION

This Annual Report contains statements regarding market trends, market share, market position and products and businesses. Unless otherwise noted herein, market estimates are based on the following outside sources, in some cases in combination with internal estimates:

- 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

1.1 SELECTED FINANCIAL INFORMATION 6

1.2 HISTORY AND STRATEGY OF THE COMPANY 8

- 1.2.1 Company profile 8
- 1.2.2 Historical background 8
- 1.2.3 Organization 10
- 1.2.4 Strategy 12

1.3 BUSINESS OVERVIEW 14

- 1.3.1 Technology 14
- 1.3.2 Entertainment Services 19
- 1.3.3 Connected Home 23
- 1.3.4 Other 25
- 1.3.5 Discontinued operations 26

1.1 SELECTED FINANCIAL INFORMATION

The Company has derived the following selected consolidated financial data from its consolidated financial statements as of and for each of the years ended December 31, 2014, 2013 and 2012. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as approved by the European Union. You should read the following selected consolidated financial data together with Chapter 2: "Operating and Financial Review and Prospects" of this Annual Report. The basis of preparation of the consolidated financial statements and the Company's significant accounting policies are discussed in 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 Annual Report. The changes in consolidation scope and discontinued operations are presented in notes 4 and 11, respectively, of the Company's consolidated financial statements.

(in millions euros)	2014	2013	2012
Statement of Operations (selected items) [1]			
Revenues from continuing operations	3,332	3,450	3,580
Adjusted EBITDA [2]	550	537	512
Profit (loss) from continuing operations before tax and net finance income (expense)	302	224	264
Net finance income (expense) [3]	(117)	(288)	(197)
Income tax	(48)	(41)	(49)
Net income (loss) from continuing operations	137	(111)	13
Net income (loss) from discontinued operations [4]	(9)	19	(35)
Net income (loss)	128	(92)	(22)
Profit (loss) from discontinued operations [4]			
■ Discontinued results related to the Grass Valley businesses	(1)	18	2
■ Discontinued results related to the other discontinued businesses	(8)	1	(37)
Earnings per Ordinary Share			
Weighted average number of shares outstanding – (basic net of treasury stock) [5]	335,305,821	335,094,417	275,885,374
Earnings (loss) (Group share) per share from continuing operations *(in euros)*	-	-	-
■ Basic	0.42	(0.32)	0.05
■ Diluted [5]	0.42	(0.32)	0.05
Total earnings (loss) (Group share) per share *(in euros)*			
■ Basic	0.39	(0.26)	(0.07)
■ Diluted [5]	0.39	(0.26)	(0.07)
Balance sheets (selected items)			
Total non-current assets	1,674	1,624	1,817
Total current assets (excluding cash and cash equivalents)	1,063	1,031	1,023
Cash and cash equivalents	328	307	397
TOTAL ASSETS	**3,065**	**2,962**	**3,237**
Total non-current liabilities	1,589	1,606	1,703
Total current liabilities	1,257	1,237	1,293
Shareholders' equity	223	119	237
Of which share capital	*336*	*335*	*335*
Non-controlling interest	(4)	-	4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,065**	**2,962**	**3,237**
Dividends / distributions			
Dividends / distributions per share *(in euros)*	-	-	-

(1) Results for 2014, 2013 and 2012 are presented in accordance with IFRS 5 and therefore exclude activities treated as discontinued from profit (loss) from continuing operations.
(2) Please refer to the definition In section 2.9.9: "Adjusted indicators" of Chapter 2: "Operating and Financial Review and Prospects" of this Annual Report.
(3) Comprises "Net interest expense" and "Other net financial income (expense)". Please refer to note 9 of the Group's consolidated financial statements for more information.
(4) For the year 2014, there has been no change in discontinued perimeter compared to 2013 and 2012. It comprised Grass Valley from 2009, Silicon Solutions businesses, Audio-Video and Accessories businesses (AVA) from 2005, and Cathode Ray Tubes activities sold in 2004 and 2005.
In 2012, the loss from discontinued operations mainly corresponds to a fine from the European Union related to Thomson's former Cathode Ray Tubes (CRT) business for €38.6 million (please refer to section 2.9.7 "Profit (Loss) from discontinued operations" for more details on this topic).
(5) Refer to note 29 of the Group's consolidated financial statements for more information on the dilutive instruments affecting earnings per share on a diluted basis.

1.2 HISTORY AND STRATEGY OF THE COMPANY

1.2.1 COMPANY PROFILE

Legal and commercial name:
TECHNICOLOR

Registered office address:
1-5, rue Jeanne d'Arc
92130 Issy-les-Moulineaux, France
Tel.: +33 (0)1 41 86 50 00
Fax: +33 (0)1 41 86 58 59
E-mail: shareholder@technicolor.com
Twitter: twitter.com/TechnicolorCo

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

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

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

Fiscal year: January 1 to December 31.

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

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

Activity: Technicolor, a worldwide technology leader in the Media & Entertainment sector, is at the forefront of digital innovation. Technicolor's activities are organized into three operating segments, namely Technology, Entertainment Services, and Connected Home. All other activities and corporate functions (unallocated) are presented within the "Other" segment. For a detailed description of the Group's segments, please refer to section 1.2.3: "Organization". In fiscal year 2014, Technicolor generated €3,332 million of consolidated revenues. As of December 31, 2014, the Group had 14,201 employees in 26 countries.

1.2.2 HISTORICAL BACKGROUND

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

Change in Businesses

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

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

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

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

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

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

Visual Effects to premier television and international film clients. This transaction expanded Technicolor's VFX services globally to high-end television and international film markets.

2012 Capital Increases

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

In practical terms, a Reserved Capital Increase was first launched, followed by a Rights Issue, enabling existing shareholders to participate in the operation. Both transactions enabled Technicolor to raise gross proceeds of €191,106,584.96, corresponding to the issue of 109,114,822 new shares. In the context of these transactions, the Company and Vector Capital entered in July 2012 into a corporate Governance Agreement pursuant to which Vector Capital was given a minority representation on the Board of Directors and other rights. Such rights were granted in return for certain commitments by Vector Capital, in particular to support the Company's strategy[1] (see section 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 this Chapter). For more information about the transactions, please refer to Chapter 5: "Technicolor and its shareholders", section 5.1.5: "Modification in the distribution of the share capital over the past three years".

As of December 31, 2013, Vector held 20.7% of the share capital. In March 2014, Vector sold through a private placement part of its stake, which amounts as of December 31, 2014, to 12.9% of the share capital.

2013 and 2014 Debt refinancing

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 partly refinanced in July 2013 with the issuance of new term loans, at a lower interest rate, a maturity profile extended to 2020, and greater covenant flexibility. The new term loans (the "Term Loan Debt") were issued by Tech Finance & Co. SCA ("Tech Finance"), a special purpose vehicle incorporated in Luxemburg that is consolidated by Technicolor, but in which Technicolor holds no interest. In June 2013, Tech Finance launched Offers to Purchase any and all of the Reinstated Debt and as a result it acquired 61% of the total participations under the term loans and over 99% of the private placement notes.

This refinancing process was completed in the first semester of 2014. On February 5, 2014, Technicolor entered with certain lenders in a cashless exchange of an additional €181 million ($75 million and €126 million) of its Reinstated Debt against the issuance of Term Loan Debt issued by Tech Finance. In April 2014, Technicolor voluntarily prepaid $69 million (€50 million) of the Term Loan Debt as part of a repricing transaction under which the interest rate on the Term Loan Debt was reduced from the previous pricing of Libor/Euribor +600bps/625bps, subject to a 1.25% Libor/Euribor floor, to Libor/Euribor +450bps subject to a 1.00% floor. Finally on May 30, 2014, Technicolor fully reimbursed the remainder of its Reinstated Debt out of its cash. Accordingly, the Nanterre Commercial Court declared in a judgment dated June 25, 2014 that the *Sauvegarde* Plan execution was finalized by anticipation.

The 2014 refinancing and repricing transactions and early repayments simplified Technicolor's debt structure, generated interest savings, further extended the Company's maturity profile, and enhanced its financial and operational flexibility.

Following these transactions, Moody's and S&P upgraded their ratings on Technicolor's Term Loan Debt reflecting their view that the Company's performance has improved over the last two years and should continue to strengthen in the coming years. Moody's raised Technicolor's long-term credit rating to B2 from B3 and S&P to B+ from B previously, with a stable outlook.

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".

(1) The Company announced on March 2, 2015 that it has entered into an agreement with Vector Capital and its affiliates for the purpose of terminating the Governance Agreement signed in July 2012.

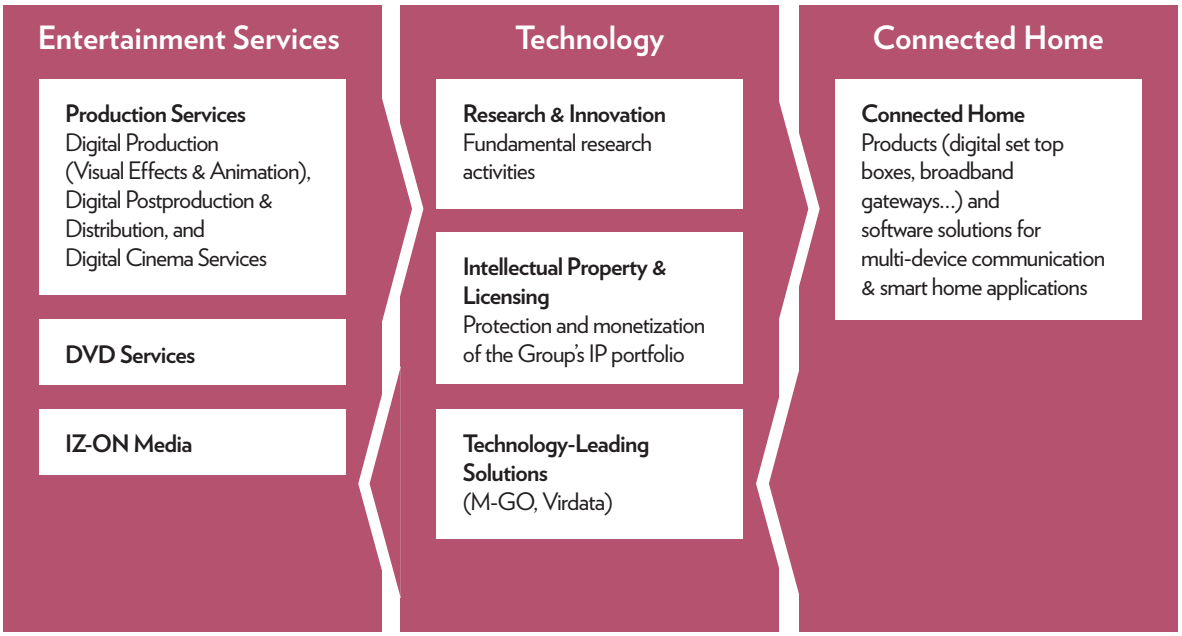
1.2.3 ORGANIZATION

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

In its Technology segment, Technicolor operates its fundamental research activities ("Research & Innovation"), new technology-leading initiatives such as M-GO and Virdata, and a world-class Intellectual Property and 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.

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

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



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

Technology (15% of 2014 Consolidated revenues)

The Technology segment, which generated consolidated revenues of €490 million in 2014 (15% of the Group's consolidated revenues), is responsible for driving technology to commercialization in a selected number of domains, especially in video, audio, interoperability, local networks and machine learning/digital personalization.

Technicolor generates revenues by licensing portfolios of its Intellectual Property that address the highly scalable elements of the market ecosystem such as consumer electronics devices and media-related services. According to internal estimates, more than 80% of consumer electronics manufacturers worldwide integrate the Group's Intellectual Property.

Technology is organized around the following divisions:

- Research & Innovation, which includes the Group's fundamental research activities and aims at pursuing the development of next generation video and audio technologies, while supporting the development of innovative solutions to strengthen existing offer and address new digital markets;
- Intellectual Property and Licensing, which generates revenues by licensing the Group's Intellectual Property;
- Specific Technology-leading solutions such as M-GO and Virdata, which have been developed by the Group to address industry challenges associated with the emergence of disruptive technologies and related-business models.

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

Entertainment Services (44% of 2014 Consolidated Revenues)

The Entertainment Services segment, which generated consolidated revenues of €1,459 million in 2014 (44% of the Group's consolidated revenues), supports content creators from creation to postproduction (Production Services), while offering global distribution solutions, from digital to physical (including the replication and distribution of DVD and Blu-ray™ discs). Additionally the Group offers digital place-based Media Services to retailers through its IZ-ON Media Division.

Entertainment Services is organized around the following divisions:

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

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

Connected Home (41% of 2014 Consolidated Revenues)

The Connected Home segment, which generated consolidated revenues of €1,382 million in 2014 (41% of the Group's consolidated revenues), 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. Connected Home also offers software solutions for multi-device communication such as Qeo, a brand software application that allows interoperability and communication between electronic devices, as well as applications for the Smart Home (*e.g.* home automation, home security, energy management, etc) and related professional services. In 2014, Connected Home shipped a total of 34.3 million products, a new all-time high, up from a previous record of 32.5 million units sold in 2013.

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

Other

The "Other" segment comprises all other continuing activities and unallocated corporate functions.

For more information, please refer to section 1.3.4: "Other".

1.2.4 STRATEGY

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:

- **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 audiovisual technologies and the market leading positions of its operating businesses. 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;
- **Operating businesses:** each of Technicolor's operating businesses, including Production Services, DVD Services and Connected Home, 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, Pay-TV operators and network service providers, and OTT services providers. These operating businesses play an important role in promoting and driving 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.

Technicolor's activities are guided by a five-year plan that is designed to achieve its overall strategic goal: maintain and extend the Group's leadership position in Media & Entertainment technologies, products and services globally. Under the plan, Technicolor is pursuing a cross-portfolio strategy based on three key pillars:

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

Strengthen leadership in IP Licensing and expand into Technology Licensing

Throughout its history, Technicolor has been at the forefront of innovations in Media & Entertainment technologies. 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 the consumer experience. Technicolor actively files patent applications and manages and optimizes its research and development and patent filing activities to ensure that its IP portfolio is oriented towards promising technology areas with high monetization potential. Through its active participation in standardization bodies and industry alliances, Technicolor promotes the adoption of its technologies into industry standards, which allows 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. In addition, the Group seeks to complement its patent portfolio *via* partnership and select acquisition of patent portfolios. In October 2014, Technicolor formed a partnership with Warner Bros. Entertainment, in which the Group will represent the studio as its exclusive IP licensing agent. In February 2014, Technicolor acquired certain display technology patents from Thales, which added to the value of its existing and future licensing programs. These strategies have continued to be successful in strengthening the Group's IP Licensing business, evidenced by new licensing agreements signed in 2014 with Sony in digital TVs and with LG Electronics in tablets and smartphones, among others.

Technology Licensing is a new and significant growth area for Technicolor. Through its Technology Licensing business, the Group creates, markets and licenses audiovisual 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 audio and video solutions to the Media & Entertainment industry, while also enhancing Trademark Licensing program value, and generating market-focused and pragmatic IP. The Technology Licensing business also leverages the significant relationship and influence that Technicolor has *via* its operating businesses and IP Licensing to create industry partnerships and alliances that promote adoption of the Group's technologies.

Grow operating businesses through continued innovation and market share expansion

Technicolor is pursuing a strategy to strengthen its leadership positions in its Production Services, DVD Services and Connected Home businesses. At the core of this strategy is the continued focus on innovation in workflows, production platforms, and products. In Production Services, the Group has been investing in the next generation production platform which aims to improve workflow efficiency, enable global collaboration, enhance customer service, while improving talent and capacity utilization and reducing costs. 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.

In Production Services, Technicolor will continue to focus on organic market share growth, complemented with in-organic initiatives. For example, in 2014, the Group strengthened its Production Services Division by acquiring Mr. X, a leading North American provider of Visual Effects ("VFX") to the high-end television and international film markets, complementary to the Group's MPC brand of service, which focuses on high-budget film VFX work from U.S. studios. Technicolor also continued to strengthen its Animation production and services activities by completing early January 2015 the acquisition of Paris-based independent animation company OuiDo Productions. In DVD Services, the Group will maintain its leading market position through the aggressive addition of new customer relationships in core client verticals, extending its geographic reach in new markets, and maintaining ongoing best-in-class operational efficiency and margin structure. In Connected Home, in addition to continued organic growth in its core markets, the Group will seek to further improve its scale by pursuing capital-efficient consolidation opportunities, as well as strengthening its efforts in emerging markets, particularly in Asia.

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.

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, brands and advertising segments, while building a larger geographic presence in Asia. In addition, Production Services will build on its reputation as a comprehensive provider of visual effects, animation, postproduction and media services by serving the growing Over-The-Top original content production market.

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

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 M-GO platform, and potentially network core solutions.

For M-GO's, Technicolor will focus on expanding its consumer offering beyond the current transactional video-on-demand model, building greater scale, and geographic reach, organically and *via* partnerships. In addition, M-GO will continue to drive platform innovation, technology development and IP generation in next-generation audio and video technologies. For example, in 2014, M-GO partnered with Samsung to launch M-GO 4K Ultra HD, the first ultra high-definition transactional video-on-demand service in the U.S., leveraging 4K technical expertise and IP from Technicolor.

1.3 BUSINESS OVERVIEW

The table below sets forth the contribution to the Group's consolidated revenues of its segments for 2013 and 2014. In accordance with IFRS, revenues from continuing operations exclude the contribution of discontinued operations.

(in million euros, except percentages)	2014	% of total	2013	% of total
Revenues from continuing operations				
Technology	490	15%	485	14%
Entertainment Services	1,459	44%	1,618	47%
Connected Home	1,382	41%	1,346	39%
Other	1	-	1	-
TOTAL	**3,332**	**100%**	**3,450**	**100%**

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

Please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.4: "Seasonality" of this Annual Report, for a description of seasonal trends in the Group's business.

1.3.1 TECHNOLOGY

Technicolor is making its research real by driving technology to commercialization in a selected number of domains, especially video, audio, interoperability, local networks and machine learning/digital personalization. The Group generates its revenues by licensing portfolios of its Intellectual Property that address the highly scalable elements of the market ecosystem such as consumer electronics devices and media-related services. According to the Group's estimates, more than 80% of consumer electronics manufacturers worldwide incorporate Technicolor's Intellectual Property.

The Group's market reach continues to expand as more devices consume video technologies. A proxy correlation can be drawn to the adoption of screens in a plethora of consumer devices and platforms. This enables the Group to expand its licensing franchises into products such as smartphones and tablets. Technicolor's relevance to these devices continues to increase as they are in dire need of enhanced video compression technologies, given that they often operate with limited bandwidth. The Group continues to drive adoption 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.

The Technology segment comprises three divisions, including Research & Innovation ("R&I"), Licensing activities, and specific Technology-leading solutions and services such as M-GO and Virdata. R&I is accounted for as a cost center within Technology.

In 2014, the Technology segment generated consolidated revenues of €490 million, accounting for 15% of the Group's reported consolidated revenues.

Research & Innovation

Strategy and Vision

R&I conducts research with an eye toward emerging trends, seeking to understand where Technicolor's industry and markets are headed and investing in disruptive technologies to fuel the next generation of innovation through products, services and standards for content creators, particularly Hollywood Studios, Network Service Providers, Consumer Electronics manufacturers and a plethora of digital platforms. R&I employs more than 250 world-class researchers as of December 31, 2014, and spans sites across Rennes (France), Hanover (Germany) and Silicon Valley (United States).

At the nucleus of the Group's research agenda lie four strategic technology areas:

- *Compression & Color* focuses on High Dynamic Range ("HDR"), Wide Color Gamut ("WCG"), Video Compression and all related video format Standardization activities;
- *Audio and Acoustics* brings solutions for immersive 3D audio formats comprising acquisition, production workflows, compression and flexible rendering;
- *Augmented & Immersive Media* focuses on disruptive trends on context-aware entertainment with wearables such as the oculus rift and multi-modal sensing in mobile devices to enhance an augmented reality experience;
- *User Analytics* develops cut-through technologies in machine learning by synthesizing data from sensor and user behavior to personalize the user experience.

In addition to its core research pillars, Technicolor conducts a number of agile or exploratory programs tasked with specific mission-driven projects. By way of example, R&I made technical contributions to ATSC 3.0 ("Advanced Television Systems Committee") for the emerging NAFTA Digital TV standardization effort and successfully deployed an industry first ATSC 3.0 4K/Ultra HD test bed system in a production environment. By contrast exploratory programs are tasked with challenging the limits of academic knowledge, looking around corners to anticipate technology landscapes in 2020. For some exploratory exemplars, R&I work on disruptive research such as DNA storage (with Harvard Medical School), privacy preserving recommendations (with Stanford University) and deep learning applied to image indexing (with Oxford University).

R&I pioneering work is evidenced by its contribution to the Group's patent portfolio and the delivery of 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.

R&I teams look at emerging trends to understand where the Media & Entertainment industry - and Technicolor's ecosystem - is headed, invest in a forward-looking, ambitious research agenda for tomorrow, and build a pipeline to fuel the next generation technologies capable of delivering breakthroughs that can transform current businesses and create new ones.

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.

Technicolor has been 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. From the beginning, the Group has chaired/co-chaired core experiments during development of these standards and has contributed innovative technologies. In 2014, Technicolor re-asserted its strong support of extensions to these standards by successfully proposing technologies such as Color Remapping Information and Color Gamut Scalability. 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. In addition, the Group was instrumental in driving forward developments in High Dynamic Range, proposing for example, high performance and bandwidth optimizing encoding schemes. Supplementing this, Technicolor furnished high quality HDR content as operationally credible test material to facilitate the development of a market-ready standard. In addition to the factors of 4K resolution, wider color gamut and higher frame rates, HDR is a key contributing factor to perceived UHDTV image quality, and these factors represent the essential attractiveness vector for consumers, as concerns future display functionality.

Technicolor continues its strong participation and contribution to DVB standardization. Most recently, the Group was editor of the DVB UHD-1 Phase 1 requirements document, which led to the inclusion of HEVC in the DVB CODEC toolbox. Technicolor continues down this path by contributing to the requirements for DVB UHD-1 Phase 2, which covers, *inter alia*, HDR, Wide Color Gamut and High Frame Rate.

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 established the MPEG-H Audio alliance, showcasing integrated technology demonstrations focused on operational deployment.

Recently Technicolor also created, as a founding member, the Ultra High Definition (UHD) Alliance, which is a new coalition of companies united to set the bar for the next generation video entertainment by establishing new standards to support innovation in video technologies including 4K and higher resolutions, high dynamic range, wider color gamut and immersive 3D audio. In forming the UHD Alliance, Technicolor is joined by other global companies as founding members, including DIRECTV, Dolby, LG Electronics, Netflix, Panasonic Corporation, Samsung Electronics, Sharp Corporation, Sony Visual Product, The Walt Disney Studios, Twentieth Century Fox and Warner Bros. Entertainment. These initiatives are likely to drive future monetization activities.

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™ Disc, 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) earlier in the year. Market deployment of these immersive technologies will be partially leveraged through licensing.

During 2014, Technicolor's sustained investment in ATSC 3.0 ("Advanced Television Systems Committee") resulted in a marked increase in technical contributions and a heightened presence of the Company within the ATSC community. More than twenty 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 at NAB 2014 highlighted Technicolor's readiness. This was followed in October by the industry's first live, over-the-air ATSC proposed technology transmission test of Technicolor's technology, in partnership with the Sinclair Broadcast Group. Adoption of these technical contributions will support the Group's future digital television licensing program.

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. The Group has renewed its technical activities within the CEA ("Consumer Electronics Association") and the HDMI Forum, centered on 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.

Technology-leading solutions

Over the past few years, Technicolor has been developing a number of new, selected Technology-leading solutions and services as part of its incubation framework with the objective to address industry challenges associated with the emergence of disruptive technologies and related-business models such as digital content distribution services and big-data analytics solutions related to the Internet of Things ("IoT"). The objective is also to provide another channel to seed technologies through the go to market of these solutions. Some of these initiatives have been commercially launched, including M-GO and Virdata.

M-GO

M-GO is a premium transactional video-on-demand platform, aiming at making digital entertainment easier to find, watch, and enjoy at home and on-the-go. The M-GO service is delivered to consumers in the form of a free application and enables consumers to rent or purchase home entertainment titles on their day of release as well as back catalog films and TV shows from a library of more than 25,000 titles available as of the end of 2014. The development of M-GO has allowed Technicolor to generate innovative technologies and Intellectual Property around digital entertainment service platforms, notably in the fields of user interfaces and search and discovery capabilities. At year-end 2014, the Group has filed more than 150 priority patent applications for inventions around the M-GO platform.

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

M-GO has entered into content licensing agreements with a very large number of leading Studios, content creators and distributors. These agreements provide that each time a consumer purchases or rents content accessed through M-GO, the Group pays the content owner a specified percentage of the revenues collected and retains the remainder. M-GO also offers consumers the ability to purchase UltraViolet enabled movies, giving them the ability to watch their purchased movies across multiple devices.

The M-GO app is preloaded on more than 50 million connected devices and smart TVs from a variety of leading consumer electronics partners. It is also the default movie and TV service on Roku's popular streaming boxes since 2013 and on Samsung smart TVs since 2014. M-GO and Samsung have also partnered on the launch of the first video streaming service available in the U.S. that offers consumers movies and TV shows in the new Ultra High-Definition ("UHD") format on Samsung's lineup of 4K/UDH TVs. M-GO and Samsung are currently working on additional partnerships with for example the app M-GO Advanced which was unveiled at the IFA Consumer Electronics Unlimited Tradeshow in Berlin and is the first video browsing app for Samsung Gear VR, powered by Oculus. By doing so and in partnerships with leading eco-system players such as Samsung, Technicolor aims at boosting the adoption of corresponding technologies by consumers.

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

Virdata

Virdata is an innovative solution developed by Technicolor to provide businesses with cloud-based monitoring and management services featuring real-time and historical big data analytics stack for any type of connected devices or applications aimed at the Internet of Things ("IoT") and Machine-to-Machine ("M2M) ecosystems. Initial industries targeted by Virdata include automotive, consumer electronics, health, industrial automation, retail and utilities. In early 2014, Virdata has formed a relationship with IBM to provide clients with a scalable big data analytics service based on IBM's SoftLayer cloud infrastructure platform.

Intellectual Property & Licensing

Technicolor's Licensing Division generated consolidated revenues of €479 million in 2014 (14% of the Group's consolidated revenues). As of December 31, 2014, this division employed approximately 200 people based in 14 locations, principally in France, the United States, Germany, Switzerland, Japan and China. Technicolor's strong worldwide portfolio of approximately 40,000 patents constitute 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 ongoing 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 is presently generated by the MPEG-2 patent pool, which is administrated by the MPEG LA consortium. In addition, the Group has numerous patent licensing programs that contribute revenue to the Group.

Technicolor has adopted a strategy that is focused on building new sustainable licensing revenues. To that end, the Group has launched a number of new programs, including in particular a new licensing program around smartphones and tablets. In addition, Technicolor has continued to develop key technology licensing programs that utilize the Group's core competencies in video encoding and compression and to expand its trademark licensing programs.

Patent Licensing

As of December 31, 2014, Technicolor's patent portfolio comprised approximately 40,000 patents and patent applications worldwide, primarily in the fields of audio technology, content management, image and video compression, image and video processing, networking and communication, interactivity, user interaction, security, displays, storage and optical technologies. At the end of 2014, around 58% of the Group's patent portfolio had a remaining lifetime greater than 10 years. In 2014, Technicolor filed approximately 700 initial patent applications for new inventions, up 39% from 2013. The Group was also granted more than 1,700 patents in 2014 compared to approximately 2,150 granted patents in 2013.

The Intellectual Property & Licensing team works closely with Technicolor's Research & Innovation division, as well as the development centers within the Group's businesses, identifying valuable inventions for which patents may be pursued.

Over the past few years, Technicolor has been intensifying its Patent Portfolio Management Policy to increase the technology relevance and the quality of its large portfolio, while maintaining cost control. In 2014, the Group has further begun to implement a variety of revisions to its patent operations processes designed to enhance the value of the Group's Intellectual Property.

The Intellectual Property & 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 their products as appropriate. Rather than licensing individual patents, Technicolor's standard licensing policy consists of granting 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. The Licensing team manages around 1,000 licensing agreements across 15 licensing programs. These agreements are typically renewable and have a typical duration of five years. Royalties are primarily based on unit sales volumes.

In 2014, 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 45% of Licensing revenues in 2014. The Group expects this program to remain an important contributor to its Licensing revenues until mid-2016, when Technicolor will get the last proceeds from the patent pool under its currently contracted arrangements.

Technicolor also generates significant Licensing revenues through its participation in other patent pools such as Premier BD for Blu-ray™ technologies and the HDMI pool, as well as through bilateral agreements related to licensing programs directly managed by the Group, including video codecs, digital TV sets, optical modules for DVD and Blu-ray™ disc players, digital set top boxes and broadband gateways, LCD displays, optical media storage devices ("OMSD"), and mobile phones and tablets. The Licensing teams continually work on exploring new licenses as well as renewals of existing licenses where appropriate.

In addition to licensing patents generated by in-house research, Technicolor also leverages its expertise by licensing patents held or created by third parties. The Licensing organization has offered its expertise and know-how to other patent holders such as Fraunhofer for mp3 and Xerox-PARC for optical media devices, and believes it has all of the necessary assets to continue developing this model, beyond the traditional licensing programs. The Group will continue to explore such opportunities as they arise. In 2014, Technicolor signed an exclusive licensing agreement with Warner Bros. Entertainment to represent the studio as its patent licensing agent (apart from existing patent pool licensing programs) to capture the value of the studio's patent portfolio.

In parallel with its current patent programs, Technicolor continues to launch new licensing initiatives which are expected to drive future revenues. Technicolor 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, WiFi, haptics, video compression, software, user interface, LCD and AMOLED. In 2014, Technicolor signed a second smartphone licensing agreement with LG for the use of the Group's patents and technologies across LG's mobile devices, including smartphones and tablets.

Technicolor's work around advanced standards, such as HEVC, 3D audio, ATSC 3.0 and DVB, which will be implemented in future products, and its efforts to improve the standard through major technology contributions are part of the Group's strategy to continue driving the Group's technology into popular products, and as a result, generating new revenue streams *via* Patent Licensing.

Technology Licensing

In addition to its Patent Licensing activities, Technicolor is 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 to the market innovations in an implementable form, beyond patents, to enhance and optimize their solutions, open new markets and pave the way for new businesses for the licensees who adopt them. Seeding technology early in the market also provides new opportunities in the future for patent licensing of products and services embedding these technologies.

New Technology Licensing initiatives went live in 2013 in the field of Image Fidelity and Enhancement such as the Color Certification Program and the Image Certification program. The Image Certification program gained traction in the marketplace, with the launch of 4K certified video processors, the adoption by TCL of 4K image certified port for its 4K TV products, as well as the launch of 4K certified Blu-ray™ players by Toshiba. Regarding the Image Certification program, Technicolor has teamed up with Portrait Displays to create a Color Certification process that guarantees the color quality on any computer or mobile device display. In 2014, the Group announced the adoption by HP of its Color Certification Program for HP Envy PC monitors.

Trademark Licensing

The Licensing organization manages not only patents, but all of Technicolor's Intellectual Property assets and has developed a business of trademark licensing, 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 the 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 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. Technicolor now continues to innovate and enhances the consumer experience offered by the branded products. The Group complements the pure Trademark license and will allow 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 imaging and sound technologies, as well as its strong competencies on product design.

In 2014, Technicolor secured long-term contracts with most of its existing brand licensees. The Group has extended its global market coverage to a number of new categories of products such as household appliances, tablets and IT products. The Group will continue to push smartphones, home networking and automation solutions and prepare offers for the Internet of Things, while it will also further expands its Trademark Licensing programs into new geographies, with a particular focus on emerging territories.

1.3.2 ENTERTAINMENT SERVICES

The Entertainment Services segment supports content creators from creation to postproduction (Production Services), while offering global distribution solutions, from digital to physical (including replication and distribution of DVD and Blu-ray™ discs). Additionally the Group offers digital place-based Media Services to retailers through its IZ-ON Media Division.

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

In **Production Services**, the Group operates a network of facilities covering all major markets for the M&E industry and pursues a strategy aimed at optimizing both its range of products and services and its geographical presence while developing new solutions designed to support its customers in the digital transition. The Group has a selective approach towards the location of its businesses, and actively manages its portfolio of assets to better address industry demand and ensure optimal talent and facility utilization. In 2014, the Group continued to expand its capacities across facilities, notably in the UK, Canada and India, while it also launched a large talent hiring process in order to respond to higher level of works related to a number of significant new customer awards to be delivered in 2014 and 2015, particularly in the Visual Effects ("VFX") for feature films and Animation activities.

In **DVD Services**, the Group offers a full range of services to the M&E industry around the replication, packaging and distribution of DVD and Blu-ray™ discs. Technicolor expects DVD Services, which represented approximately two thirds of the Entertainment Services segment's consolidated revenues in 2014, to remain a significant contributor to Entertainment Services revenues and cash generation, driven primarily by expected continuing market demand for Blu-ray™ discs, and ongoing growth in DVD Services' comprehensive supply chain and freight management service offerings to customers both within and outside the M&E industry.

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

In 2014, the Entertainment Services segment generated consolidated revenues of €1,459 million, accounting for 44% of the Group's reported consolidated revenues.

Production Services

Through its Production Services business, Technicolor offers a full set of leading services such as Digital Production, including VFX and Animation activities, Digital Postproduction & Distribution Services, including digital video and sound postproduction, versioning and localization, content distribution, as well as media asset management services, and Digital Cinema, which offers a suite of services including localization, content mastering and distribution. The Group's clients are major and independent film studios, but also non-studio customers such as TV broadcasters, advertisers, independent content producers and video game publishers, as well as Video-on-Demand ("VOD") and Over-the-Top ("OTT") players. Over the past few years Technicolor has been strategically strengthening its market position with leading Studios and increasing its exposure to non-Studio customers.

Technicolor is extending the range and depth of its product and service offerings, and developing new innovative solutions to support the transition of its customers to digital, while working on efficiency improvements through workflow digitization and automation. The Group is managing its Production Services business to capture growth opportunities and position itself among the top leaders of the market in each business category, with a particular focus on expanding VFX and Animation activities. In 2014, Technicolor completed its exit from its legacy activities (Film Services).

Digital Production (VFX and Animation)

Digital Production consolidates Technicolor's activities related to Visual Effects and Animation for major film Studios, video games publishers, advertising agencies and commercial production companies.

In VFX, Technicolor operates under the MPC brand with a global network of eight Studios in locations around the world, including London, Santa Monica, New York, Vancouver, Montreal, Amsterdam, Mexico and Bangalore, and also under the Mr. X brand from facilities based in Toronto and New York. Its main asset is a team of talented visual effect artists and supervisors working with state-of-the-art technology and creative tools. Its facilities offer pre-visualization, asset building, texturing, animation, rigging, rotroscoping, lighting, match move and compositing. In 2014, the Group completed the acquisition of Mr. X, a leading North American provider of Visual Effects to premier television and international film clients. This transaction expanded Technicolor's VFX services globally to high-end television and international film markets. MPC will continue to address leading projects for both its studio and advertising customers, while Mr. X will focus on high-concept TV production, genre features and international film co-production.

Technicolor's key customers on the motion picture side of the business include all major Hollywood Studios. For the advertising business, key clients include global advertising networks such as Publicis, WPP, BBDO/Omnicom, and smaller agencies. Key customers for Mr. X include Showtime, Legendary, MGM, Constantin Film, FX and History Channel. Customer agreements are typically project-specific. The Group's main competitors are ILM, Weta, Double Negative/Prime Focus, Sony Imageworks, Framestore, Digital Domain, The Mill and Deluxe.

In 2014, Technicolor's VFX teams completed work on projects such as *The Amazing Spider-Man 2* (Fox), *Godzilla* (Warner), *Maleficent* (Disney), *X-Men: Days of Future Past* (Fox), *Guardians of the Galaxy* (Disney/Marvel), *Night at the Museum* (Fox) and *Cinderella* (Disney), while they started to work on several new projects such as *Monster Trucks* (Paramount), *The Jungle Book* (Disney), *Pan* (Warner) and *The Fantastic Four* (Fox).

Technicolor's excellence in servicing its clients and the M&E industry in general has been demonstrated with several awards and nominations. In 2014, VFX teams for feature films were nominated at the Hollywood Post Alliance Awards ceremony in the Best VFX category for their work on *Maleficent* (Disney). They also received two Oscar nominations in the Best VFX category for their work on *Guardians of the Galaxy* (Marvel/Disney) and *X-Men: Days of Future Past* (Fox), VFX teams for commercials received several awards at the British Arrows Craft, with six nominations across the Best VFX, Best CGI and Best Colorist categories. MPC was named Post-Production Company of the Year at the London International Advertising Awards ceremony, winning also two Bronze awards in the VFX category, notably for their work on *Assassins Creed IV Black Flag: Defy* (Ubisoft).

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

In 2014, Technicolor's Animation teams worked on popular video games such as *Grand Theft Auto 5 (Rockstar Games)*, *Assassin's Creed: Unity* (Ubisoft) and *Tomb Raider: Definitive Edition* (Square Enix). Animation teams also started working on DreamWorks Animation TV series projects for Netflix.

Postproduction, Distribution and Digital Cinema Services

Technicolor supports its clients from the camera capture on the production set through creation of final distribution masters. The Group offers on-set services, color correction, VFX integration, sound services and versioning, as well as digital distribution services. The demand for digital Postproduction and Digital Distribution Services is principally driven by new theatrical and television productions, commercials, as well as the exploitation of a content owner's catalog in new territories or *via* new technologies/different delivery formats (*i.e.* electronic sell-through, VOD, IPTV, mobile, 3D, Blu-ray™ etc.).

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

Technicolor believes that it is among the top 2 leading vendors in the worldwide postproduction market *(source: Technicolor estimates)*, with operations mostly in North America and Europe. In 2014, the Group continued to build on its strong footprint in North America and London to implement its strategy to increase its market share with tentpole movies in Theatrical and to reinforce its leading position on premium Broadcast TV series.

In 2014, Technicolor's Digital Postproduction teams worked on feature films such as *Noah* (Paramount), *Captain America: The Winter Soldier* (Marvel/Disney), *Transformers: Age of Extinction* (Paramount), *Godzilla* (Warner), *Guardians of the Galaxy* (Marvel/Disney), *Fury* (Sony) and *The Judge* (Warner) in Theatrical. Digital Postproduction teams also worked on strong TV series franchises, including *Games of Thrones Season 4* (HBO), *Scandal Season 3* (ABC), *True Blood Season 7* (HBO), *Mad Men Season 6* (AMC) and *The Vampire Diaries Season 6* (CW) in Broadcast. The teams received a number of awards and nominations during the year, including notably two Primerime Emmy® Award nominations for their work on the TV show *American Horror Story: Coven* (FX Networks). At the Hollywood Post Alliance Awards ceremony, they also won the Oustanding Color Grading Award in the feature film category for their work on *Gravity* (Warner), as well as the Judge Award for Creativity and Innovation in Postproduction.

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

Technicolor's key clients in this activity include major and independent studios such as The Walt Disney Company, Relativity Media, Paramount, Sony Pictures, Warner Bros. and The Weinstein Company. The Group's main global competitor is Deluxe.

Technicolor's internal estimates now put digital screen penetration at approximately 91% worldwide and 96% in North America by the end of 2014.

Legacy activities

In 2014, revenues generated by legacy activities (Film Services) continued as expected to decline at a fast pace and accounted for only 0.5% of Group revenues compared to 2.5% in 2013. The Group completed its exit from these activities in 2014.

DVD Services

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

In 2014, Technicolor sold 1,308 billion DVD and Blu-ray™ discs compared with 1.475 billion discs in 2013. The Group had annual capacity to produce approximately 2 billion DVD and Blu-ray™ discs, allowing the flexibility to respond to the seasonal demand for packaged media. Operations are supported by approximately 8 million square feet of dedicated replication and distribution space, with unique capability for the timely delivery of discs to more than 40,000 locations.

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

Technicolor runs strategically positioned replication facilities in Guadalajara (Mexico) and Piaseczno (Poland), while packaging and distribution in the United States and Europe are supported by a multi-region/multi-site facility platform. In the U.S., the Group operates primarily from its Memphis (Tennessee) and Livonia (Michigan) facilities, while continuing to expand its existing low-cost packaging and distribution platform in Mexicali (Mexico), located on the U.S. border.

With replication facilities located in low cost countries, a flexible workforce, all combined with a highly variable cost structure (particularly in raw materials and freight costs), Technicolor believes it has the most efficient cost bases in the industry. In 2014, the Group pursued a selective investment policy making additional investments primarily for productivity improvements for output and efficiency of existing replication and distribution equipment and processes, as well as various other cost savings projects.

Technicolor's main customers include major film Studios such as Warner Bros., The Walt Disney Company, Paramount and Universal, as well as independent studios and software and games publishers. Most major customers are covered by multi-year contracts (generally, two to four years), which typically contain volume and/or time commitments. Major client relationships typically consist of multiple contractual arrangements for specific types of services within particular geographical areas. The Group's largest competitors are Sony DADC, Cinram and Arvato, as well as independent local replicators.

IZ-ON Media

IZ-ON Media provides digital place-based Media Services at more than 13,000 unique locations through the United States. Reaching over 260 million consumers each month on 100,000 strategically placed screens, IZ-ON Media works with the nation's top retailers, advertisers, content partners and technology companies to engage, inform and influence consumers along their path to purchase right up to the point of sale. IZ-ON Media's major customers include leading advertisers and retail brands such as Walmart, Target, Costco, Kroger, and Wendy's. Main competitors are Captivate Network, CBS Outdoor and RMG Networks.

1.3.3 CONNECTED HOME

The 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. Connected Home also offers software solutions for multi-device communication, including Qeo, a brand agnostic software application that allows communication between electronic devices, as well as applications for the Smart Home (*e.g.* home automation, home security, energy management, etc) and related professional services. In 2014, Connected Home shipped a total of 34.3 million products , a new all-time high, up from a previous record of 32.5 million units sold in 2013. Digital set top boxes represented 59% of total shipments in 2014 (2013: 52%), while broadband gateways and other connected devices accounted for 41% of total volumes (2013: 48%). The proportion of High Definition products increased to 79% of total set top box shipments in 2014 (2013: 55%).

In 2014, the Connected Home segment generated consolidated revenues of €1,382 million, accounting for 41% of the Group's reported consolidated revenues.

Connected Home

Solutions

The Connected Home segment offers three sets of solutions:

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

Innovation

As the Connected Home industry evolves towards more powerful, more open, more technological devices, the Group leverages its involvement in key technology areas to bring innovative solutions to the market and offer differentiated products and services to its customers. Technicolor believes that trends such as the development of Over-the-Top ("OTT") in the Pay-TV space, the advent of 4K/Ultra HD, the development of the Internet of Things, along with WiFi becoming ubiquitous are challenges to be addressed by the industry in the next five years. To prepare for these technology changes, the Connected Home segment has been investing in innovation and introducing next generation products and solutions.

Technicolor maintained a strong pace of innovation and a high level of invention disclosures in 2014, introducing a number of new and innovative products and solutions for its customers during the year, with a particular focus on immersive technologies, next generation WiFi, OTT services, as well as advanced products for Ultra Broadband.

Regarding Ultra HD, Technicolor demonstrated its leadership in the 4K marketplace, announcing the industry's first major 4K set top box deal with Tata Sky in India, with first product shipments in volume starting in early 2015. The Group also unveiled at the IBC tradeshow its High Dynamic Range ("HDR") set top box, which brings the 4K/Ultra HD experience for the consumers to the next level through enhanced contrast and color.

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 smartphone-sized set top box with an innovative design, as well as its next generation LTE media gateway.

In WiFi, Technicolor continued to build on its strong technological expertise to develop products and solutions offering superior performances and strengthened its market leadership in this field. The Group was notably the first company to reach a threshold of 50 million WiFi gateways shipped to network service providers. In 2014, Technicolor also started to ship WiFi 802.11ac-enabled broadband gateways in material volumes.

Regarding Ultra Broadband, Technicolor unveiled at the Broadband World Forum tradeshow its next generation Ultra broadband solutions, with a G.fast gateway capable of 1Gbps over traditional copper line, a fiber-to-the distribution-point ("FTTDp") solution as well as a revolutionary modular gateway.

Technicolor continued its focus on developing innovative solutions and services around the Smart Home ecosystem. The Group joined as a Premier member the AllSeen Alliance, the broadest cross-industry consortium dedicated to enabling and driving the adoption of an open-software framework that support the Internet of Everything ("IoE"), and contributed Qeo to the Alliance, with the aim of ensuring the widespread use of Qeo by supporting industry convergence efforts. The Group also continued its efforts to develop new value-added software features on top of Qeo such as its WiFi doctor app, commercially launched this year.

Regional Segmentation

Americas

In 2014, consolidated revenues in the Americas totaled €894 million, accounting for 65% of Connected Home revenues (2013: 66%). Of this amount, consolidated revenues in North America amounted to €467 million, representing 34% of Connected Home revenues (2013: 26%), while consolidated revenues in Latin America totaled €427 million, contributing 31% to Connected Home revenues (2013: 40%). Technicolor shipped a total of 20.8 million products in the region in 2014 (2013: 20.4 million), of which 9.5 million units shipped in North America (2013: 6.5 million) and 11.3 million units shipped in Latin America (2013: 13.9 million).

NORTH AMERICA

The North American market is the most advanced market worldwide, and a frontrunner for set top box servers and IP client architecture in the home, as well as VDSL bonding. Cable represents an estimated 47% of the market in value.

Technicolor is a well-established player in North America with its solutions for Satellite operators and is continuing to expand its business with Cable operators, a segment where the Group has been gaining market share since 2013. In 2014, Technicolor's shipments in this region were mainly dominated by digital set top boxes, which accounted for 63% of total volumes (2013: 44%). Broadband gateways and other connected devices represented 37% of total shipments in 2014 (2013: 56%). The Group notably benefited during the year from higher deliveries of new types of CPE devices integrated into end-to-end home security solutions for Cable MSOs. Shipments were also supported by strong demand of set top boxes, particularly for Satellite customers.

In set top boxes, Technicolor provides solutions ranging from lower-end Digital-to-Analog adaptors ("DTAs") to higher-end High-Definition set top boxes with Personal Video Recorder ("PVR"). Introducing new advanced products is key to Technicolor's strategy, since it enables the Group to improve its product mix. Technicolor has notably a proven technology leadership for high-end broadband gateways and this translates in high volume shipments in the region. The Group is also gaining traction on other solutions such as Home Security Tablets, thus expanding its addressable market for high-end devices. In 2014, HD products represented 100% of total set top box shipments in this region (2013: 91%).

Technicolor's key customers in this market include DirecTV, Comcast, Time Warner Cable, Verizon and CenturyLink.

LATIN AMERICA

Latin America is a growing 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 34% of the market in value, broadband gateways for Telecom and Cable operators are also very dynamic 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 WiFi, started mid-2011 and continuing throughout the 2012-2014 period, and a more gradual shift to Ultra Broadband services, in particular with DOCSIS 3.0 in cable. Although standard definition products remain massive in volumes, HD products are gaining increasing attention and market share.

Technicolor is well established in the region, with a very high market share both in value and volume. In 2014, the Group's shipments in this region were mainly dominated by digital set top boxes, which accounted for 71% of total volumes (2013: 66%). Broadband gateways and modems represented 29% of total shipments in 2014 (2013: 34%). The Group is an important player in the market for Satellite set top boxes, with HD products accounting for 62% of the Group's total set top box shipments in this region in 2014 (2013: 44%). Technicolor is also a leader in the Latin American broadband market and has built over the years very strong relationships with major local players. In 2014, after years of buoyant growth, overall market conditions softened in Latin America, as a result of the economic downturn affecting parts of the region, which led to stricter inventory management at some of the Group's large customers. Technicolor focused on maintaining its leadership across the region during the year, with customer demand continuing to be fueled by growing penetration of High Definition and Broadband services, particularly in large markets such as Brazil.

The region is host to large network service providers. Technicolor's key customers in this market include DIRECTV's affiliates Sky Brazil, DirecTV PanAmericana and Sky Mexico, a number of America Movil's regional subsidiaries including Telmex, Embratel and NET Servicios, as well as telecom operators such as Oi and GVT.

Europe, Middle-East, Africa

In 2014, consolidated revenues in Europe, Middle-East, Africa ("EMEA") totaled €302 million, representing 22% of Connected Home revenues (2013: 19%). Technicolor shipped a total of 7.3 million products in the region in 2014 (2013: 6.2 million).

The European 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 network service providers being cautious on their capital spending.

In 2014, Technicolor's shipments in this region were still dominated by broadband gateways and modems for Telecom and Cable operators, which accounted for 80% of total volumes (2013: 94%). Digital set top box shipments expanded significantly year-on-year and represented 20% of total volumes in 2014 (2013: 6%). All digital set top box shipments in this region were HD products in 2014 (2013: 97%). The Group has regained share in the region, experiencing increased levels of activity in 2014 compared to 2013 associated with a number of product deployments at some large customers across the region.

Technicolor's key customers in this region include Liberty Global, Telecom Italia, Telefonica, Belgacom, Telia, Telekom Austria, Portugal Telecom, Altice and beIN Sports.

Asia-Pacific

In 2014, consolidated revenues in the Asia-Pacific region ("APAC") amounted to €187 million, accounting for 14% of Connected Home revenues (2013: 15%). Technicolor shipped a total of 6.2 million products in the region (2013: 5.8 million).

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

In 2014, Technicolor's shipments in this region were dominated by digital set top boxes, which represented 76% of total volumes (2013: 77%). Shipments of broadband gateways and other connected devices represented 24% of total volumes in 2014 (2013: 23%). The proportion of HD products increased to 71% of total set top box shipments in this region in 2014 (2013: 49%). The Group experienced mixed volume trend depending on geography during the year. Technicolor nevertheless continued to gain share across the region, recording a number of customer wins and new awards in the period, including higher-end devices.

Technicolor's key customers in this region include Tata Sky, Telstra, Astro, Starhub, Hathway, and China Telecom.

Competitive Environment

Technicolor's market position differs depending on market segments and geography.

In 2014, Technicolor ranks number one worldwide in value for the supply of broadband modems and gateways, with recognized leadership in xDSL and DOCSIS 3.0 technologies, and a market share of approximately 14% *(source: Infonetics, Dell'Oro)*. The Group's key competitors in broadband modems and gateways include Arris, Pace, Huawei, ZTE, ZyXEL, Cisco, Netgear, Samsung and Sagemcom.

For digital set top boxes, Technicolor was the world's second largest supplier in 2014, based on volume, with a market share of approximately 12% *(source: Infonetics)*. In 2014, the Group further consolidated its leadership in the Satellite segment and its number one position across emerging markets, notably in Latin America. Key competitors in digital set top boxes include Pace, Arris, Cisco, Samsung, Humax and Sagemcom. The set top box market remains fragmented, with most top players having less than 10% market share worldwide.

1.3.4 OTHER

"Other" operations are as follows:

- unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as sourcing, Human Resources, IT, finance, marketing and communication, corporate legal operations and real estate management, and that cannot be strictly assigned to a particular business within the three operating segments;
- post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs;
- new, advanced businesses in the Group's incubation program launched within the Amplify 2015 framework.

1.3.5 DISCONTINUED OPERATIONS

Technicolor has finalized a number of disposals over the last few years, the results of which are, under certain criteria, reported as discontinued operations under IFRS. In 2014, discontinued operations had no material impact on the Group's results. The main impact of discontinued operations on the Group's cash flow came from the cash payment of an anti-dumping penalty from French customs authorities related to a business sold by Technicolor in 2005.

For a description of the financial implications of discontinued operations on the Group's results of operations, please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.9.7: "Profit (loss) from discontinued operations".

2 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

2.1 OVERVIEW 28

2.2 TRENDS IN TECHNICOLOR ECO-SYSTEMS 28

2.3 SUMMARY OF RESULTS 30

2.4 SEASONALITY 31

2.5 GEOGRAPHIC BREAKDOWN OF REVENUES AND EFFECT OF EXCHANGE RATE FLUCTUATIONS 31

2.6 EVENTS SUBSEQUENT TO DECEMBER 31, 2014 33

2.7 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2014 33

2.8 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2013 33

2.9 RESULTS OF OPERATIONS FOR 2013 AND 2014 34

- 2.9.1 Analysis of revenues 34
- 2.9.2 Analysis of adjusted EBITDA 36
- 2.9.3 Analysis of operating expenses and profit (loss) from continuing operations before tax and net finance costs 37
- 2.9.4 Net finance costs 38
- 2.9.5 Income tax 39
- 2.9.6 Profit (loss) from continuing operations 39
- 2.9.7 Profit (loss) from discontinued operations 39
- 2.9.8 Net income (loss) of the Group 39
- 2.9.9 Adjusted indicators 40

2.10 LIQUIDITY AND CAPITAL RESOURCES 42

- 2.10.1 Overview 42
- 2.10.2 Cash flows 42
- 2.10.3 Financial resources 44

2.11 PRIORITIES AND OBJECTIVES 2015 46

2.1 OVERVIEW

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

In its Technology segment, Technicolor operates its fundamental research activities ("Research & Innovation"), new technology-leading initiatives such as M-GO and Virdata, and a world-class Intellectual Property and Licensing business, with unique expertise to patent the Group's innovation and monetize its IP portfolio, which includes all patents, software, hardware, content or trademark that underpins technology, product and service.

In Entertainment Services, Technicolor is the leading provider of services to content creators and distributors.

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

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

2.2 TRENDS IN TECHNICOLOR ECO-SYSTEMS

The 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 clients' 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 story-telling 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, Over-the-Top 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 IP networks will enable a continued shift in the profile and capabilities of devices in the living room, blending the role of the traditional set top box 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 and 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, technology 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 and Virtual Reality. In the short- to mid-term, content produced for these technologies will predominantly be in short-form, and will be made available *via* certain market niches, which, while sizeable in the aggregate, will initially be relatively constrained to certain devices and 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 are 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. Consumer adoption of sensors, wearables and other Internet of Things products become large drivers for, and are increasingly driven by, "Big Data" services and data analytics models. The emergence of IoT and data services will redefine 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 technology 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 Technology segment due to more rapid adoption of the Group's next generation technologies in an increasing number of consumer electronics devices or services, growth in the Entertainment Services segment due to the Group's long-term relations with global content creators and the increasing volume of content created and consumed, and growth in the Connected Home segment due to increasing demand for smarter and more innovative products with improved capabilities.

2.3 SUMMARY OF RESULTS

Revenues from continuing operations totaled €3,332 million in 2014, down 3.4% at current currency and down 3.0% at constant currency compared to 2013. At constant scope, revenues amounted to €3,315 million in 2014 (excluding legacy activities), down 0.9% at constant currency compared to 2013, as strong Production Services revenue growth, driven by Visual Effects activities, and solid performance for Connected Home, which continued to grow faster than the market, due to further market share gains and improved product mix, helped to mitigated lower DVD Services contribution, due to weaker release slate of major new titles across the Group's key Studio customers. In the Technology segment, Licensing revenues were broadly stable year-on-year, as lower contribution from the MPEG LA pool was offset by solid performance across other patent license programs, due notably to a strong level of new contracts in the fourth quarter of 2014, supported by the Group's Digital TV program, as well as additional revenues associated with the LG smartphone patent license agreement signed in February 2014.

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

Adjusted EBITDA from continuing operations amounted to €550 million in 2014 compared to €537 million in 2013. Margin stood at 16.5%, up by 1 point year-on-year, reflecting strong Connected Home performance, driven by continued operating efficiency and better product mix, sustained revenue growth in Production Services, particularly in higher-margin VFX activities, and lower corporate costs, mostly related to transversal functions, which helped to offset the exit from legacy activities and weaker DVD Services contribution, as well as continuing investments in new Technology business initiatives.

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 €302 million in 2014 compared to €224 million in 2013. 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.

Net financial result was a loss of €117 million in 2014 compared to a loss of €288 million in 2013. For more information, please refer to section 2.9.4: "Net finance costs" of this chapter.

The Group's total income tax charge was €48 million in 2014 compared to a charge of €41 million in 2013. For more information, please refer to section 2.9.5: "Income tax" of this chapter.

Profit from continuing operations was €137 million in 2014 compared to a loss of €111 million in 2013. For more information, please refer to section 2.9.6: "Profit (loss) from continuing operations" of this chapter.

The loss from discontinued operations was €9 million in 2014 compared to a profit of €19 million in 2013. 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 €128 million in 2014 compared to a net loss of €92 million in 2013. 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 of the year, as customers' activity was greater towards the end of the year, especially for the Entertainment Services segment. This trend has however seemed less marked in the past few years, reflecting an increase in the Group's non-studio clients in this segment. In the second half of 2014, revenues from continuing operations totaled €1,827 million, or 55% of the Group's annual revenues, compared with €1,861 million, or 54% of annual revenues in the second half of 2013.

2.5 GEOGRAPHIC BREAKDOWN OF REVENUES AND EFFECT OF EXCHANGE RATE FLUCTUATIONS

The table below shows revenues from continuing operations for the Group in 2013 and 2014 by destination, depending on the location of customers. As shown below, the Group's largest markets in 2014 were the United States and Europe, accounting for 44.1% and 21.7% of revenues respectively.

Revenues of continuing operations by destination

(in percentage)	2014	2013
United States	44.1%	46.6%
Rest of Americas	18.7%	19.4%
Europe	21.7%	19.5%
Asia-Pacific	13.9%	13.7%
Other	1.6%	0.8%

The table below shows revenues from continuing operations for the Group in 2013 and 2014 by origin, depending on the location of Technicolor's invoicing entity. As shown below, the Group's largest markets in 2014 were Europe and the United States, accounting for 40.5% and 39.1% of revenues respectively.

Revenues of continuing operations by origin

(in percentage)	2014	2013
United States	39.1%	40.0%
Rest of Americas	15.2%	15.3%
Europe	40.5%	38.7%
Asia-Pacific	5.2%	6.0%

Revenues of continuing operations and effect of exchange rate fluctuations

(in million euros unless otherwise stated)	2013 revenues at 2013 exchange rates	2014 revenues at 2013 exchange rates	Exchange rate impact	2014 revenues at 2014 exchange rates	% change at constant exchange rates	% change at current exchange rates
Continuing operations	**3,450**	**3,347**	**(15)**	**3,332**	**(3.0)%**	**(3.4)%**
Of which:						
Technology	485	479	11	490	(1.1)%	+ 1.2%
Entertainment Services	1,618	1,462	(3)	1,459	(9.6)%	(9.8)%
Connected Home	1,346	1,406	(24)	1,382	+ 4.4%	+ 2.6%
Other	1	0	1	1	(64.8)%	(64.8)%

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, the Brazilian real and the Australian dollar. In 2014, compared to 2013, exchange rate fluctuations had an overall negative impact of €15 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 2014 compared to 2013 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 Canadian dollar, the Brazilian real and the Australian dollar.

The table below shows Group 2014 revenues from continuing operations by currency. As shown below, the Group's most important currency exposure is the USD, accounting for 55% of revenues in 2014.

	2014
USD	55%
EUR	23%
Other	22%

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, 2014

There is no subsequent events that may have a significant impact on consolidated Group financial accounts.

2.7 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.

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

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

2.9 RESULTS OF OPERATIONS FOR 2013 AND 2014

The Group's revenues, adjusted EBITDA, operating expenses and profit (loss) from continuing operations before tax and net finance costs for the years 2013 and 2014 are presented below for each of the Group's operating segments – Technology, Entertainment Services, Connected Home – as well as for the "Other" segment.

The Group's results are presented in accordance with IFRS 5. Consequently, the contributions of discontinued operations are presented on one line in the consolidated statements of operations, named "Net loss from discontinued operations" and are presented separately under section 2.9.7: "Profit (Loss) from Discontinued Operations" of this chapter.

2.9.1 ANALYSIS OF REVENUES

Revenues from continuing operations amounted to €3,332 million in 2014, down 3.4% at current currency and 3.0% at constant currency compared to 2013. Excluding legacy activities, revenues were €3,315 million in 2014, down 0.9% at constant currency compared to 2013, as double-digit revenue growth across Production Services, driven by Visual Effects activities, and solid top-line performance for the Connected Home segment, which continued to grow faster than the market, due to further market share gains and improved product mix, helped to mitigate lower DVD Services performance, due to weaker release slate of major new titles across Technicolor's key Studio customers. In the Technology segment, Licensing revenues were almost unchanged year-on-year, as lower contribution from the MPEG LA pool was offset by solid performance in other patent license programs, due to a sustained level of new contracts in the fourth quarter, driven by the Group's Digital TV program, as well as additional revenues associated with the LG smartphone patent license agreement signed in February 2014.

Technology

Consolidated revenues for the Technology segment totaled €490 million in 2014, up 1.2% at current currency and down 1.1% at constant currency compared to 2013. Licensing revenues reached €479 million in 2014 compared to €482 million in 2013, down 2.9% at constant currency. This performance resulted from solid double-digit revenue growth in direct licensing programs, which offset a double-digit decrease in MPEG LA revenues, which accounted for 45% of total Licensing revenues in 2014 compared to 53% in 2013. Technicolor benefited principally from a strong level of new contracts in the fourth quarter in its Digital TV program, which came on top of a robust performance of the bilateral direct licensing programs over the course of the year, as well as from additional revenues associated with the LG smartphone patent license agreement signed in February 2014. The Group secured during the year long-term contract renewals with most of its existing brand licensees, while extending its global market coverage to several new product categories such as tablets, household appliances and IT products.

Licensing revenues include estimates from license agreements. For the year ended December 31, 2014, and measured as a percentage of total Licensing revenues, actual revenues exceeded estimated revenues by 2.9%, compared with 1.3% for the year ended December 31, 2013, at the issuance date of the Registration Document.

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

Entertainment Services

Consolidated revenues for the Entertainment Services segment reached €1,459 million in 2014, down 9.8% at current currency and 9.6% at constant currency compared to 2013. Excluding Legacy activities, revenues amounted to €1,442 million in 2014, down 5.5% at constant currency compared to 2013, as weaker DVD Services performance was partly offset by strong revenue growth across Production Services, particularly in Visual Effects ("VFX") activities.

Production Services revenues increased strongly in 2014 compared to 2013, driven by a record level of activity in Visual Effects, particularly in VFX for feature films which benefited from the successful launch of the Montreal facility and higher utilization rates across other facilities. The performance of VFX for commercials, Animation and U.S. Postproduction Services activities was also strong, achieving double-digit year-on-year revenue growth, primarily due to market share gains. Moreover, the Mr. X, Inc acquisition generated incremental revenues from the second half of 2014. This strong performance largely offset the impact on sales of the exit of some loss-making activities and tougher market environment in Digital Cinema and Digital Distribution.

DVD Services revenues were impacted in 2014 by a challenging year-on-year comparison. Combined Standard Definition DVD and Blu-ray™ volumes decreased 11% compared to 2013, as ongoing Blu-ray™ disc volume growth of 1% was offset by a 14% contraction in Standard Definition DVD volumes. These lower volumes reflected weaker release slate of major new titles across the Group's key Studio customers, which recorded a 10% year-on-year decline in their 2014 box office revenues compared to a 5% decrease for the total U.S. box office, and a large reduction in catalog and promotional activities by one customer compared to 2013. Volume trend was generally better in Europe than in North America during the year, resulting from comparatively better performance across Games and independents in Europe, regionally specific promotional activity for selected studio customers, as well as ongoing adoption of the Blu-ray™ format. In Games, volumes suffered from lower demand related to prior generation video game consoles, despite a three-fold increase in Xbox One games volumes.

DVD and Blu-ray™ volumes

(in million units)		FY 2014	FY 2013	Change
Total volumes		**1,308.5**	**1,475.1**	**(11.3)%**
By Format	SD-DVD	1,053.1	1,221.9	(13.8)%
	Blu-ray™	255.3	253.2	+0.8%
By Segment	Studio / Video	1,196.2	1,347.2	(11.2)%
	Games	74.2	96.6	(23.2)%
	Software & Kiosk	38.1	31.3	+21.6%

Legacy activities generated revenues of €17 million in 2014 compared to €88 million in 2013, accounting for only 0.5% of Group revenues compared to 2.5% in 2013. In 2014, the Group completed the exit of these activities.

Connected Home

Consolidated revenues for the Connected Home segment amounted to €1,382 million in 2014, up 2.6% at current currency and 4.4% at constant currency compared to 2013. This performance was due to a good level of activity in most regions, as reflected by record product shipments of more than 34 million units in 2014 (+5.6%). The Connected Home segment continued to expand faster than the market, reflecting further market share gains across all regions, especially in North America and Europe, Middle-East & Africa, as well as ongoing improvement in overall product mix, notably in Latin America. In 2014, HD products accounted for 79% of total set top box shipments (55% in 2013), and Ultra broadband devices (DOCSIS 3.0, VDSL, Fiber) represented 62% of total broadband CPE shipments (52% in 2013), both product categories recording significant year-on-year product mix improvement, in line with the segment's roadmap.

In North America, Connected Home revenues increased significantly in 2014 compared to 2013, as a result of double-digit year-on-year growth in unit shipments, principally reflecting higher deliveries of Satellite set top boxes and continuing deployments of Cable modems at some large customers, including higher-end devices. Overall product margin mix has been improving over the course of year, particularly in the fourth quarter, with more security tablet volumes, and despite a lower proportion of broadband gateways in the sales mix compared to 2013, which benefited from the ramp-up of new high-end Cable devices.

In Latin America, Connected Home revenues declined materially in 2014 compared to 2013, as a significant improvement in the product mix was not enough to fully offset weaker unit volumes. Product shipments fell double-digits year-on-year, with declines across all product lines, due to stricter inventory management at some large customers associated with difficult macroeconomic conditions across most parts of the region. Volume trend improved in the second half of the year, due to good customer demand for set top boxes, particularly in Brazil, as well as ongoing strong growth in deliveries of broadband gateways, notably in Mexico.

In Europe, Middle-East & Africa, Connected Home revenues increased strongly in 2014 compared to 2013, driven by double-digit year-on-year growth in unit shipments, as a result of significantly larger deliveries of set top boxes across the region and, to a lesser extent, higher shipments of Telecom broadband gateways, notably in Southern Europe. The Group further reinforced its market positions in 2014, and also noted growing customer interest for next generation solutions such as 4K set top boxes.

In Asia-Pacific, Connected Home revenues decreased slightly in 2014 compared to 2013, as increased unit volumes almost fully offset a less favorable product mix. This solid growth in volumes reflected higher deliveries of set top boxes, despite the impact of the phasing of new set top box product introductions at large Satellite customers in India, and stronger shipments of Telecom broadband gateways, including higher-end, next-generation devices.

Connected Home Product Volumes

(in million units)		FY 2014	FY 2013	Change
Total volumes*		**34.3**	**32.5**	**+5.6%**
o/w	North America	9.5	6.5	+46.1%
	Latin America	11.3	13.9	(19.0)%
	Europe, Middle-East & Africa	7.3	6.2	+17.3%
	Asia-Pacific	6.2	5.8	+6.8%

* *Including tablets and other connected devices.*

Other

Revenues presented in the "Other" segment comprised corporate & other revenues for €1 million in 2014 compared to €1 million in 2013, mainly related to services charged to third parties.

2.9.2 ANALYSIS OF ADJUSTED EBITDA

For the purpose of analyzing the Group's performance, and in addition to its published results presented in accordance with IFRS, Technicolor publishes an adjusted EBITDA. This indicator excludes factors the Group considers to be non-representative of Technicolor's normal operating performance. For a comprehensive definition of adjusted indicators and a description of their limitations as performance indicators please refer to section 2.9.9: "Adjusted Indicators" of this chapter.

Adjusted EBITDA from continuing operations amounted to €550 million in 2014 compared to €537 million in 2013. Margin stood at 16.5%, up by 1 point year-on-year, due to strong Connected Home performance, driven by continued operating efficiency and better product mix, sustained Production Services revenue growth, notably in higher-margin VFX activities, and lower corporate costs, principally related to support functions, which helped to offset the impact of the exit of legacy activities and lower DVD Services contribution, as well as continuing investments in new Technology business initiatives.

Technology

Adjusted EBITDA for the Technology segment totaled €359 million in 2014 compared to €353 million in 2013. Adjusted EBITDA margin stood at 73.3% in 2014, up from 72.8% in 2013, as a result of solid Licensing performance and continuing investments in new business initiatives, including in particular incremental costs related to the Technology Licensing offering and start-up costs for Virdata, Technicolor's cloud-based monitoring, management and analytics services for the Internet of Things ("IoT").

Entertainment Services

Adjusted EBITDA for the Entertainment Services segment reached €195 million in 2014, down by €35 million compared to 2013, reflecting the complete exit of legacy activities and weaker DVD Services contribution, partially offset by a significantly increased performance in Production Services. Adjusted EBITDA margin stood at 13.4% in 2014, down from 14.2% in 2013.

- in Production Services, adjusted EBITDA increased significantly year-on-year, reflecting a higher level of activity in VFX and U.S. Postproduction Services activities, optimized utilization rate across facilities and cost and operating efficiency initiatives implemented in Digital Distribution Services;
- in DVD Services, ongoing aggressive operational efficiency initiatives and related cost savings helped to mitigate the impact of lower unit volumes on adjusted EBITDA margin.

Connected Home

Adjusted EBITDA for the Connected Home segment reached €77 million in 2014, up by €34 million compared to 2013, driven by solid top-line and stronger gross margin, which expanded year-on-year in most regions, as a result of higher volumes, continued operating efficiency and further product mix improvement. Adjusted EBITDA margin progressed significantly to 5.6% in 2014, up by 2.4 points from 3.2% in 2013, resulting from solid operating execution, supply chain efficiency, and product cost improvement process across the segment.

Other

Adjusted EBITDA for "Other" was a charge of €81 million in 2014, compared with a charge of €89 million in 2013. This decrease reflected cost savings realized on a number of transversal functions, and in particular corporate costs, which declined materially in 2014 compared to 2013, partly offset by higher costs associated to new businesses within the Group's incubation program.

2.9.3 ANALYSIS OF OPERATING EXPENSES AND PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND NET FINANCE COSTS

Cost of sales

Cost of sales amounted to €2,513 million in 2014, or 75.4% of revenues, compared with €2,627 million in 2013 or 76.2% of revenues.

Cost of sales in absolute terms were €114 million lower in 2014 compared with 2013, reflecting an improved cost base for the Entertainment Services segment, and a contained increase in the cost of sales for the Connected Home segment despite higher sales of products.

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

Gross margin from continuing operations for the Group totaled €819 million in 2014, broadly stable compared with 2013. Gross margin reached 24.6% of consolidated revenues in 2014, compared with 23.8% of revenues in 2013. By segment, gross margin was driven by following factors:

- in the Technology segment, gross margin amounted to €431 million in 2014, or 88.0% of revenues, compared with €435 million in 2013, or 89.7% of revenues, mainly due to lower Licensing revenues and higher patent amortization;
- in the Entertainment Services segment, gross margin reached €180 million in 2014, or 12.3% of revenues, compared with €206 million in 2013, or 12.7% of revenues, due to a higher level of activity in the Production Services Division, as well as ongoing operating and cost efficiency initiatives across the segment, particularly in the DVD Services Division, which partially offset the impact of lower revenues;
- in the Connected Home segment, gross margin totaled €211 million in 2014, or 15.3% of revenues, compared with €183 million in 2013, or 13.6% of revenues, driven by higher volumes, ongoing operating efficiency and further product mix improvement.

Selling & administrative expenses

The Group remained focused on cost optimization in 2014 and gained in efficiency across its businesses, and at corporate level.

Selling and marketing expenses amounted to €98 million in 2014, or 2.9% of revenues, compared with €113 millions in 2013, or 3.3% of revenues, driven by lower account receivables depreciation costs.

General and administrative expenses amounted to €217 million in 2014, or 6.5% of revenues, compared with €228 million in 2013, or 6.6% of revenues, reflecting cost reduction measures mainly at corporate level and in the Entertainment Services segment.

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 €136 million in 2014, or 4.1% of revenues, compared with €143 million in 2013, or 4.1% of revenues. Of the total R&D spending in 2014, close to 31.0% was spent in the Technology segment, which included the Research & Innovation division, and the remainder was mostly attributed to development costs and the amortization of research and development intangible assets in the Connected Home segment.

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

Restructuring costs

In 2014, 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 €25 million in 2014, or 0.8% of revenues, compared with €68 million in 2013, or 2.0% of revenues, mainly reflecting additional cost savings plans launched in the Entertainment Services segment.

Net impairment losses on non-current operating assets

In 2014, Technicolor recorded a net impairment charge of €48 million, compared with €31 million in 2013, including 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 an income of €7 million in 2014, compared with a loss of €16 million in 2013. In 2014, it mainly reflected a gain of €7 million related to the disposal of available-for-sale investments.

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 €302 million in 2014, or 9.1% of revenues, compared with €224 million, or 6.5% of revenues in 2013.

By segment, the profit from continuing operations before tax and net finance costs was €340 million for Technology in 2014 (compared with €339 million in 2013). For Entertainment Services, the profit from continuing operations before tax and net finance costs was €7 million in 2014 (compared with €24 million in 2013). For Connected Home, the profit from continuing operations before tax and net finance costs reached €34 million in 2014 (compared with a loss of €11 million in 2013). For "Other", the loss from continuing operations before tax and net finance costs was €79 million in 2014 (compared with a loss of €126 million in 2013).

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

2.9.4 NET FINANCE COSTS

The net financial result from continuing operations was an expense of €117 million in 2014, compared with an expense of €288 million in 2013, impacted by incremental costs related to the refinancing transaction.

Net interest expense

The net interest expense for continuing operations amounted to €65 million in 2014, compared with €112 million in 2013. This significant decline reflected lower borrowing costs stemming from the refinancing and repricing transactions and the significant gross debt reduction of €194 million, of which €81 million of early repayment of Reinstated Debt and €50 million of Term Loan Debt prepayment related to the repricing transaction.

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 €52 million in 2014, compared with €176 million in 2013. In 2014, this amount included €20 million of costs related to the debt prepayments.

2.9.5 INCOME TAX

In 2014, the Group total income tax expense on continuing operations, including both current and deferred taxes, amounted to €48 million compared to an expense of €41 million in 2013.

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 reflected income taxes payable due to the limitation of the usage of tax losses carried forward, withholding taxes on income earned by the Group's licensing activities and the local tax "CVAE".

In 2014, 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 corresponded to a usage by 2028, which represented 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 was €137 million in 2014, compared with a loss of €111 million in 2013, reflecting mainly lower cost from the refinancing and repricing transactions in 2014 compared to 2013.

2.9.7 PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

In 2014, Technicolor recorded a loss of €9 million from discontinued operations, compared with a profit of €19 million in 2013, mainly made of legal fees and depreciation for risk and litigation.

In 2013, the profit from discontinued operations was mainly related to the Grass Valley Broadcast business sold to Francisco Partners in 2010.

2.9.8 NET INCOME (LOSS) OF THE GROUP

Technicolor consolidated net profit was €128 million in 2014, compared with a loss of €92 million in 2013. The net loss attributable to non-controlling interests was €4 million in 2014, compared to a loss of €5 million in 2013. Accordingly, the net profit attributable to shareholders of Technicolor SA amounted to €132 million in 2014, compared with a loss of €87 million in 2013.

Stripping out the cost of the debt prepayments, Technicolor consolidated net profit reached €148 million in 2014, compared with a profit of €69 million in 2013.

Net profit per non-diluted share was €0.39 in 2014, compared with a net loss per non-diluted share of €0.26 in 2013.

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 2014 and 2013 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 €66 million for the year 2014, 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 €115 million for the year 2013.

Reconciliation of adjusted indicators

(in million euros unless otherwise stated)	2014	2013	Change
Profit (Loss) from continuing operations before tax and net finance costs / EBIT (a)	**302**	**224**	**+78**
Total adjustments on EBIT (b)	**(66)**	**(115)**	**+49**
Of which restructuring costs, net	(25)	(68)	+43
Of which net impairment losses on non-current operating assets	(48)	(31)	(17)
Of which other income/(expense)	7	(16)	+23
Adjusted EBIT from continuing operations (a)-(b)	**368**	**338**	**+30**
As a % of revenues	*11.0%*	*9.8%*	*+1.2 pt*
Depreciation and amortization [1]	183	199	(16)
Adjusted EBITDA from continuing operations	**550**	**537**	**+13**
As a % of revenues	*16.5%*	*15.6%*	*+0.9 pt*
Adjusted EBITDA of discontinued activities	(4)	1	(5)
Adjusted EBITDA used for covenants	**546**	**538**	**+8**

(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)	2014	2013	Change
Profit (Loss) from continuing operations before tax and net finance costs	**302**	**224**	**+78**
As a % of revenues	*9.1%*	*6.5%*	*+2.6 pts*
of which:			
Technology	340	339	+1
As a % of revenues	*69.3%*	*70.0%*	*(0.7) pt*
Entertainment Services	7	24	(17)
As a % of revenues	*0.5%*	*1.5%*	*(1.0) pt*
Connected Home	34	(11)	+45
As a % of revenues	*2.5%*	*(0.8)%*	*+3.3 pts*
Adjusted EBIT from continuing operations	**368**	**338**	**+30**
As a % of revenues	*11.0%*	*9.8%*	*+1.2 pts*
of which:			
Technology	342	343	(1)
As a % of revenues	*69.8%*	*70.7%*	*(0.9) pt*
Entertainment Services	76	89	(13)
As a % of revenues	*5.2%*	*5.5%*	*(0.3) pt*
Connected Home	38	-	+38
As a % of revenues	*2.7%*	-	*+2.7 pts*
Adjusted EBITDA from continuing operations	**550**	**537**	**+13**
As a % of revenues	*16.5%*	*15.6%*	*+ 0.9pt*
of which:			
Technology	359	353	+6
As a % of revenues	*73.3%*	*72.8%*	*+0.5 pt*
Entertainment Services	195	230	(35)
As a % of revenues	*13.4%*	*14.2%*	*(0.8) pt*
Connected Home	77	43	+34
As a % of revenues	*5.6%*	*3.2%*	*+2.4 pts*

2.10 LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with Chapter 3: "Risk Factors", section 3.2: "Market Risk" of this Annual Report and notes 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 Annual Report;
- **capital expenditures**: the Group must regularly invest in capital equipment to operate its businesses;
- **repayment or refinancing of debt**: at each debt maturity date, the Group must either repay or refinance the maturing amounts;
- **dividends**: no dividend was paid in 2014 for 2013. The Group's debt financing documentation imposes restrictions on the Group's ability to pay dividends. For more information, please refer to note 20.4 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 €328 million at December 31, 2014. In addition to the cash and cash equivalents, €36 million in cash collateral and security deposits was outstanding at December 31, 2014 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**: the Group has two secured credit lines for a total amount of €203 million. One of the credit lines for an amount of €103 million is secured by trade receivables and the availability of this line varies depending on the amount of receivables.

2.10.2 CASH FLOWS

(in million euros)	2014	2013
Cash and cash equivalents at January 1	**307**	**397**
Net operating cash generated from continuing activities	352	306
Net operating cash used in discontinued operations	(15)	(39)
Net cash from operating activities (I)	**337**	**267**
Net investing cash used in continuing activities	(106)	(111)
Net investing cash used in discontinued operations	(3)	27
Net cash used in investing activities (II)	**(109)**	**(84)**
Net financing cash used in continuing activities	(221)	(248)
Net financing cash used in discontinued operations	-	-
Net cash used in financing activities (III)	**(221)**	**(248)**
Net increase (decrease) in cash and cash equivalents (I+II+III)	**7**	**(65)**
Exchange gains (losses) on cash and cash equivalents	14	(25)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**328**	**307**

Net cash generated from operating activities

Net cash generated from operating activities was €337 million in 2014, compared with €267 million in 2013.

Continuing operations

In 2014, net income from continuing operations improved significantly compared to 2013 reaching a net gain of €137 million, compared to a net loss of €111 million in 2013. Net operating cash generated from continuing operations improved to €352 million in 2014, compared with €306 million generated in continuing operations in 2013.

The variations between 2013 and 2014 are analyzed in the table below:

(in million euros)	2014	2013	Variation	Comments on variations
Profit (Loss) from continuing operations	**137**	**(111)**	**+248**	**Mainly due to higher costs related to the Group's refinancing in 2013 and lower financial interest expenses in 2014.**
Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations				
Non-cash depreciation, amortization and impairment of assets	224	231	(7)	
Profit from continuing operations prior to depreciation, amortization and impairment of assets	**361**	**120**	**+241**	
Cash payments of the period related to provisions	(87)	(89)	+2	Mainly pension and restructuring payments in 2013 and 2014.
Non-cash P&L impact of the provisions of the period	48	107	(59)	Lower restructuring accruals for €40 million in 2014.
Other various adjustments	129	301	(172)	Various adjustments including net interest expense, changes in working capital and other non-cash items. In 2013 included the transfer in financial activities of the debt refinancing fees for €81 million.
Cash generated from continuing operations	**451**	**439**	**+12**	
Net interest paid and received	(56)	(80)	+24	
Income tax paid	(43)	(53)	+10	
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES	**352**	**306**	**+46**	

Discontinued operations

Net operating cash used in discontinued operations was €15 million in 2014, compared with €39 million in 2013.

Net cash used in investing activities

Net cash used in investing activities was €109 million in 2014, compared with €84 million in 2013.

Continuing operations

Net investing cash used in continuing activities was €106 million in 2014, compared with €111 million in 2013, and included:

- net capital expenditures which, amounted to €107 million in 2014 (compared with €114 million in 2013), due to cash expended relating to tangible and intangible capital expenditures for €110 million in 2014 (compared with €115 million in 2013), net of cash received from tangible and intangible asset disposals for €3 million in 2014 (compared with €1 million in 2013). In 2014, net capital expenditure was €12 million in the Technology segment, which included the development of projects and initiatives, €62 million in the Entertainment Services segment reflecting the Group's investments in Production Services production facilities and DVD Services replication facilities and €33 million in the Connected Home segment mainly due to capitalized R&D projects;

- cash outflow for the acquisition of equity holdings in subsidiaries (net of cash acquired) which amounted to €14 million in 2014, compared with €8 million in 2013. In 2014, it corresponded mainly to the acquisition of Mr X, Inc. activity in the U.S. and in Canada for €6 million, to the installment payment of Village Roadshow distribution business for €2 million and to the acquisition of available-for-sale investments. In 2013, it corresponded mainly to the acquisition of the Village Roadshow distribution business in Australia and additional acquisition of interest in Indoor Direct, LLC;
- proceeds received from sales of equity holdings, which amounted to €10 million in 2014, compared with €6 million in 2013 (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 €6 million in 2014 (compared with a net cash inflow of €5 million in 2013).

Discontinued Operations

Net investing cash in discontinued operations was a cash outflow of €3 million in 2014, compared with €27 million of cash inflow in 2013, related mainly to the proceeds received from Francisco Partners following an agreement in 2013 on a Promissory Note issued when the Grass Valley Broadcast business was sold to Francisco Partners in 2010.

Net cash used in financing activities

Net cash used in financing activities amounted to €221 million in 2014, compared with €248 million used in 2013.

Continuing operations

Net financing cash used in continuing activities was €221 million in 2014, compared with €248 million used in 2013.

The net cash used in 2014 was primarily to repay 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.

The net cash used in 2013 was primarily to repay borrowings for a net amount of €122 million consisting of (i) debt repayments of €965 million, primarily €57 million of normal scheduled debt repayments, €67 million of prepayments and €838 million which was refinanced and (ii) proceeds from the issuance of new debt in the amount of €843 million. In addition, net financing cash included costs related to the refinancing transaction of €131 million.

Discontinued operations

No financing cash was used by discontinued operations in 2014 and 2013.

2.10.3 FINANCIAL RESOURCES

Gross financial debt totaled €911 million (IFRS value) at the end of 2014, compared with €1,022 million at the end of 2013. At December 31, 2014, financial debt consisted primarily of €892 million of term loans issued in July 2013 and February 2014. At December 31, 2013, financial debt consisted primarily of €239 million of term loans issued in May 2010 as part of the Group's debt restructuring and €750 million of term loans issued in the refinancing of July 2013. Financial debt due within one year amounted to €59 million at the end of 2014, compared with €86 million at the end of 2013.

The financial debt issued in 2010 in accordance with the *Sauvegarde* Plan was completely repaid in 2014.

At December 31, 2014 the Group had €328 million of cash and deposits, compared with €307 million at December 31, 2013.

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, 2014.

	Type of interest rate	Amount at December 31, 2014 *(in million euros)*	First maturity [1]	Existence of hedges
Term Loans	Floating	892	2015	No
Other non-current debt	Various	9	2016	No
Other current debt	Various	10	2015	No
TOTAL DEBT		**911**		
Available cash and deposits	Floating	328	0 to 1 month	No
Committed credit facilities [2]	Floating	203		
TOTAL LIQUIDITY		**531**		

(1) Please refer to note 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)).

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 Luxemburg that is consolidated by Technicolor ("Tech Finance") but in which Technicolor holds no interest, launched Offers to Purchase the Reinstated Debt (the "Offers to Purchase"). As a result of the Offers to Purchase, Tech Finance acquired 61% of the total participations under the Credit Agreement loans and over 99% of the private placement notes for, respectively at nominal value, €358 million, $689 million and £14 million (€905 million at a rate of U.S.$1.30 / €1.00 and £0.85 / €1.00). The €905 million of participations and notes 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 $830 million and €200 million at nominal value (the "Term Loan Debt" amounting to €838 million at a rate of $1.30 / €1.00). The Reinstated Debt not tendered in the Offers to Purchase, amounted to €192 million and $116 million at nominal value (approximately €282 million at a rate of $1.30 / €1.00).

In 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 ($75 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 €911 million (IFRS value) as of December 31, 2014, 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 €414 million at December 31, 2014 compared with €356 million at December 31, 2013. 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 B2 rating with stable 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 2015

Since 2014, the Group has decided to accelerate its investments in targeted growth areas, as well as into new business initiatives highly relevant in terms of technology and IP generation (e.g. HDR, M-GO, Virdata...). In addition, as part of the Drive 2020 strategic plan, the Group has reviewed its activity portfolio and expects to proceed with some small-size divestments or abandonment of business lines that are not key contributors to its strategic objectives.

As a result, the Group has adjusted its 2015 objective and now expects an adjusted EBITDA between €560 million and €590 million. The Group expects to generate at least €230 million of free cash flow, which will result in a cumulated free cash flow over the 2012-2015 period well above €700 million, by far exceeding its Amplify 2015 free cash flow objective. As a result, the Group expects to achieve a leverage ratio of around 0.75x at end December 2015.

3 RISK FACTORS

3.1 RISK RELATED TO THE FINANCIAL STRUCTURE 48
Risks related to indebtedness 48
3.2 MARKET RISKS 50
3.2.1 Risk of interest rate fluctuations 50
3.2.2 Risk of exchange rate fluctuation 50
3.2.3 Risks related to liquidity 51
3.2.4 Fair value of financial instruments 51
3.3 RISKS RELATED TO THE BUSINESS 51
3.3.1 Risks related to commercial activity 51
3.3.2 Risks related to the capacity to develop products and services that respond to customers' technological choices 52
3.3.3 Risks related to changes in the licensing business 53
3.3.4 Competition 54
3.3.5 Risks related to supply chain, manufacturing and dependence on suppliers 54
3.3.6 Risks related to product defects or product or service quality defects 55
3.3.7 Risks related to acquisitions and partnerships 55
3.3.8 Risks related to changes in market, technologies and consumer demand 56
3.3.9 Risks related to the security of assets 57
3.4 OTHER RISKS 57
3.4.1 Risks related to antitrust procedures 57
3.4.2 Risks related to toxic tort lawsuit pending in taiwan 58
3.4.3 Risks related to Human Resources 58
3.4.4 Risks related to economic and social conditions 58
3.4.5 Risks related to the environment 59
3.4.6 Risks related to the impairment of certain tangible and intangible assets, including Goodwill 60
3.4.7 Litigation 60
3.5 INSURANCE 61

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

This section should be read in conjunction with the Chairman's report on corporate governance, Internal Control and Risk Management (please refer to Chapter 4: "Corporate governance and internal control", section 4.2: "Chairman's report on corporate governance, internal control and risk management" of this Annual Report) and notes 3.2, 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 financial covenants 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 Facility (RCF) and the Committed Receivables Facility (as defined below).

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

At December 31, 2014, the Group had €973 million of total gross nominal debt (corresponding to €911 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, 2014) consisting primarily of the Term Loan Debt for a total nominal amount of €954 million (corresponding to €892 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 €103 million on the basis of the amount of receivables available. For further information on the terms of these debt facilities and instruments, see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" of this Annual Report and note 23.3 (d) 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."). The amount of the Term Loan Debt as well as the new covenant provisions have been determined on the basis of their compatibility with the operating and financial performance prospects of the Group in June 2013;
- increases the Group's vulnerability to adverse general economic conditions and industry developments;
- may limit the Group's flexibility in planning for, or reacting to, changes in the business and the industries in which the Group operates;
- limits the Group's ability to raise additional debt or equity capital;
- may limit the Group's ability to make strategic acquisitions and take advantage of business opportunities; and
- may place the Group at a competitive disadvantage compared to competitors with less debt.

Any of the foregoing could severely limit the Group's ability to grow its business.

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

An amendment to the Term Loan Debt entered into on April 30, 2014, 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 Annual Report and note 23.3 (d) to the consolidated financial statements.

- *Leverage covenant:* The Term Loan Debt contains a single affirmative financial covenant which requires that the total gross nominal debt be not more than 3.50 times EBITDA on a trailing twelve month basis 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 of the Committed Receivables Facility 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 and the RCF which, absent a waiver from the senior creditors, would provide the senior creditors with the right to declare the Term Loan Debt and the RCF advances that are outstanding at the time of any default (plus accrued interest, fees and other amounts due hereunder) immediately due and payable.

A breach of the obligations under the Committed Receivables 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 and the RCF would become immediately due and payable.

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

The terms of the 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 75%. 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 any payment related to a casualty event (giving rise to insurance reimbursements or condemnation awards) shall in each case be applied to the repayment of the Term Loan Debt subject to certain minimum thresholds.

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

3.2 MARKET RISKS

3.2.1 RISK OF INTEREST RATE FLUCTUATIONS

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

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 Annual Report for more information about this risk.

3.2.2 RISK OF EXCHANGE RATE FLUCTUATION

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

A significant part of the Group's consolidated revenues as well as a portion of its assets are in subsidiaries that use currencies other than the euro and in particular the U.S. dollar as their functional currency. This reflects the Group's strong presence in the United States, particularly in the Entertainment Services and Connected Home operating segments. In 2014, 44% 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 2014, the average U.S. dollar rate versus the euro was broadly stable compared to 2013 and exchange rate fluctuations of all currencies had a negative impact of €3 million on the Group's profit/(loss) from continuing operations before tax and net finance costs, mainly due to a depreciation of the Brazilian real compared to the euro. Foreign exchange rate fluctuations have had and may in the future continue to have an adverse impact on the Group's operating results and financial condition, especially when the euro appreciates significantly against the U.S. dollar or other foreign currencies.

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

To the extent that the Group incurs costs in one currency and have sales in another, the Group incurs foreign currency transaction risk and its profit margins may be affected by changes in the exchange rates between the two currencies. Most of Technicolor's sales are in U.S. dollars and in euro; however, certain expenses are denominated in other currencies. In particular, some of the sales in U.S. dollars and in euro have related expenses in the Mexican peso and the Polish zloty respectively, due to the Group's production facilities in Mexico and Poland. Moreover, the Group also has sales in Europe in euro where a portion of the expenses, related to the purchase of products from Asian suppliers, is in U.S. dollars. The subsidiaries in the United Kingdom also have transactional exposures to both the U.S. dollar and the euro.

Although the Group may hedge against currency risk, given the volatility of currency exchange rates and the occasional illiquidity in some emerging market currencies, together with the potential for changes in exchange control regulations in such emerging markets, the Group cannot ensure that it will be able to manage these risks effectively. Volatility in currency exchange rates may generate losses, which could have a material adverse effect on the Group's financial condition or results of operations.

See also note 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. For the fair value of interest rate caps, the marked-to-market value determined by independent financial institutions is used. The fair value of all current assets and liabilities (trade accounts receivable and payable, short-term loans and debt, cash, bank overdrafts) is considered to be equivalent to the net book value, due to their short-term maturities. For the long-term portion of the Reinstated Debt, the Group uses the observed market trading levels of this debt to determine the fair value.

For a tabular presentation of the fair value of the derivative financial instruments as of December 31, 2014, 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 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 63% of the segment's revenues in 2014 and 28% of the Group's consolidated revenues in 2014. A large proportion of the revenues of the Connected Home segment is generated from large network service providers. The top five customers in the Connected Home segment accounted for approximately 56% of the segment's revenues in 2014 and approximately 23% of the Group's consolidated revenues in 2014. Overall the Group's 10 largest customers accounted for 56% of the Group's consolidated revenues in 2014. If the Group fails to maintain and strengthen these relationships, its significant customers may be less likely to purchase and use its technologies, products, and services, which could have a material adverse effect on results of operations, business and prospects.

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

to renew them on significantly less favorable terms, the Group's operating results could be adversely affected.

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

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

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

The most significant commercial proposals made to customers are subject to prior approval by the Investment Committee, chaired by the CEO (please refer to Chapter 4: "Corporate governance, and Internal Control", section 4.2.2: "Internal Control Procedures" of this Annual Report). Among the financial criteria, the analysis of the impact of each project on cash flow and the demand for working capital receives particular attention, as does the return on investment.

3.3.2 RISKS RELATED TO THE CAPACITY TO DEVELOP PRODUCTS AND SERVICES THAT RESPOND TO CUSTOMERS' TECHNOLOGICAL CHOICES

If the Group does not continue to develop innovative products, services and technologies in response to industry changes, or if the Group does not correctly anticipate future developments, its business may be materially adversely affected.

The Media & 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 14% of the Group's consolidated revenues in 2014 and the Technology segment, which primarily reflects the Group's Licensing activities, accounted for 66% of the Group's adjusted EBITDA from continuing operations in 2014.

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, 2014, the Group's patent portfolio included approximately 40,000 patents and applications worldwide and approximately 58% 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 45% of Licensing revenues in 2014, compared with 53% in 2013. Revenues derived from this Licensing pool are recorded in the Technology segment. The Group expects to receive its final royalties from the MPEG LA pool in 2016 once the patent pool is dissolved at the end of 2015. If the Group is unable to enter licensing agreements to replace existing sources of revenues derived from expiring patents, including those held by dissolving patent pools, the Group's results of operations will be materially adversely affected.

Revisions to patent laws and regulations in the U.S. and abroad may adversely impact the Group's ability to obtain, license, and enforce its patent rights.

The Group's Licensing business depends in part on the uniform and consistent treatment of patent rights in the U.S., Europe and elsewhere. Changes to these patent laws and regulations may limit the Group's ability to obtain, license, and enforce its rights. Additionally, court and administrative rulings may interpret existing patent laws and regulations in ways that adversely affect the Group's ability to obtain, license, and enforce its patents.

For example, recent rulings by the U.S. Supreme Court concerning injunctions may make it more difficult, under some circumstances, for the Group to obtain injunctive relief against a party that has been found to infringe one or more of its patents, and rulings regarding patent challenges by licensees could potentially make it easier for its licensees to challenge the Group's patents even though they have already agreed to license a patent from the Group. Any inability to obtain or enforce the Group's patents could result in an adverse effect on the Group's Licensing revenues, and therefore on the Group's operating results and financial condition.

Decisions of industry standards-setting bodies may adversely affect the Group's Licensing revenues.

In the future, standards-setting bodies in the Media & 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 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 in defending and settling product liability claims.

The centers for product development or implementation of services include quality assurance functions that are responsible for establishing and measuring suitable quality indicators and developing action plans to improve the quality of the products and services. These quality programs include short and medium-term improvement plans developed from quality studies with customers. These programs are also developed with the Group's main solutions and component suppliers and their effectiveness is assessed through quality audits.

3.3.7 RISKS RELATED TO ACQUISITIONS AND PARTNERSHIPS

Acquisitions, joint ventures and partnerships entered into by the Group could result in 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.

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

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

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

Historically, optical discs, such as DVD and, more recently, Blu-ray™ discs, have been an important distribution media for video entertainment content. 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 2014, the Entertainment Services segment accounted for 44% 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 fall to recover any or all of its investments in these projects. Competitors may innovate more quickly or more effectively than the Group does, hindering the Group's ability to successfully market the new technologies, products and services it develops. In addition, if new technologies were developed more quickly than anticipated, the Group may not have sufficient financial resources to make such investments. Furthermore, if 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

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

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

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

Technicolor security standards are continuously reviewed and updated to stay ahead of the industry. Internal and external audits are conducted to monitor compliance with those standards and to continuously improve processes to be more secure throughout the workflow. Technicolor hosts audits from various industry associations including the MPAA, 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. and the first trials of such cases are scheduled to begin in March 2015.

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, it is possible that 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 and investigations.

The Group continues to take all appropriate measures to meet requests for information from the administrations concerned and 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 trial court's judgment is expected in April 2015. See note 33 to the consolidated financial statements for more information.

Should the Group or any of the subsidiaries ultimately be held liable to any third parties or settle any related claims or proceedings, it is possible the amounts of any such liability or settlement could be substantial. 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.

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™ disks 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 2014, the Group generated approximately 30% 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 Annual Report. 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 assets with finite useful lives using certain key assumptions, including budget and cash flow projections and growth rate projections. If management's estimates change or market conditions adversely evolve, the estimate of the recoverable value of these assets could decrease significantly and result in impairment, resulting in a non-cash expense in the Group's consolidated statement of operations, which could have a material adverse effect on the Group's results of operations or financial position. At December 31, 2014, the Group had €448 million of Goodwill, €476 million of intangible assets and €284 million of tangible assets. Based on the Group's 2014 impairment review, the Group booked impairments for €47 million on Goodwill, €0 million on intangible assets and €1 million on tangible assets.

Of the €448 million of Goodwill at December 31, 2014, €332 million relate to DVD Services, for which any significant change in assumptions as described in note 13 to the 2014 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 our 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 Annual Report. 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 also Security and 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 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.

4 CORPORATE GOVERNANCE AND INTERNAL CONTROL

4.1 BOARD OF DIRECTORS 64

4.1.1 Corporate governance structure 64

4.1.2 Composition and expertise of the Board of Directors 64

4.1.3 Other information about members of the Board of Directors 68

4.2 CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT 74

4.2.1 Preparation and organization of the Board of Directors' work 74

4.2.2 Internal control procedures 81

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 87

4.4 COMPENSATION AND BENEFITS OF DIRECTORS 89

4.4.1 Compensation policy for Directors 89

4.4.2 Compensation and benefits of Mr. Rémy Sautter, chairman of the Board of Directors until May 22, 2014 89

4.4.3 Compensation and benefits of Mr. Didier Lombard, Chairman of the Board of Directors since May 22, 2014 90

4.4.4 Compensation and benefits of Mr. Frédéric Rose, Chief Executive Officer 91

4.4.5 Overview of compensation, benefits, options and performance shares awarded to Executive Directors 95

4.4.6 Compensation items for Mr. Rémy Sautter, Chairman of the Board until May 22, 2014, subject to shareholders' advisory vote 95

4.4.7 Compensation items for Mr. Didier Lombard, Chairman of the Board since May 22, 2014, subject to shareholders' advisory vote 96

4.4.8 Compensation items of Mr. Frédéric Rose, Chief Executive Officer, subject to shareholders' advisory vote 97

4.4.9 Directors' fees and other compensation 98

4.4.10 Other information concerning stock option plans or free shares awarded to Executive Directors 100

4.5 EXECUTIVE COMMITTEE 101

4.5.1 Members of the Executive Committee 101

4.5.2 Executive Committee compensation 102

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 possible powers to act in any circumstances on behalf of the Company, subject to limitations imposed by the corporate purpose and those matters expressly reserved by law to the General Shareholders' Meeting and the Board of Directors. However, as an internal order measure, his powers are limited by the Internal Rules of the Board of Directors, which are described in paragraph 4.2.1.2 below.

4.1.2 COMPOSITION AND EXPERTISE OF THE BOARD OF DIRECTORS

As of the date of this Annual Report, the Board of Directors comprises ten Directors, including one executive, six independent Directors (60%), two representatives of Vector Capital (see below) and one employee Director. Two Directors are women. Five Directors are not French citizens and one has dual French/U.S. citizenship.

Following the appointment of Mr. Lombard as Chairman of the Board on May 22, 2014, Mr. Bruce Hack was appointed Lead Independent Director. As such, 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 even the renewal of his term of office), and to prevent any risks of a conflict of interest.

Under the terms of the Governance Agreement described in section 4.1.3.2, and in consideration for *inter alia* their support to the Group's strategy, Vector Capital was granted the right to nominate two representatives to the Company's Board of Directors, as long as its equity stake is more than five-eighths of its stake following the Capital Increases carried out in 2012, *i.e.* more than 43,413,324 shares. This right of nomination is reduced to a single representative if the equity stake becomes less than or equal to 43,413,324 shares and lapses altogether if it becomes less than or equal to 26,047,994. As described in section 4.1.3.2 below, Technicolor and Vector Capital have entered into a settlement agreement on March 2, 2015 for the purpose of terminating the Governance Agreement before its initial term.

Under the same agreement, Messrs. Alexander Slusky and David Fishman were appointed to the Board by the General Shareholders' Meeting on June 20, 2012. On March 10, 2014, Vector Capital announced that it had sold 26 million shares in the Company, thereby reducing its stake to 43,461,319 shares.

The appointment of Ms. Virginie Calmels was approved by the Combined Shareholders' Meeting on May 22, 2014.

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.

Mr. Rémy Sautter, Company Director since January 12, 2006 and Chairman of the Board of Directors since June 20, 2012, stepped down when his tenure expired on May 22, 2014.

Loïc Desmouceaux and Mrs. Béatrix de Russé have participated in Board meetings in an advisory capacity *(censeurs)* until respectively June 19, 2014 and January 25, 2015. After due review, the Board decided not to renew their mandate as the expertise they were bringing to the Board had become available among other Board's members.

Changes in the composition of the Board of Directors during the fiscal year ended December 31, 2014 and in early 2015 (in accordance with recommendation 1.2.1.1. of the 2013 AMF report on corporate governance and Executive Compensation)

	Name	Gender	Nationality	Date on which term of office began	Date on which term of office ended
Directors who left the Board of Directors during fiscal year 2014	Rémy Sautter (expiry of term of office)	M	French	January 2006	May 2014
Directors whose term of office was renewed at the 2014 Annual General Shareholders' Meeting *	Hugues Lepic	M	French	December 2012	2017 AGM *
Directors who joined the Board of Directors during fiscal year 2014	Virginie Calmels	F	French	May 2014	2017 AGM *
Non-voting Directors who left the Board of Directors during fiscal year 2014	Loïc Desmouceaux	M	French	December 2012	June 2014
Non-voting Directors who have left the Board of Directors since the beginning of fiscal year 2015	Béatrice de Russé	F	French	July 2013	January 2015

* *Annual General Shareholders' Meeting.*

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 years, Independent Directors have always accounted for at least two thirds of the Directors appointed by shareholders. During 2014, the Board has consistently shown his independence *vis-a-vis* the Company's management but also *vis-a-vis* the Company's main shareholder.

At its meeting on February 18, 2015, 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".

Of the ten Directors, six are considered to be independent: Ms. Laura Quatela and Ms. Virginie Calmels, and Messrs. Lloyd Carney, Bruce Hack, Hugues Lepic and Didier Lombard.

The Board decided that the appointment of Mr. Didier Lombard as Chairman of the Board of Directors in no way affected his independence. It also found that 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.

The Board of Directors further considered that the shareholding of Mr. Hugues Lepic (please refer to section 4.1.3.4: "Directors' shareholdings in the Company's registered capital" of this Chapter) did not influence his judgment. To the contrary, Mr. Lepic's stake, which represents 1.5% of the share capital, demonstrates that his interests are aligned with those of other long-term shareholders and reinforces his scrutiny of the Board's decisions. His vision as a long-term shareholder is shared with other Independent Directors, which is of great importance for the functioning of the Board.

Finally, the Board felt that Mr. Bruce Hack's position as Chairman of Maximum Play, Inc. (for more information on this appointment, see section 4.4.9: "Directors' fees and other remuneration" of this Chapter) and the stock options awarded to him in that capacity did not compromise his independence. Maximum Play, Inc. is a company active in the electronic gaming sector, which is classified as a start-up and has not generated any revenues. The Board of Directors has never addressed any matter related to Maximum Play, Inc. Mr. Hack was appointed Chairman in view of his knowledge of the gaming industry, which he developed as Chairman and CEO of Vivendi Games between 2004 and 2008.

Mr. Frédéric Rose, Chief Executive Officer, Mr. Nicolas Grelier, employee Director, Messrs. Alexander Slusky and David Fishman, both partners in Vector Capital, the Company's largest shareholder since July 16, 2012 (see above), are not considered independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Expertise of Board Members

The composition of the Board has significantly evolved since 2012 with the aim of expanding the overall expertise of Board Members. New Board Members have been selected by the Nominations Committee and by the Board taking into account not only their own expertise but also the complementary of such expertise with those of other members, so that the combined expertise of Board Members spans at all times the entire areas of activities of the Company and the required skills.

Messrs. Frédéric Rose, Lloyd Carney and Didier Lombard have acquired, through their professional experience in high technology companies, wide experience in technology and research. All three of them have in addition experience of being at the helm of technology companies in a fast-moving environment.

Ms. 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.

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

Messrs. Hugues Lepic and David Fishman have significant professional experience in the field of corporate finance and their contribution was key to completing the refinancing of the Company in 2014. Mr. Grelier, employee Director, has been with the Group since 2006 and has lengthy experience in the field of the Connected Home.

The Board of Directors is satisfied with the complementarity of the Board Members' expertise, the right balance between the different skills and 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 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 Chairman's functions, when separate from those of the Chief Executive Officer, automatically lapse when the person concerned reaches the age of 75 (Article 16 of the Company's bylaws).

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

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

Name	Age	Main business address	Present position within the Company	Other positions	Start of term of office	Expiration of term of office	Audit Committee	Nomination and Governance Committee	Remunerations Committee	Technology Committee	Drive 2020 Committee
Didier Lombard [1]	73	62, rue Pierre Charron, 75008 Paris	Director Chairman of the Board of Directors	Director of companies	May 2004	2016 AGM *		Member		Member	
Frédéric Rose [5]	52	Technicolor 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux [5]	Director and Chief Executive Officer	-	October 2008	2015 AGM *					Member
Virginie Calmels [1] [2]	44	SHOWer Company 30, rue Vital Carles 33000 Bordeaux	Director	Chairperson of the Supervisory Board of Euro Disney SCA and of Euro Disney Associés SCA	May 2014	2017 AGM	Member		Member		
Lloyd Carney [1]	53	Brocade 130 Holger Way, San Jose, CA 95134, USA	Director	CEO of Brocade	June 2010	2016 AGM *				Chairman	
David Fishman [3]	44	Vector Capital Management, LC, One Marker Street, Steuart Tower 23rd Floor, San Francisco CA 94105, USA	Director	Managing Director of Vector Capital Management L.C.	June 2012	2015 AGM *	Member	Chairman	Chairman		Member
Nicolas Grelier [4]	38	Technicolor Connected Home France 975 av. des Champs Blancs, 35576 Cesson-Sévigné	Director Employee	-	July 2014	July 2017			Member		
Bruce Hack [1]	66	151 Central Park West 10C, New York, NY 10023	Director	Director of companies	February 2010	2016 AGM *	Chairman	Member	Member		Member
Hugues Lepic [1]	50	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]	57	Quatela Lynch Intellectual Property, 973 East Avenue, Rochester, New York 14607	Director	Founder of Quatela Lynch Intellectual Property	May 2013	2016 AGM *				Member	Chairman
Alexander Slusky [3]	47	Vector Capital Management L.P., One Marker Street, Steuart Tower 23rd Floor, San Francisco CA 94105, USA	Director	Founder, Managing Director and Chief Investment Officer of Vector Capital Management L.P.	June 2012	2015 AGM *					

* *Annual General Shareholders' Meeting.*

(1) Independent Director.

(2) Ms. Virginie Calmels was appointed to be a Director at the Combined Shareholders' Meeting on May 22, 2014

(3) For information about the conditions of Messrs. Fishman and Slusky's appointments, see section 4.1.3.4: "Arrangements or agreements made with major shareholders, customers, suppliers or others pursuant to which the Board Members and Executive Committee members were selected" of this Chapter.

(4) Mr. Grelier was appointed as employee Director on June 27, 2014 by the trade union organization that obtained the most votes in the first round of the most recent professional elections, in accordance with the applicable provisions of the law and the bylaws.

(5) Mr. Frédéric Rose's second business address is: Technicolor USA, Inc., 6040 Sunset Blvd, Hollywood, CA 90028 USA.

4.1.3 OTHER INFORMATION ABOUT MEMBERS OF THE BOARD OF DIRECTORS

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

This section contains the biographies and information about the Directors and their directorships as of February 18, 2015.

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:

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

Directorships held during the past five years:

Chairman of the Board of Directors and Chief Executive Officer of France Telecom *; Chairman of the Board of Directors of Orange *; Chairman of the Supervisory Board of STMicroelectronics *; Member of the Supervisory Board of Radiall *; Director of Thales *.

** Publicly traded companies.*

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 that company's Executive Committee. Mr. Frédéric Rose is a graduate of the Georgetown University School of Foreign Service and the Georgetown University Law Center.

Current Directorships:

OUTSIDE FRANCE:
Director and Vice-Chairman of Technicolor SFG Technology Co., Ltd. **
Director of MediaNaviCo LLC **
President of Technicolor Inc. **.

*** Companies belonging to Technicolor group.*

Directorships held during the past five years:

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

** Publicly traded company.*

Virginie Calmels

Since January 2013, Ms. Virginie Calmels has been Chairperson of the Supervisory Board of Euro Disney SCA and Euro Disney Associés S.C.A., of which she has been a member of the Supervisory Board since March 2011. She is also the Founding Chairperson of SHOWer Company. Since March 2014, Ms. 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, she joined the Canal+ Group as Financial Officer of NC Numéricable, before becoming Chief Financial Officer of Sky Gate BV in Amsterdam (the 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, Ms. 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 Endemol Monde 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 Gironde Investissement

** Publicly traded companies.*

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, Tete 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 Holding, 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.

Lloyd Carney

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

Current Directorships:

OUTSIDE FRANCE:

CEO of Brocade *

** Publicly traded companies.*

Directorships held during the past five years:

OUTSIDE FRANCE:

Director of Cypress Semiconductor *, Xsigo Systems, Micromuse *, and BigBand Networks *

** Publicly traded companies.*

David Fishman

Mr. David Fishman has been Managing Director of Vector Capital since 2008 and manages the private equity investing team. He managed the investments in SafeNet, Aladdin Knowledge Systems, Teletrac, Inc. and RAE Systems. Before joining Vector Capital, Mr. Fishman worked for ten years at Goldman Sachs & Co., where he held the position of Managing Director in Mergers & Acquisitions, concentrating on transactions in technologies and media. At Goldman Sachs, he managed or participated in transactions involving Microsoft, eBay, Adobe, IBM, Oracle and PeopleSoft. Prior to Goldman Sachs, he worked at JPMorgan where he was responsible for raising debt financing for the firm's corporate clients. Mr. Fishman has an MBA with Distinction from the J.L. Kellogg School of Management at Northwestern University and a BA with honors in Economics from Duke University.

Current Directorships:

OUTSIDE FRANCE:

Director of Allegro Holdings

Directorships held during the past five years:

OUTSIDE FRANCE:

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

Nicolas Grelier

Mr. 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:

-

Directorships held during the past five years:

-

Bruce Hack

Mr. Bruce Hack is a chairman and director of several entertainment, consumer online and mobile companies. Mr. Hack was Vice-Chairman of the Board of Activision Blizzard until 2009. Prior, he was Chief Executive Officer of Vivendi Games, from 2004 to 2008; Vice-Chairman of the Board, Universal Music Group, from 1998 to 2001; and Chief Financial Officer, Universal Studios, from 1995 to 1998. Mr. Hack also served as EVP, Development and Strategy, Vivendi Universal, from 2001 to 2003. 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. Hack has taught leadership and entrepreneurship at Stanford, Princeton, Yale and Cornell. He earned a BA at Cornell University and an MBA at 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 companies.*
*** Company belonging to Technicolor group.*

Directorships held during the past five years:

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

Hugues Lepic

Mr. Hugues Lepic is the 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.

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 Group * and 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 companies.*

Laura Quatela

Ms. Laura Quatela is the founder of Quatela Lynch Intellectual Property, 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, Ms. Quatela served as Managing Director, Intellectual Property Transactions.

In August 2006, she was appointed Corporate Vice-President. Laura Quatela joined Kodak in 1999, working in various positions, including Director of Corporate Commercial Affairs, Vice-President Legal, Assistant General Counsel, Director Finance Transformation and Vice-President, Finance & Administration. Before she joined Kodak, she worked at Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb Inc. She was an attorney specializing in class-action lawsuits. Ms. Laura Quatela is a graduate of Denison University, BA, International Politics (1979) and Case Western Reserve University School of Law, J.D. (1982).

Current Directorships:

-

Directorships held during the past five years:

President of Eastman Kodak Co *.

** Publicly traded company.*

Alexander Slusky

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

Current Directorships:

OUTSIDE FRANCE:

Managing Director and Chief Investment Officer of Vector Capital Management L.P;

Director of Corel Corporation, WatchGuard Technologies *, SafeNet Inc. and Cambium Networks.

Directorships held during the past five years:

Director of Register.com and RAE Systems.

** Publicly traded company.*

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 2012, the Vector Capital investment fund acquired a minority stake in the capital of the Company, through a double increase of capital, thus acquiring 20.70% of the share capital. These Capital Increases were made following the adoption by the Combined General Meeting of June 20, 2012 of the resolutions submitted by Vector Capital that approved the appointment of Messrs. Alexander Slusky and David Fishman as members of the Board of Directors. These appointments took effect on July 16, 2012.

In March 2014, Vector Capital reduced its equity stake in the Company to 12.90%.

On July 10, 2012, the Company and Vector Capital entered into a governance agreement (the "Governance Agreement") pursuant to which Vector Capital were given a seat on the Board of Directors (see section 4.1.2: "Composition and expertise of the Board of Directors" in this Chapter), in return for certain commitments by Vector Capital, in particular the commitment to support the Company's strategy, an undertaking not to participate in a tender offer by a third party that has not been recommended by the Board of Directors, an undertaking not to acquire, directly or indirectly, alone or in concert, 30% or more of the capital of the Company, an undertaking not to submit draft resolutions to the Shareholders' Meeting proposing to dismiss any Director of the Company, appoint Directors of the Company (other than those Vector Capital is entitled to appoint pursuant to the Governance Agreement) or change the number of Directors on the Board of Directors, an undertaking to discuss in good faith with the Company the draft resolutions to be submitted to the Shareholders' Meeting.

In November 2014, the Company officially filed a lawsuit against Vector Capital before the Commercial Court of Nanterre, seeking the legal termination of the Governance Agreement, alleging repeated breaches of said agreement. in a press release dated March 2, 2015, the Company and Vector Capital announced the conclusion of a settlement agreement for the purpose of terminating the Governance Agremeent and putting an end to all ongoing legal disputes between them. Pursuant to this agreement and given Vector Capital's position as the largest shareholder of the Company, the Board of directors will propose to the Shareholders' Meeting of April 9, 2015 to renew the term of office of Mr. David Fishman, a Vector Capital representative, as the terms of office of the two Vector Capital representatives expire at the Shareholders' Meeting.

Vector Capital has also agreed that it shall vote in favor of resolutions submitted by the Board of Directors to the 2015 and 2016 Shareholders' Meetings, unless they relate to dilutive equity issues or unless the average share market price of Technicolor over a 20-day period goes below €5 and Mr. Fishman steps down from the Board of Directors at that time.

Vector also publicly stated its support of Drive 2020, Technicolor's new strategic plan as approved by the Board of Directors on February 18, 2015.

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

In accordance with Articles 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 Annual Report.

Following the announcement by Vector Capital of its acquisition of a U.S. company named IP Value Management, the Board of Directors assessed the potential conflict of interest between Messrs. David Fishman and Alex Slusky towards Technicolor and their interest in IP Value Management. IP Value Management may represent clients in direct competition with Technicolor or active in areas of research that are a priority for Technicolor. Moreover, Technicolor develops business activities that are in competition with IP Value Management. The Board feared that potential conflicts of interest could impact the Company's IP and IP-related activities. As a consequence, according the Board Internal Regulations which states that any Director involved in a situation that could create a conflict of interest must refrain from taking part in any discussion or vote relating to this matter, the Board of Directors and Messrs. David Fishman and Alex Slusky agreed that ehy should refrain from taking part in any discussions of the Board involving agency agreements in the domain of Intellectual Property.

This decision also applies to Mrs. Laura Quatela, who is the founder of a consulting company called Quatela Lynch Intellectual Property.

The Company is not aware of any other potential conflict 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' shareholdings in the Company's registered capital

Article 11.2 of the Company's bylaws provides that Directors are each required to hold at least 200 shares of Technicolor stock during their term of office. Moreover, in accordance with the Internal Board Rules, as modified by the Board of Directors on October 24, 2013, each Director is required to invest the equivalent of one year of Directors' fees (gross amount) per three-year term for a maximum of two terms. The Chairman and the Chief Executive Officer are also bound by this undertaking.

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 closed 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 on the exercise of options.

Following the recommendation of the Board of Directors at its meeting on March 27, 2013, the Chief Executive Officer, Mr. Frédéric Rose, entered into a programmed trading mandate with Bank Degroof on May 7, 2013, in compliance with the framework defined by the *Autorité des marchés financiers'* Recommendation No. 2010-07 dated November 3, 2010. The implementation of this mandate, which is for the purchase of Technicolor shares, continued in fiscal year 2014. There is no instruction under execution at the date hereof.

To the Company's knowledge, the Directors' shareholdings in the Company's registered capital as of February 18, 2015 are as follows:

Directors present at March 17, 2015	Technicolor shares
Didier Lombard	5,292
Frédéric Rose	117,451
Virginie Calmels	200
Lloyd Carney	30,000
David Fishman	200
Nicolas Grelier	172,110 *
Bruce Hack	18,000
Hugues Lepic	5,071,545
Laura Quatela	200
Alexander Slusky	200

* *Mr Grelier also holds 172,108 units of mutual funds as part of the Group Savings Plan.*

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

The table below shows the transactions in Technicolor's securities carried out during 2014 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	Amount of the transaction
Frédéric Rose	2/7/2014	Purchase **	Shares	2,680	€3.735	€10,009.80
Laura Quatela	3/4/2014	Purchase	Shares	200	€4.895	€979.00
Frédéric Rose	4/29/2014	Purchase **	Shares	1,843	€5.495	€10,127.29
Frédéric Rose	6/10/2014	Purchase **	Shares	1,858	€5.65	€10,497.70
Virginie Calmels	9/2/2014	Purchase *	Shares	200	€5.842	€1,168.40
Didier Lombard	12/15/2014	Purchase	Shares	4,651	€4.2695	€19,857.44

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

4.1.3.5 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 Nomination and Governance Committee. It was approved by the Board of Directors during its meeting on February 18, 2015.

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 now adheres to the AFEP-MEDEF Corporate Governance Code of June 2013 in the preparation of the report as defined by Article L. 225-37 of the French Commercial Code.

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

Recommendations of the AFEP-MEDEF Corporate Governance Code rejected by the Company	Documentation/Action plan
In 2014, the Board did not conduct a performance review (paragraph 10.3)	The changes in the Board's composition in 2014 and the disagreements with Vector Capital justified postponing the Board's performance review.
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 of the AFEP-MEDEF Corporate Governance Code).	As some of the Directors who attend the Audit Committee reside outside of France, for practical reasons, the Audit Committee meeting may take place the day before the meeting of the Board of Directors. However, the preparatory documents are sent to the members of the Audit Committee more than two days before the Board meeting date.
The Chairman of the Remunerations Committee is a Non-Independent Director (paragraph 18.1).	The Governance Agreement entered into with Vector Capital (see section 4.1.3.2: "Arrangements or agreements made with major shareholders, customers, suppliers or others pursuant to which the Board Members and Executive Committee members were selected") stipulates that the Remunerations and the Nominations and Governance Committees be chaired by a representative of Vector Capital.
The Company does not regularly award stock options or free shares (paragraph 23.2.4).	The Board of Directors felt that regularly awarding stock options or free shares to the Chief Executive Officer was not good practice in view of the Group's financial position, which only recently began to improve. This issue will be back on the Remunerations Committee's agenda in 2015.

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

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

Board of Directors' powers and missions

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

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

According to French law and the Company's bylaws, the Chief Executive Officer is vested with the broadest possible powers to act in any circumstances on behalf of the Company. He exercises these powers subject to the limitations imposed by the Company's corporate purpose and those matters expressly reserved by law to the Shareholders' Meeting and the Board of Directors. Furthermore, the Internal Board Rules of the Company's Board of Directors submits the following decisions, considered as strategic, to a qualified majority of two-thirds of Directors:

(i) approval of the annual budget;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xvi) any decision to implement protection mechanisms for bearers of Notes Redeemable in Shares (NRS) in the event of the corporate actions mentioned in Articles L. 228-98 *et seq.* of the French Commercial Code, or in accordance with the specific stipulations applicable to NRS pursuant to an issuance agreement (this provision no longer applies, since all NRS were repaid at the end of 2012);

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

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

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

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

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

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

Board Committees

The Board of Directors is assisted in the performance of its tasks by five Committees: the Audit Committee, the Nomination and Governance Committee, the Remunerations Committee, the Technology Committee, and the Drive 2020 Committee (called Amplify 2015 Committee until February 18, 2015, when the Board of Directors approved the new strategic plan Drive 2020).

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

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

Directors' duties

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

The Internal Board Rules stipulate that each Director is required to inform the Lead Independent Director or, in the absence of a Lead Independent Director, the Chairman, of any situation that is likely to create a conflict of interest with the Company or any of the Group's companies. If necessary, the Lead Independent Director shall ask for an assessment from the Nomination and Governance Committee.

4.2.1.3 Board of Directors' activities in 2014

In 2014, the Board met nine times, with an average participation rate of 94%.

The following table details the participation rates by Director:

Directors present at March 17, 2015	Participation rates
D. Lombard	100%
F. Rose	89
V. Calmels[1]	100%
L. Carney	67%
D. Fishman	100%
N. Grelier[2]	100%
B. Hack	89%
H. Lepic	100%
L. Quatela	100%
A. Slusky	100%

(1) Rate calculated on a prorata temporis basis as from May 22, 2014, date upon which Mrs. Calmels was appointed.
(2) Rate calculated on a prorata temporis basis as from July 24, 2014, the date upon which Mr. Grelier took his office.

In 2014, the Board of Directors reviewed the Company's quarterly, semi-annual and annual financial information and the process for preparing it: the 2014 annual budget, the corporate and consolidated financial statements for fiscal year 2013 and the first half of 2014, and quarterly revenues for the first and third *quarters* of 2014. It reviewed major accounting issues, such as impairment of Goodwill. Each Board meeting which approved the quarterly, half yearly or annual accounts was preceded by one or more meetings of the Audit Committee, which systematically provided a report to the Board on the questions reviewed during these meetings. Moreover, the Board of Directors reviewed the press releases issued after each meeting, as well as the Registration Document, after examination by the Audit Committee and the Nomination and Governance Committee for the sections falling under their respective areas of expertise.

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

The Board also monitored the Group's debt and approved the final component of the Group's refinancing plan, which led to the early repayment in May 2014 of the entire Reinstated Debt. This repayment terminated the *Sauvegarde* Plan approved in 2010. The early execution of the *Sauvegarde* Plan was acknowledged by the Commercial Court of Nanterre on June 25, 2014 (for more information about the Group's debt, see section 2.10.3: "Financial resources" in Chapter 2: "Operating and financial review and prospects" of this Annual Report). In this context, the Board approved the proposed merger of Technicolor SA and its subsidiary Technicolor International SAS.

In accordance with the stipulations of the Internal Board Rules, the Board reviewed and approved the terms of a settlement agreement with Banco Finantia, which the Group has been in litigation with since 2011.

On the recommendation of the Audit Committee, the Board decided to implement a share buyback program and enter into a share management agreement (see section 5.1.2: "Purchases of equity securities by the issuer and affiliated purchasers – Board of Directors' report on treasury shares").

In terms of governance, the Board of Directors examined the Board's composition as part of a review of directorships due to expire at the end of the Annual General Shareholders' Meeting. It appointed Mr. Didier Lombard as Chairman and reviewed the composition of the committees following the appointment of Ms. Virginie Calmels by the Combined Shareholders' Meeting on May 22, 2014. The Board also acknowledged the appointment of an employee Director, in accordance with the law of June 14, 2013 on the protection of employment. Finally, the Board addressed issues linked to dealings with Vector Capital (see paragraph "Dispute with Vector Capital", section 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").

The Board also reviewed the compensation of the Chairman, Chief Executive Officer and employee Director, examined the

implementation of the 2011 Long-Term Management Incentive Plan (LTIP), and approved the implementation of a Medium-Term Incentive Plan (MIP 2016).

Finally in February 2015, it reviewed the independence of each member of the Board of Directors and deliberated on the Company's policy in respect of equal employment and wages.

4.2.1.4 Composition and activities of the Board Committees

Audit Committee

AMF's report on Audit Committees

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

Composition

The Audit Committee is composed of Mr. Bruce Hack (Chairman), Ms. Virginie Calmels and Mr. David Fishman.

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.

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

Mission

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

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

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

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" below).

Organization of the Audit Committee's activities

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

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

The Statutory Auditors participate in each Audit Committee Meeting.

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

Audit Committee's activities

The Audit Committee met six times in 2014, with an average participation rate of 90%.

During 2014, the Audit Committee examined the following financial information: the corporate and consolidated financial statements for fiscal year 2013 and the first half of 2014, and quarterly revenues for the first and third quarters of 2014. The Audit Committee looked into accounting issues related to the closing of accounts for fiscal year 2013, the first half of 2014 and fiscal year 2014. In particular, it conducted an in-depth review of impairment of Goodwill and important issues surrounding the closing of accounts. The financial statements were examined through presentations by the Company's Chief Financial Officer and the Statutory Auditors.

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

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

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

The Nomination and Governance Committee

Composition

The Nomination and Governance Committee is composed of Messrs. David Fishman (Chairman), Didier Lombard and Bruce Hack. Mr. Fishman was appointed as Chairman in replacement of Mr. Slusky following the Shareholders' Meeting held on May 22, 2014.

Two-thirds of the members of the Committee are considered by the Board of Directors to be independent under the AFEP-MEDEF Corporate Governance Code, which is compliant with the recommendations of the Code in this respect.

Mr. Rose, Chief Executive Officer, attends each Committee meeting.

Mission

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

Activities of the Nomination and Governance Committee

The Nomination and Governance Committee met twice in 2014 with a participation rate of 100%.

The Committee made recommendations to the Board of Directors on the arrangements for appointing the employee Director required by the 2013 law on the protection of employment and reviewed draft resolutions for amendments to the bylaws necessitated by that law.

It also examined the Board's composition and the applications received, which resulted in the appointment of Ms. Virginie Calmels to the Board by the Combined Shareholders' Meeting on May 22, 2014.

The Remunerations Committee

Composition

The Remunerations Committee is composed of Messrs. David Fishman (Chairman), Bruce Hack, Nicolas Grelier (employee Director) and Ms. Virginie Calmels. Mr. Fishman was appointed as Chairman in replacement of Mr. Slusky following the Shareholders' Meeting held on May 22, 2014.

Two-thirds of the members of the Committee are considered by the Board of Directors to be independent under the AFEP-MEDEF Corporate Governance Code [(1)]. Conversely, the Company does not comply with paragraph 18.1 of the AFEP-MEDEF Corporate Governance Code, according to which the Chairman of the Remunerations Committee must be an independent Director (see the explanation given in paragraph 4.2.1.1 ("Compliance with AFEP-MEDEF Corporate Governance Code" above).

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 five times in 2014 with a participation rate of 92%.

The Committee reviewed the conditions for applying the *say on pay* (advisory vote on annual compensation due or awarded to Directors and officers, introduced by the AFEP-MEDEF Corporate Governance Code which was revised in June 2013), including draft

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

resolutions submitted to shareholders at the Combined Shareholders' Meeting on May 22, 2014.

It also examined a stock option plan and recommended its implementation to the Board.

Finally, it examined the compensation of the Chairman and Chief Executive Officer.

Technology Committee

Composition

The Technology Committee is composed of Mr. Lloyd Carney (Chairman), Ms. Laura Quatela and Mr. Didier Lombard.

Mission

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

Technology Committee activities

The Technology Committee met three times during 2014, with a participation rate of 100%.

In 2014, the Committee examined the profile of Research & Innovation teams, and considered overhauling its organization and objectives, in order to increase the impact of Research & Innovation on the Group's future technologies and products. The Committee also reviewed the relevance of the positioning of the Group's patents portfolio and examined the market uptake of future image standards such as 4K image quality and HDR (High Dynamic Range).

The Committee also received a presentation from the Technicolor Innovation Council, composed of members of the Executive Committee formed in 2014, which has been charged by the Technology Committee with drafting a five-year technology plan.

The Committee also noted the progress of the Cineglass project, for which a beta platform was launched in late 2014.

The Drive 2020 Committee (Amplify 2015 Committee until February 18, 2015)

Composition

The Drive 2020 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 Ms. Laura Quatela (Chairperson) and Messrs. Frédéric Rose, Bruce Hack and David Fishman.

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.

Amplify 2015 Committee activity report

The Amplify 2015 Committee met three times during 2014, with a participation rate of 100%.

The Committee focused on the progress of the Amplify 2015 plan. With the assistance of the Boston Consulting Group, it worked on an update of the Amplify 2015 plan which led to the adoption by the Board in early 2014 of three priority domains of innovation which would further reinforce the Group key businesses, as well as its IP and licensing capabilities. It also reviewed several major strategic projects and provided its conclusions to the Board of Directors. Finally, the Committee actively participated in the development of Drive 2020, the strategic plan succeeding the Amplify 2015 plan, which was publicly released on February 19, 2015.

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 Directors in accordance with Article L. 225-37 of the French Commercial Code

The principles and rules adopted by the Board of Directors to determine Directors' compensation and benefits are discussed in paragraphs 4.4.1 below and the principles of determination of the Directors' fees and other Directors' compensation are described in paragraph 4.4.9 below.

Information relating to stock options and free shares granted to Directors is provided in paragraph 4.4.10 below and in Chapter 6: "Social information and Sustainability", section 6.1.4: "Stock option plans and free share plans" of this Annual Report.

Participation of shareholders in Shareholders' Meetings

There is no specific arrangement for participation of shareholders in the Company's Shareholders' Meetings. For further information about the conditions of participation for Shareholders' Meetings, see Chapter 7: "Additional information", section 7.2.5: "Shareholders' Meetings" of this Annual Report.

4.2.2 INTERNAL CONTROL PROCEDURES

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

The major components underlying the preparation of this report are (i) the compliance with *Loi de sécurité financière* (LSF or Law regarding Financial Security), (ii) the Ordinance No. 2008-1278 of December 8, 2008 (iii) the AMF guidelines on risk management and internal control and (iv) the 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, the Company is no longer subject to the Sarbanes Oxley Act obligations.

Following the delisting, the Group decided to maintain high standards of financial reporting discipline, capitalizing on the work undertaken previously. The process is now being overhauled to enhance the linkage between internal control, risks, and Technicolor's strategic objectives. The program, called 8TIC'S, was launched at the beginning of 2011 with the objective to maintain and expand the internal control scope beyond financial reporting through a risk-based approach. The fourth annual campaign of the program has been successfully performed in the course of 2014, and a new campaign starts as of January 2015.

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 four pillars:

- a risk based approach which starts from the Group Risk Management program (see paragraph below "Risk Management") and allows internal control to deploy its methodology on the main Group risks. Every year, 5 to 6 new sub-processes are rolled out under internal control program approach and this is still the plan for 2015. During workshops, the internal specialists on the subject matters are identifying and defining the main risks inherent to the process, in the specific context of the Group. For example, in 2014, the sub-processes of Merger and Acquisition, Corporate Social responsibility, Financial Communication, Business Continuity, as well as the ones related to Ethics and Compliance 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 2014, about 240 control owners were designated to perform a self-assessment on 2,323 controls over finance and non-finance processes;

- an independent testing managed by Internal Audit covering about 20% of the self-assessed controls. This testing aims at providing assurance that the Technicolor internal control framework is effective. Independent testers are composed of internal auditors and some internal finance experts properly trained to the testing exercise;
- a questionnaire, made of eight key internal control topics in the following areas: customer offers management, costs monitoring, budget and forecast, ethics and social responsibility, legal monitoring, key personal succession plan, growth initiatives and internal control monitoring. The questionnaires are completed and signed by Heads and Financial Controllers of Business Groups, divisions and transversal functions (about 30 people). This assessment in the form of a questionnaire covers the whole Group's perimeter.

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

The management community is involved in the deficiency remediation and takes an active role in the implementation of corrective actions raised during the internal control campaign.

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

4.2.2.2 General control environment

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

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

Code of Ethics

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

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

Over the last several years, the Group has deployed many ethics training programs. Several online training sessions were launched to educate employees on various ethical rules and obligations, including bribery, competition and fraud. Some dedicated training sessions were also organized on specific sites or for specific functions. These training sessions involved around 9,915 employees from 2010 through 2014.

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

At December 31, 2014, 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 ten members consisting of Senior Executive Vice-Presidents and Executive Vice-Presidents in charge of Technicolor's major businesses and of the principal corporate functions (Finance, Human Resources, etc.). The Executive Committee meets every two weeks to analyze and evaluate the financial performance (sales, operating income and cash flow) of the Group's various businesses compared with the budget, strategic developments, and major events affecting the Group (sales contracts, partnerships, investments, etc.).

The Management Committee includes the Executive Committee Members as well as leaders of Technicolor's main functions and business operations. Its responsibilities are to ensure achievement of the Group's objectives and to provide leadership across Technicolor. The Management Committee meets monthly.

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

In addition, the Group established an Investment Committee in 2010 to drive prioritization and optimization of resource allocation across the Company's organization. The Investment Committee is composed of the CEO, the CFO, Senior Executive Vice-Presidents, and the Company Secretary. The Investment Committee decides on all significant investment decisions, including material customer opportunities, capital expenditures, restructuring, M&A and joint ventures, asset disposals, pension contributions, large procurement contracts, leases, and financing commitments. The Investment Committee ensures compliance with the Board governance rules and debt agreement obligations and is a key part of the Group's internal control procedures. It meets on a weekly basis.

In 2014, the Group established the Technicolor Innovation Council. Composed of Excom members and two other senior executives, 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 Regulations), internMr. al 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 10 auditors who have past experience in a large range of domains like information systems, engineering, finance or marketing. The team is located in three key sites for the Group: Issy-les-Moulineaux (France), 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 2014, 22 audits engagements were performed (both assurance and assistance types) compared to 29 audits in 2013.

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 Annual Report. The latter is prepared jointly by the Finance Department and the General Secretary of the Company.

The quarterly, half-yearly and annual financial information is reviewed by the Group's Audit Committee and the Board.

Prior to being published, the above financial information is also reviewed by Members of the management team and senior managers within the Corporate Finance and Legal Departments, each for their respective fields.

4.2.2.5 Other Internal Control Procedures

Information Technology Security Procedures

The Chief Information Officer (hereafter the "CIO") leads the Technicolor's IT organization and is supported by a leadership team composed of senior IT managers. The managers either directly support each of Technicolor's businesses 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 technologies, collaboration tools, video conferencing, web technologies, business intelligence tools, business and risk management tools and processes) 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, assets and Intellectual Property

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

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

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.

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.

In 2014, the TSO has reinforced its security awareness effort by implementing a worldwide security training tool.

Several dedicated communications have been made to all Technicolor employees (security alerts related to social engineering, security letters "Security Awareness For Everyone", security policies.)

From a governance standpoint, a dedicated Security Steering Committee has been created including each Business Heads, IT and TSO representatives. Such Committee is organized twice a year by TSO.

In order to better manage new threats, TSO revises on a regular basis existing security policies and designs new policies and standards (content protection, cloud...) as needed.

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

A physical Security Plan is in place at worldwide level to ensure that any of our facilities will comply with best practices. Security champions are responsible at local level to support this Plan.

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

4.3 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF FRENCH 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, 2014

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, 2014.

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, March 5, 2015
Deloitte et Associés
French original signed by

Alain Pons
Partner

Ariane Bucaille
Partner

Courbevoie, March 5, 2015
Mazars
French original signed by

Guillaume Devaux
Partner

Jean-Louis Simon
Partner

4.4 COMPENSATION AND BENEFITS OF DIRECTORS

4.4.1 COMPENSATION POLICY FOR DIRECTORS

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

The following principles have been established:

- the Company having adhered to the AFEP-MEDEF Code (see section 4.2.1.1: "Compliance with AFEP-MEDEF Corporate Governance Code"), the Remunerations Committee takes into account recommendations of this Code regarding compensation of Directors;
- the fixed compensation of Executive Directors is defined based on a comparison with the compensation of Executive Directors of publicly traded companies (in particular those that are international in scope) active in the Technology, Media and Telecom sectors;
- the variable compensation is linked to stringent and transparent quantitative and qualitative performance criteria;
- the indicators used to define the quantitative performance criteria applicable to the variable compensation of the Chief Executive Officer are identical to those used for Group employees who benefit from a variable compensation;
- Mr. Frédéric Rose, Chief Executive Officer, receives no Directors' fees for being a Director of the Company;
- the stock option and free share plans granted to management are subject to performance conditions and a condition of attendance when, as the case may be, the free shares are delivered or the options are subscribed;
- the Board of Directors ensures that the stock option and performance share plans granted to the Chief Executive Officer represent a percentage proportional to his total compensation;
- the memorandum entitled Corporate Policy on the Purchase and Sale of Company Shares, Insider Trading and Protection of Material Non-public Information stipulates that Directors holding options to purchase or subscribe for shares and/or free shares (i) may not set up hedges under the AFEP-MEDEF Corporate Governance Code and (ii) are subject to blackout periods during which they may not exercise their options.

In addition, upon recommendation of the Remunerations Committee, the Board of Directors launched a series of discussions about the introduction of a multi-year compensation plan to accompany the new Drive 2020 strategic plan. These discussions, for which a reputable adviser has been appointed, will result in a multi-year compensation plan being presented at the General Shareholders' Meeting to be held in 2016.

4.4.2 COMPENSATION AND BENEFITS OF MR. RÉMY SAUTTER, CHAIRMAN OF THE BOARD OF DIRECTORS UNTIL MAY 22, 2014

Mr. Rémy Sautter served as Chairman of the Board of Directors between June 20, 2012 and May 22, 2014. He did not have an employment contract with the Company nor with any Group company and was not an officer of any other Group company.

Mr. Sautter's annual gross compensation in respect of this appointment was €162,500. Following his appointment as Chairman of the Board, Mr. Sautter received no Directors' fees.

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

	2013		2014	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	148,958 (1)	148,958 (1)	64,015 (2)	64,015 (2)
Variable	N/A	N/A	N/A	N/A
Directors' fees	N/A	33,136 (3)	N/A	N/A
Fringe Benefits	N/A	N/A	N/A	N/A
TOTAL	**148,958**	**182,094**	**64,015**	**64,015**

(1) Amount calculated on a prorata basis, taking into account Mr. Sautter's new compensation from June 1, 2013.
(2) Amount calculated on a prorata basis for the period from January 1, 2014 to May 22, 2014, when Mr. Sautter's tenure ended.
(3) Directors' fees for 2012, paid in 2013.

4.4.3 COMPENSATION AND BENEFITS OF MR. DIDIER LOMBARD, CHAIRMAN OF THE BOARD OF DIRECTORS SINCE MAY 22, 2014

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 a member of the Nomination and Governance Committee and the Technology Committee.

Mr. Lombard's compensation as Chairman of the Board was determined by the Board of Directors on July 24, 2014. Mr. Lombard receives the following Director's fees with effect from January 1, 2014:

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

Mr. Lombard's compensation for 2014 amounted to €120,000.

Mr. Lombard has the use of a vehicle representing a benefit in kind totaling €8,085 in 2014.

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)

	2013		2014	
(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	91,500 (1)	61,364 (2)	120,000 (3)	91,500 (1)
Benefits in kind	N/A	N/A	8,085 (4)	N/A
TOTAL	**91,500**	**61,364**	**128,085**	**91,500**

(1) Directors' fees for 2013, paid in 2014
(2) Directors' fees for 2012, paid in 2013
(3) Amount of Directors' fees due to Mr. Didier Lombard as Chairman of the Board in respect of fiscal year 2014.
(4) Vehicle leasing

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

Mr. Frédéric Rose took up his position on September 1, 2008. He does not have an employment contract with the Company or any Group company.

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

Fixed and variable compensation

Mr. Rose's initial compensation includes a fixed portion corresponding to a gross annual amount of €1,000,000, which amount remained unchanged in 2014.

Mr. Rose also receives variable compensation which for 2014 depends on the following performance objectives:

- a consolidated adjusted EBITDA target of €564 million, corresponding to 30% of the targeted bonus;
- a consolidated Free Cash Flow target of €187 million, adjusted for exceptional events, corresponding to 50% of the targeted bonus; and
- a qualitative target corresponding to 20% of the variable target, the achievement of which is assessed by the Board, tied to the evolution of the portfolio of activities of the Group, in accordance with the objectives of the Amplify 2015 strategic plan.

The quantitative objectives are also the objectives retained for the determination of variable compensation of all Group employees who receive this type of compensation. They are linked to the performance indicators chosen by the Group in its financial communications. In 2013, the Board of Directors decided to progressively modify the respective weight of the quantitative objectives, from parity to a 50%-30% breakdown, thus highlighting the dominant weight of Free Cash Flow in the Company's performance measurement

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

The Board of Directors, at its meeting on February 18, 2015, reviewed the level of achievement of the above performance objectives for 2014. The consolidated adjusted EBITDA performance objective for 2014 reached 0.528x and the consolidated Free Cash Flow objective reached 1.5x (on a scale from 0 to 1.5). The Board moreover considered that the qualitative target reached 1.05x, taking into account inter alia the turnaround of the Connected Home segment and the launch of strategic projects in the technology field. This resulted in an overall achievement of 111.84% of objective.

As a result, Mr. Rose's gross variable compensation for 2014 amounted to €1,118,400.

In addition, upon receommendation of the Remunerations Committee, the Board of Directors launched a series of discussions about the introduction of a multi-year compensation plan to accompany the new Drive 2020 strategic plan. These discussions, for which a reputable adviser has been appointed, will result in a multi-year compensation plan being presented at the General Shareholders' Meeting to be held in 2016

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

Pursuant to a decision by the Board on October 24, 2013, Mr. Rose is bound by a minimum commitment to invest in Technicolor shares. This obligation is for a number of shares equal to 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. At the date hereof, Mr. Rose's investment exceeds the above rule.

Stock options

There was no grant of stock options to Mr. Rose in 2014.

Management Incentive Plan (MIP-SP1)

Mr. Rose was the beneficiary of a Medium-Term Incentive Plan (MIP-SP1) approved by the Board of Directors on June 17, 2010. After review by the Board of the level of achievement of the performance conditions of the plan in February 2013,190,529 stock options vested to the benefit of Mr. Rose (see the table in section 6.1.4: "Stock option plans and free share plans" in Chapter 6: "Social information and sustainability").

The options may be exercised until June 17, 2018, provided the beneficiary is still with the Company on the date of exercise. The exercise price of the stock options is €6.52 (after adjustment following the Capital Increases carried out in 2012). No discount has been applied.

In accordance with Article L. 225-185, paragraph 4 of the French Commercial Code, in the event that all or some of the stock options

granted to him are exercised, Mr. Rose will have to keep (in registered form), until the end of his term, the amount of shares acquired through the exercise of options representing 20% of net proceeds, defined as the difference between the value of the shares on the date of exercise and the exercise price free of taxes and social contributions, including social charges or charges of any nature due on the date of exercise as well as those potentially due after that date, and regardless of the country in which these charges apply.

Management Incentive Plan (MIP 2015)

The Board of Directors approved on May 23, 2013 a mid-term Management Incentive Plan designed to retain key Company employees while aligning their interests with those of the Company and its shareholders. This plan covers 83 employees of the Company. Mr. Rose was awarded 2,685,000 stock option rights under this plan, at an exercise price of €3.31, with no discount. This award to Mr. Rose represented 17% of total awards as of the date of the Board's decision and 0.79% of the share capital at December 31, 2014.

The exercise of the options is subject to a presence condition and to a performance condition tied to consolidated Free Cash Flow, according to a predefined timetable:

- On May 23, 2015, Mr. Rose may exercise 1,342,500 options (50% of the options awarded), as the Board found that the performance condition was satisfied;
- On May 23, 2016, should the generation of consolidated Free Cash Flow for fiscal year 2015 be greater than or equal to €100 million, 25% of the options awarded shall become exercisable;
- On May 23, 2017, should the generation of consolidated Free Cash Flow for fiscal year 2016 be greater than or equal to €100 million, 25% of the options awarded shall become exercisable. In the event that the performance condition for 2015 has not been satisfied, all options that have not previously vested shall vest.

The Board of Directors held on February 18, 2015 found that the consolidated Free Cash Flow condition for fiscal year 2014 was satisfied and that the number of options that may be exercised by Mr. Rose was 1,342,500. The options shall be exercisable from May 23, 2015, subject to presence condition.

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 2014 (Table 4 of the Annex of the AFEP-MEDEF Corporate Governance Code)

During fiscal year 2014, no stock options were granted to Mr. Rose

Options granted during the fiscal year	Number of options granted
None	

Free (performance) shares

There was no grant of free (performance) shares to Mr. Rose in 2014.

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 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.

182,186 free shares vested to the benefit of Mr. Rose (see table in Chapter 6: "Social Information and Sustainability", section 6.1.4: "Stock option plans and free share plans" of this Annual Report) after review by the Board of the level of achievement of the performance conditions in March 2012, March 2013 and March 2014. These shares will be delivered in June 2015.

Pursuant to Article L. 225-185, paragraph 4 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. The reference price to calculate such number of shares shall be the opening share price on the date of acquisition of the shares.

Free shares granted to Mr. Frédéric Rose during fiscal year 2014 (Table No. 6 of the Annex of the AFEP-MEDEF Corporate Governance Code)

During fiscal year 2014, no free shares were awarded to Mr. Rose

Free shares awarded in 2014	Number of free shares awarded
None	

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

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

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

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

Furthermore, in the event of termination from his duties, Mr. Rose shall be bound by a non-competition clause will be enforceable for a period of nine months following termination, and applicable in Europe, Asia and the United States, in exchange for which he will receive monthly compensation calculated based on the basis of his last monthly overall pay. The increase of the fixed and variable compensation approved by the Board of Directors on July 25, 2013 shall not be considered in the determination of such compensation.

Other compensation items

Mr. Rose does not benefit from any specific pension scheme. He has the use of a vehicle representing a benefit in kind totaling €4,260 in 2014.

The employer's charges paid by Group companies in respect of Mr. Frédéric Rose's compensation amounted to €581,506 in 2014.

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

	2013		2014	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed	1,000,000	1,000,000	1,000,000	1,000,000
Variable	1,293,750 (1)	1,152,000 (2)	1,118,400 (3)	1,293,750 (1)
Cash premium (MIP-SP1)	N/A	436,464	N/A	N/A
Cash premium (LTIP)	253,985 (6)	149,333 (5)	N/A	253,985
Directors' fees (4)	N/A	N/A	N/A	N/A
Fringe Benefits	4,260	4,260	4,260	4,260
TOTAL	**2,551,995**	**2,742,057**	**2,122,660**	**2,551,995**

(1) Variable compensation for 2013, paid in 2014.
(2) Variable compensation for 2012, paid in 2013.
(3) Variable compensation for 2014, to be paid in 2015.
(4) Mr. Rose is not entitled to receive Directors' fees.
(5) Cash premium (LTIP) for 2012, paid in 2013.
(6) Cash premium (LTIP) for 2013, paid in 2014.

Table summarizing the compensation of Mr. Frédéric Rose (Annex 2 of the AFG Recommendations on corporate governance)

	2012 Amounts due	2013 Amounts due	2014 Amounts due
Fixed	800,000	1,000,000	1,000,000
Variable	1,152,000	1,293,750	1,118,400
Directors' fees	N/A	N/A	N/A
Fringe Benefits	4,260	4,260	4,260
Cash premium (MIP-SP1)	436,464	N/A	N/A
Cash premium (LTIP)	149,333	253,985 (1)	N/A
Extraordinary compensation	N/A	N/A	N/A
TOTAL	**2,542,057**	**2,551,995**	**2,122,660**
Stock options: number of options	**190,529 (2)**	**2,685,000 (3)**	**N/A**
Exercise Price	EUR 6.52	EUR 3.31	N/A
Exercise period	June 18, 2014 - June 17, 2018	May 23, 2015 - May 23, 2021	N/A
Value at the grant date of the stock options *(in euros)*	294,622 (4)	2,958,870 (4)	N/A
Free shares (LTIP): number of performance shares	**59,733 (5)**	**101,594 (1) (5)**	**N/A**
Value at the grant date of the Performance Units *(in euros)*	178,742 (4)	304,005 (4)	N/A

(1) After the Board of Directors of Technicolor's review of the level of achievement of the performance conditions applicable to the plan, at its meeting on March 26, 2014.
(2) Number of stock option rights acquired by Mr. Rose under MIP-SP1 after the Board of Directors reviewed the level of achievement of performance conditions on February 21, 2013 (see above).
(3) Number of stock options acquired by Mr. Rose under the MIP 2015 Plan approved by the Board of Directors on May 23, 2013. The exercise of options is subject to presence and performance conditions – see above.
(4) According to IFRS 2, this valuation is re-estimated at the end of each fiscal year depending on the level of achievement of the performance conditions of the plan.
(5) For the record, Mr. Rose had acquired, under the 2011 LTIP, 20,859 shares for 2011

4.4.5 OVERVIEW OF COMPENSATION, BENEFITS, OPTIONS AND PERFORMANCE SHARES AWARDED TO EXECUTIVE DIRECTORS

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

	Rémy Sautter		Didier Lombard		Frédéric Rose	
	Amounts due *(in euros)*		Amounts due *(in euros)*		Amounts due *(in euros)*	
	Fiscal year 2013	Fiscal year 2014	Fiscal year 2013	Fiscal year 2014	Fiscal year 2013	Fiscal year 2014
Compensation owed for the fiscal year (detailed in the tables provided in paragraphs 4.4.2, 4.4.3 and 4.4.4)	148,958	64,015	61,364	128,085	2,551,995	2,122,660
Valuation of options granted during the fiscal year (detailed in the table provided in paragraph 4.4.4)	N/A	N/A	N/A	N/A	2,958,870 (1)	N/A
Valuation of performance shares granted during the fiscal year (detailed in the table provided in paragraph 4.4.4)	N/A	N/A	N/A	N/A	304,005	N/A
TOTAL	**148,958**	**64,015**	**61,364**	**128,085**	**5,814,870**	**2,122,660**

(1) Value of the options at grant date, determined in accordance with IFRS 2, before the spread of the expense over the acquisition period. The exercise of the options is subject to performance conditions tied to the Consolidated Free Cash Flow and to a condition of presence on the exercise date. See section 4.4.4 above.

4.4.6 COMPENSATION ITEMS FOR MR. RÉMY SAUTTER, CHAIRMAN OF THE BOARD UNTIL MAY 22, 2014, SUBJECT TO SHAREHOLDERS' ADVISORY VOTE

Mr. Rémy Sautter served as Chairman of the Board of Directors between June 20, 2012 and May 22, 2014.

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

Compensation items due or attributable for fiscal year 2014 to Mr. Rémy Sautter, Chairman of the Board of Directors, subject to the shareholders' advisory vote

Compensation items due or attributable to Mr. Rémy Sautter for fiscal year 2014

	Gross amounts	Comments
Fixed compensation	€64,015 (1)	Mr. Sautter's compensation as Chairman of the Board was determined by the Board of Directors on October 25, 2012 and reviewed by the Board on May 23, 2013. The gross annual amount was €162,500.

(1) Amount calculated on a prorata basis for the period from January 1, 2014 to May 22, 2014, the date on which his term of office expired.

Mr. Sautter did not receive any of the following compensation items for fiscal year 2014: variable compensation, deferred or multi-year variable compensation, stock options, performance shares, Directors' fees, additional pension scheme, severance or non-compete indemnity.

4.4.7 COMPENSATION ITEMS FOR MR. DIDIER LOMBARD, CHAIRMAN OF THE BOARD SINCE MAY 22, 2014, SUBJECT TO SHAREHOLDERS' ADVISORY VOTE

In accordance with Article L. 24.3 of the AFEP-MEDEF Corporate Governance Code of June 2013, 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 2014 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 2014

	Gross amounts	Comments
Directors' fees	€120,000	Mr. Lombard's compensation as Chairman of the Board was determined by the Board of Directors on July 24, 2014. Mr. Lombard receives the following Director's fees with effect from January 1, 2014: ■ a fixed amount of €70,000; ■ a variable amount depending on attendance at Board and Committee meetings, set at €5,000 per Board meeting, €2,000 per Nominations & Governance Committee Meeting and €2,000 per Technology Committee Meeting.
Benefits in kind	€8,085	Mr. Lombard receives a benefit in kind in the form of a company vehicle.

Mr. Lombard does not receive any of the following compensation items: fixed or variable compensation, deferred or multi-year variable compensation, stock options, performance shares, additional pension scheme, severance or non-compete indemnity.

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

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

Compensation items due or attributable for fiscal year 2014 to Mr. Frédéric Rose, Chief Executive Officer, subject to shareholders' advisory vote

Compensation items due or attributable to Mr. Frédéric Rose for fiscal year 2014

	Gross amounts	Comments
Fixed compensation	€1,000,000	Mr. Rose's compensation was approved by the Board of Directors on July 23, 2008 and reviewed at meetings on March 9, 2009 and July 25, 2013. This amount remained unchanged in 2014.
Variable compensation	€1,118,400	The amount of variable compensation may represent 100% of the annual gross fixed compensation in the event the targets are achieved, and is limited to 150% in the event the targets are exceeded. It depends on the achievement of the following performance objectives for 2014: ■ a consolidated adjusted EBITDA target of €564 million, corresponding to 30% of the targeted bonus; ■ a consolidated Free Cash Flow target of €187 million, adjusted for exceptional events, corresponding to 50% of the targeted bonus; and ■ a qualitative target corresponding to 20% of the variable target, the achievement of which is assessed by the Board, tied to the evolution of the portfolio of activities of the Group, in accordance with the objectives of the Amplify 2015 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. In 2013, the Board of Directors decided to progressively modify the respective wieght of the quantitative objectives, from parity to a 50%-30% breakdown, thus highlighting the dominant weight of Free Cash Flow in the Company's performance measurement. The Board of Directors, at its meeting on February 18, 2015, reviewed the level of achievement of the above performance objectives for 2014. The consolidated adjusted EBITDA performance objective for 2014 reached 0.528x and the consolidated Free Cash Flow objective reached 1.5x (on a scale from 0 to 1.5). The Board moreover considered that the qualitative target reached 1.05x, taking into account inter alia the turnaround of the Connected Home segment and the launch of strategic projects in the technology field. This resulted in an overall achievement of 111.84% of objective.
Fringe Benefits	€4,260	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 dismissal from his position, except in case of gross negligence or willful misconduct, Mr. Rose shall receive compensation of a maximum gross amount equal to fifteen months of his fixed and variable compensation, calculated based on the total gross compensation (fixed and variable) paid to him for the last fiscal year. The increase of the fixed and variable compensation approved by the Board of Directors of July 25, 2013 shall not be considered in the determination of dismissal compensation. Half of the indemnity payment is subject to the achievement of a consolidated 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 items relative to this indemnity are described in section 4.4.4 above. This commitment was authorized by the Board of Directors of March 9, 2009 and approved by the Ordinary Shareholders' Meeting on June 16, 2009, in its Ninth Resolution.
Non-competition indemnity	No payment	In the event of termination from his duties, a non-competition clause will be enforceable for a period of 9 months following termination, and applicable in Europe, Asia and the United States, in exchange for which he will receive monthly compensation calculated on the basis of his last monthly overall pay (fixed and variable compensation). Details of the items relative to this indemnity are described in section 4.4.4 above. This commitment was authorized by the Board of Directors of July 23, 2008 and modified on March 9, 2009, and was approved by the Ordinary Shareholders' Meeting on June 16, 2009 in its Eighth Resolution.

For 2014, Mr. Frédéric Rose has not been awarded, or did not benefit from, the following compensation items for 2014: deferred variable compensation, extraordinary compensation, stock options, performance shares, Directors' fees and supplementary pension scheme.

4.4.9 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 Directors and 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 Annual General Shareholders' Meeting, and their allocation among the Directors. The maximum annual amount of Directors' fees that can be paid to the Directors was set at €650,000 by the Annual General Shareholders' Meeting held on May 23, 2013.

The annual distribution of Directors' fees owed for 2014 is as follows:

- a fixed fee of €35,000 for each Director;
- a fixed fee of €10,000 for each Committee Chairman;
- a fee of €2,500 for each meeting of the Board of Directors;
- an additional fee of €2,000 for each meeting of the Board of Directors that is held across the Atlantic;
- a fee of €2,500 for each meeting of the Audit Committee;
- a fee of €2,000 for each meeting of the Remunerations and of the Nomination and Governance Committees, the Technology Committee and the 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.

The Directors did not receive any other compensation besides Directors' fees in respect of fiscal year 2014. Except for Mr. Frédéric Rose and Mr. Bruce Hack, 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 and non-voting Directors in 2013 and 2014 (Table 3 of the Annex of the AFEP-MEDEF Corporate Governance Code)

Name	Gross amounts paid in 2013		Gross amounts paid in 2014	
(in euros)	Directors' fees [1]	Extraordinary compensation	Directors' fees [2]	Extraordinary compensation
Lloyd Carney	60,545	-	68,000	-
Loïc Desmouceaux [4]	56,455 [3]	-	60,500	-
David Fishman	30,273 [5]	-	77,000	-
Catherine Guillouard	63,000	-	36,000 [6]	-
Bruce Hack	78,545	-	97,000	-
Hugues Lepic	N/A	-	56,500	-
Didier Lombard	61,364	-	80,500	-
Laura Quatela	N/A		37,000	
John Roche	34,773	-	N/A	-
Rémy Sautter	33,136 [7]	-	N/A	-
Alexander Slusky	31,909 [5]	-	84,500	-
TOTAL	**450,000**		**597,000**	**-**

(1) Directors' fees for 2012, paid in 2013. The maximum annual amount of Directors' fees being reached, the Board of Directors decided to reduce the amount due to each Director on a prorata basis.
(2) Directors' fees for 2013, paid in 2014.
(3) €4,000 was paid directly to the Technicolor Employee Shareholders' Association at the request of Mr. Loïc Desmouceaux.
(4) Mr. Desmouceaux was appointed non-voting Director by the Board of Directors on December 19, 2012
(5) Amount of the Directors' fees from July 16, 2012, the date on which the directorships of Messrs. Alexander Slusky and David Fishman became effective.
(6) Amount of Directors' fees until August 1, 2014, the date on which the resignation of Ms. Guillouard became effective.
(7) Amount of the Directors' fees until June 20, 2012, the date on which Mr. Sautter was appointed as Chairman of the Board.

Directors' fees paid in 2015 (Directors' fees for 2014)

Name	Gross amounts paid	
(in euros)	Directors' fees	Extraordinary compensation
Virginie Calmels	44,500 [1]	
Lloyd Carney	67,500	-
David Fishman	72,000	-
Nicolas Grelier	25,000 [2]	
Bruce Hack [3]	93,000	-
Hugues Lepic	64,000	
Didier Lombard	120,000 [4]	-
Laura Quatela	76,000	-
Alexander Slusky	61,500	-
TOTAL	**623,500**	**-**

(1) Amount of Directors' fees from May 22, 2014, the date on which Ms. Virginie Calmels was appointed as a Director
(2) Amount of Directors' fees from July 24, 2014, when Mr. Nicolas Grelier took office as employee Director. The total amount of Directors' fees due to Mr. Grelier was paid directly to the Trade Union by which he was nominated
(3) Mr. Bruce Hack was awarded stock options for Maximum Play, Inc., a Group company (see paragraph "Other compensation" below)
(4) In accordance with the Board of Directors' decision of July 24, 2014, Mr. Didier Lombard's compensation as Chairman of the Board is covered by Directors' fees

Compensation paid to the non-voting Director in 2015(1) (compensation due for fiscal year 2014)

Name		Gross amounts paid
(in euros)	**Compensation in capacity as Observer**	**Extraordinary compensation**
Loïc Desmouceaux	31,500 gross (2)	-

(1) Ms. Béatrix de Russé stepped down as non-voting Director in January 2015. Ms. Béatrix de Russé received no compensation in her capacity as non-voting Director
(2) Amount of compensation paid until June 2014, when Mr. Loïc Desmouceaux's appointment as non-voting Director came to an end.

Other compensation

Other compensation items for Mr. Bruce Hack

On June 12, 2014, Mr. Bruce Hack was appointed as Chairman of Maximum Play, Inc., a company registered in California, subsidiary at 100% owned by Technicolor USA Inc.. Maximum Play, Inc. is a company active in the electronic gaming sector. It is mainly involved in the development of real-time data management tools. It was created with the help of Technicolor employees as part of the Jumpstart incubation program launched in 2012. It is classified as a start-up and is yet to generate revenue. Mr. Hack was appointed Chairman in view of his knowledge of the gaming industry, which he acquired as Chairman and CEO of Vivendi Games between 2004 and 2008.

Following a decision of the Board of Directors of Maximum Play Inc., and in accordance with U.S. practice on executive compensation, Mr. Hack has the right to purchase a maximum of 600,000 shares ("stock options") in the company, under the conditions defined by the 2014 incentive plan put in place by the company. This figure represents 2.2% of the company's share capital. Provided Mr. Hack remains with the company, the stock options will vest according to the following schedule:

- on October 1, 2014, 5/48th of the stock options may be acquired;
- thereafter, on the first of each month, 1/48th of the stock options may be acquired, until the above limit has been reached.

The exercise price of the stock options corresponds to the market value of the shares on the date of the decision of Maximum Play, Inc.'s Board or $0.23.

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

Stock options

During fiscal year 2014, no stock options previously awarded to the Executive Directors were exercised by the beneficiaries.

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

Free shares

During fiscal year 2014, no free shares granted previously to the Executive Directors became available.

Free shares that became available in 2014 (Table 7 of the Annex of the AFEP-MEDEF Corporate Governance Code)	None

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

4.5 EXECUTIVE COMMITTEE

4.5.1 MEMBERS OF THE EXECUTIVE COMMITTEE

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

Name of Executive Committee Member	Age	Responsibility	Appointed
Frédéric Rose	52	Chief Executive Officer	2008
Fabienne Brunet	59	Human Resources	2014
Sandra Carvalho	46	Marketing	2013
Esther Gaide	53	Deputy Chief Financial Officer	2015
Quentin Lilly	53	Home Entertainment Services	2014
Vince Pizzica	51	Corporate Development & Strategy	2008
Michel Rahier	61	Deputy CEO - Connected Home – Operations Services & Transformation	2011
Stéphane Rougeot	46	Deputy CEO - Technology Licensing – M-GO - Chief Financial Officer	2008
Tim Sarnoff	55	Deputy CEO - Production Services	2014
Boris Teksler	44	Technology	2013

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.

Ms. 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.

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.

Mrs. Esther Gaide is Group Deputy CFO since 2012 and a member of the Executive Committee since February 2015. She oversees all financial departments. She joined Technicolor in September 2011 after 5 years in The Havas Group as Deputy CFO and Group Human Ressources 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. Esther Gaide is a graduate of ESSEC, a French business school, and is a French CPA.

Mr. Vince 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. Stéphane Rougeot is Chief Financial Officer and, since February 2015, Deputy CEO. In this capacity, he oversees the new licensing initiatives, as well as the Technology Licensing and M-GO businesses. Prior to joining Technicolor in November 2008, he spent five years with France Telecom Orange, first as Head of Strategy for Equant, then as Head of Indirect Sales for Orange Business Services and finally as Group Controller. Previously, he had been in charge of Investor Relations and head of Corporate Communications for Thomson. Mr. Stéphane Rougeot began his career with Total in Africa and Paris, serving in a range of financial control, project finance and M&A functions. He is a graduate of the IEP *(Institut d'études politiques)* business school in Paris and holds a DEA in International Economics and Finance from Paris Dauphine 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. Tim Sarnoff holds Bachelor's Degrees in Psychology and in Journalism from Stanford University.

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

Role of the Executive Committee

The Executive Committee meets under the direction of the CEO every two weeks, with an agenda determined collectively by its Members. It examines questions relating to the activities of the Group. In this regard, it deals primarily with business activities, specific projects, following up on transactions and financial results, and the identification and assessment of risks.

Please refer to section 4.2.2.2: "General control environment – Group management and decision – making processes" of this Annual Report.

4.5.2 EXECUTIVE COMMITTEE COMPENSATION

Executive Committee compensation

In 2014, 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 €11.5 million for a total of 9 members (excluding charges and including variable components - short and long-term plans - of €6.8 million, calculated on the basis of the 2013 Group financial results).

In 2013, 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 €10.4 million (excluding charges and including a variable component of €6.3 million calculated on the basis of the 2012 Group financial results).

The difference between the compensation paid in 2014 and 2013 is explained by the increase of the number of Executive Committee members from 7 to 9.

The total amount provided for pensions and retirement and other similar benefits granted to the Members of the Executive Committee amounted to €0.22 million in 2014.

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

None.

5 TECHNICOLOR AND ITS SHAREHOLDERS

5.1 SHARE CAPITAL 106

5.1.1 Distribution of share capital and voting rights 106
5.1.2 Purchases of equity securities by the issuer and affiliated purchasers – Board of Directors' report on treasury shares 107
5.1.3 Individuals or entities holding control of the Company 109
5.1.4 Shareholders' agreements 109
5.1.5 Modifications in the distribution of share capital over the past three years 110
5.1.6 Changes to share capital 111
5.1.7 Potential modifications to the Company's share capital 111
5.1.8 Delegations granted to the board of directors by the Shareholders' Meetings 112
5.1.9 Dividend policy 113
5.1.10 Other information relating to share capital 113

5.2 LISTING INFORMATION 114

5.2.1 Markets for the Company's securities 114
5.2.2 Listing on NYSE Euronext Paris 115

5.1 SHARE CAPITAL

Share capital as of December 31, 2014

As of December 31, 2014, the Company's share capital was composed of 335,907,670 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" in this Chapter).

5.1.1 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS

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

	December 31, 2014			December 31, 2013			December 31, 2012		
Shareholders	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]	292,074,782	86.95%	87.05%	265,762,470	79.16%	79.28%	265,476,835	79.12%	79.26%
Vector TCH (Lux) 1 S.à r.l[2]	43,461,319	12.94%	12.95%	69,461,319	20.70%	20.72%	69,461,319	20.70%	20.74%
Treasury shares[3]	371,569	0.11%	-	485,603	0.14%	-	605,687	0.18%	-
TOTAL	**335,907,670**	**100%**	**100%**	**335,709,392**	**100%**	**100%**	**335,543,841**	**100%**	**100%**

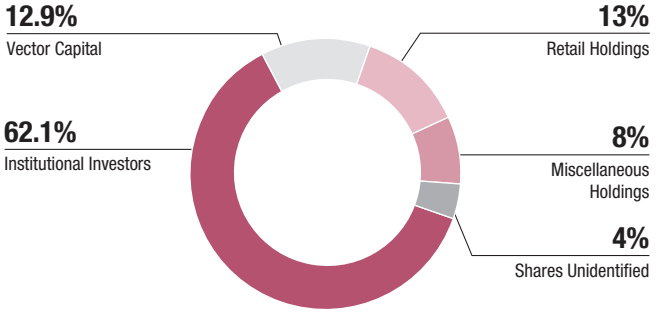
(1) Estimate obtained by subtraction.
(2) Vector TCH (Lux) 1, S.à r.l. is an investment vehicle wholly owned by the fund Vector TCH Cayman Ltd., which itself is wholly owned by the funds Vector Capital IV International, LP, Vector Capital III International, LP and Vector Entrepreneur Fund III, LP. See section 5.1.5: "Modifications in the distribution of share capital over the past three years" of Chapter 5 of this Annual Report.
(3) Direct registered shares, excluding shares allocated to the Share Management Agreement.

Share ownership thresholds' crossings notified to the Company in 2014

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 2014:

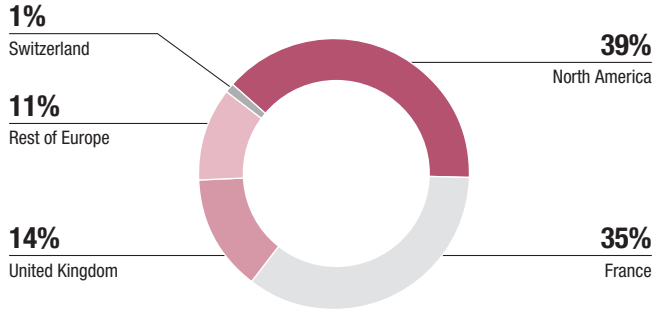
Shareholders	Date on which threshold crossed	Threshold crossed upwards or downwards	Thresholds crossed	Percentage of share capital held	Number of sharesheld
Vector TCH (Lux) 1, S.à r.l.	March 14, 2014	downwards	20.00% and 15.00%	12.94%	43,461,319

Total shareholder composition



Company Related < 1 %

Institutional shares by geography



Rest of the World < 1 %

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

On July 12, 2013, the Caisse des Dépôts et Consignations disclosed that it held, jointly with Bpifrance Participations SA, 8.29% of the share capital and voting rights of the Company. The Caisse des Dépôts et Consignations has not disclosed that it has crossed a statutory threshold since then.

To the Company's knowledge, excluding Vector Capital and the Caisse des Dépôts et Consignations, there is no other shareholder that holds more than 5% of the share capital or voting rights as of March 17, 2015.

Other information regarding the Company's shareholders

In 2012, the investment fund Vector Capital acquired a minority interest in the Company's capital through two Capital Increases (see section 5.1.5 of the present chapter for more details on these operations).

On July 10, 2012, Vector Capital and the Company signed a governance agreement under which Vector Capital assumed certain commitments. Claiming that these commitments had not been met, in November 2014 the Company filed a lawsuit against Vector Capital before the Commercial Court, seeking the legal termination of this Agreement.

However, the Company announced on March 2, 2015 that it has entered into an agreement with Vector Capital according to which both the Governance Agreement and the legal disputes between the two parties are terminated (see section 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 Chapter 4: "Corporate governance and internal control" of this Annual Report).

To the Company's knowledge, except Vector Capital, corporate entity related to Messrs. Slusky and Fishman, Directors of the Company, and Mr. Lepic, no other member of the administrative or executive bodies currently holds more than 1% of the share capital or voting rights of the Company (for more information concerning the Board of Directors' shareholding, pleases refer to Chapter 4: "Corporate governance and internal controls" section 4.1.3.4: "Directors' shareholdings in the Company's registered capital" of this Annual Report).

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

Vector Capital has been continuously holding its shares in a registered form since January 7, 2015.

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.

Share purchase program approved in 2014

A share purchase program has been, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, approved by the Combined Shareholders' Meeting of May 22, 2014, superseding the authorization granted by the Combined Shareholders' Meeting of May 23, 2013. In accordance with the provisions of Regulation (EC) No. 2273/2003 of December 22, 2003 and the provisions of Title IV of Book II of the General Regulation of the AMF, the aims of this program are as follows:

- to cover stock option and free share plans;
- to maintain a liquid market in the Company's shares *via* a share management agreement with an independent investment services provider in accordance with a code of conduct recognized by the AMF.

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

- the number of shares that the Company purchases during the term of the buyback program at no time exceeds 10% of the Company's share capital, said percentage applying to capital adjusted for transactions after the date of the General Shareholders' Meeting on May 22, 2014, which would mean, as an indication, a maximum of 33,590,767 shares at December 31, 2014;
- the number of shares that the Company can hold at any time may not exceed 10% of the Company's share capital.

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

The total amount allocated to the share purchase program may not exceed €335,907,670.

The acquisition, disposal or transfer of shares may take place at any time except during a public tender offer on the company's securities, on-exchange or over-the-counter, including by the acquisition or disposal of blocks (with no limit on how much of the share purchase program may be implemented in this way), or 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 in compliance with the applicable regulations.

This authorization is given for an 18-month period, *i.e.* until November 22, 2015.

Share purchase program submitted for approval in 2015

A new share purchase program will be submitted for approval during the General Shareholders' Meeting convened on April 9, 2015.

In accordance with 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 in the frame of the Company's stock options plans or any similar plan in accordance with provisions of Articles L. 225-17 *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 in the frame 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 capital by redemption, conversion, exchange, presentation of a warrant or by any other mean;
- 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 buyback program should at no time exceed 10% of the Company's share capital, said percentage applying to capital adjusted for transactions after the date of this General Shareholders' Meeting, *i.e.* a number of share not exceeding 33,590,767 at the date of this Shareholders' Meeting, it being specified that:
  - 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,
  - 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 tender 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 €335,907,670.

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 May 22, 2014 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 (the "Share Management Agreement"). This contract 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 contract, €3 million has been allocated to the liquidity account. See below for additional information on the implementation of this contract.

Shares purchased by Technicolor and allocation of treasury shares as of December 31, 2014

As of December 31, 2014, the Company held (excluding the Share Management Agreement) 371,569 treasury shares representing 0.11% of the share capital, with a gross book value of €55,468,042.73 and a nominal value of €371,569.

Percentage of treasury shares held directly or indirectly(2)	0.11%
Number of treasury shares held directly or indirectly	371,569
Number of shares canceled over the last 24 months(3)	-
Gross book value of shares owned *(in €)*	55,468,042.73
Market value of shares owned(4) *(in €)*	1,723,708.59

(1) As of December 31, 2014, the net balance of the shares purchased in the frame of the Share Management Agreement was 272,762, raising the total amount of treasury shares to 644,331, representing 0.19% of the share capital
(2) Excluding shares allocated to the Share Management Agreement
(3) Last 24 months preceding December 31, 2014.
(4) Based on a quoted market price of €4,6390 per share on December 31, 2014.

The 371,569 treasury shares held by the Company as of December 31, 2014 were allocated by the Board of Directors on October 20, 2010 for employee option programs or other allocations of shares to employees and Executive Officers of the Group.

On March 31, 2014, the Company delivered 114,034 treasury shares to beneficiaries of the MIP-SP2 plan (see section 6.1.4 "Stock options and free share plans" in Chapter 6: "Social information and sustainability" of this Annual Report).

Corporate actions implemented by the Company between June 3, 2014 and February 27, 2015

In accordance with Article L. 225-211 of the French Commercial Code, under the Share Management Agreement and during the period from June 3, 2014 to February 27, 2015, the Company's aggregate purchases totaled 2,123,439 shares (at the average price of €5.129) or 0.63% of the share capital, amounting to €10,891,416.35 ; while the aggregate sales totaled 1,998,985 shares (at the average price of €5.126), amounting to € 10,247,499.38.

Apart from transactions carried out under this contract, the Company did not buy back 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 any of its shareholders.

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

In 2012

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

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

- an initial capital increase in the amount of €94,943,012, including share premium, without shareholders' preferential subscription rights, through the issuance of 47,471,506 new shares at a price of €2.00 per share, entirely reserved for Vector TCH (Lux) 1, S.à r.l. (formerly Petalite Investments S.à r.l.) (the "Reserved Capital Increase"); and
- a second capital increase in the amount of €96,163,573, including share premium, with shareholders' preferential subscription rights, through the issuance of 61,643,316 new shares at a price of €1.56 per share, in a ratio of five new shares for 22 existing shares (the "Capital Increase with PSR" and, together with the Reserved Capital Increase, the "Capital Increases").

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

In 2013

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

In 2014

On March 11, 2014, Vector Capital sold 26 million shares of the Company 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.

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 securities 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 €)*
At December 31, 2011			223,759,083		1,072,067,135*	223,759,083	1
July 16, 2012 Increase in capital Reserved**	47,471,506	47,471,506	271,230,589	47,471,506		271,230,589	1
August 14, 2012 Capital increase with preferential subscription rights**	61,643,316	61,643,316	332,873,905	34,520,258		332,873,905	1
Fees related to Capital Increases				(10,103,209)			
December 27, 2012 Capital increase after conversion of all remaining NRS II and IIC	2,669,936	2,669,936	335,543,841	17,156,285	1,161,111,975	2,669,936	1
As of December 31, 2012			335,543,841		1,161,111,975	335,543,841	1
June 17, 2013 Capital increase Creation of new shares under LTIP 2011	165,551	165,551	335,709,392	(165,551)	1,160,946,424	335,709,392	1
As of December 31, 2013			335,709,392			335,709,392	1
March 31, 2014 Capital increase Creation of new shares under the MIP-SP2 (2010)	198,278	198,278	335,907,670	(198,278)	1,160,748,146	335,907,670	1
December 31, 2014			335,907,670			335,907,670	1

* *Different from IFRS equity because Notes Redeemable in Shares (NRS) are considered as an equity component and not as a debt.*
** *For further details about these Capital Increases, see section 5.1.5: "Modifications in the distribution of share capital over the past three years" in this chapter.*

5.1.7 POTENTIAL MODIFICATIONS TO THE COMPANY'S SHARE CAPITAL

Subscription options

At December 31, 2014, a total of 20,933,241 stock options were allocated to employees and Executive 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 Annual Report).

If all options in the stock option plans mentioned above were exercised, 20,933,241 shares would be issued. Technicolor's capital would be composed of 356,840,911 ordinary shares, *i.e.* a 6.23 % increase in the number of shares as compared with the number existing as of December 31, 2014.

Convertible/Exchangeable bonds/Share purchase warrants

At March 17, 2015, 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 2014 fiscal year:

I – Financial delegations to allow equity-linked instruments excluding employees or executive 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	None	100% of the ceiling
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 L411-2 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	None	100% of the ceiling
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	N/A	N/A

II – Delegations to allow equity-linked instruments for employees or executive 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 shares available
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 at May 22, 2014 (1)	None	100% of the ceiling
Capital increase, without preferential subscription rights, reserved for employees and Executive 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 at May 22, 2014 (1)	None	100% of the ceiling
Grant of share subscriptions or purchase options to employees and Executive Officers **(15th resolution of the CSM of May 23, 2013)**	38 months August 23, 2016	26,843,507 shares representing 8% of share capital at May 23, 2013	None	7.99% of the share capital at December 31, 2014 (2)
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 at May 22, 2014	None	100% of the ceiling

(1) The ceilings of the 17th and 18th resolutions are common so that the use of one of these delegations will count towards the individual ceiling of the other delegation.

(2) Authorization implemented by the Board of directors in 2013 and 2014 (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. The Company has not distributed any dividends in respect of the 2013, 2012 and 2011 fiscal years. The payment of a dividend of €0.05 per share will be submitted to the Shareholders' General Meeting convened on April 9, 2015.

The Internal Regulations of the Board of Directors (described in Chapter 4: "Corporate governance and internal control procedures", section 4.2.1: "Preparation and organization of the Board of Directors' works" in paragraph 4.2.1.2: "Structure of Board of Directors' work – Internal Board Rules" in this Annual Report) require the approval of a qualified majority of two-thirds of the Directors for any decision relating to payment of dividends. Furthermore, the Term Loan Debt Agreement contains clauses restricting the Company's ability to declare or pay dividends (see Chapter 2: "Operating and financial review and prospects", section 2.10.3 "Financial resources" of this Annual Report).

5.1.10 OTHER INFORMATION RELATING TO SHARE CAPITAL

Technicolor shares subject to a security interest

To the Company's knowledge, as of March 17, 2015, no shares of the Company were subject to a pledge or other security interest.

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

Pursuant to Article L. 225-100-3 of the French Commercial Code, the Term Loan Debt Agreement and the RCF 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 Annual Report.

5.2 LISTING INFORMATION

5.2.1 MARKETS FOR THE COMPANY'S SECURITIES

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

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

Technicolor's shares are eligible for the Long-only Deferred Settlement Service. 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, either (i) settle the trade no later than the last trading day of such month, or (ii) upon payment of an additional fee, extend to the determination date of the following month the option either to settle no later than the last trading day of such month or postpone again the selection of a settlement date until the next determination date. Such option may be maintained on each subsequent determination date upon payment of an additional fee.

Equity securities traded on a deferred settlement basis are considered to have been transferred only after they have been registered in the purchaser's account. Under French securities regulations, any sale of a security traded on a deferred settlement basis during the month of a dividend payment date is deemed to occur after the dividend has been paid. Thus if the deferred settlement sale takes place during the month of a dividend payment, but before the actual payment date, the purchaser's account will be credited with an amount equal to the dividend paid and the seller's account will be debited by the same amount.

Prior to any transfer of securities listed on NYSE Euronext Paris held in registered form, the securities must be converted into bearer form and accordingly recorded in an account maintained by an intermediary accredited with Euroclear France, SA, a registered central security depositary. Trades of securities listed on NYSE Euronext Paris are cleared through L.C.H. Clearnet and settled through Euroclear France SA using a continuous net settlement system.

In France, Technicolor's ordinary shares are included in the SBF 120 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 NYSE EURONEXT PARIS

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

	NYSE Euronext Paris					
	Volume of transactions			Share price *(in €)*		
Years ending December 31	***(in millions of euros)***	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2010	1,716.1	170,758,550	6,686,057.0	6.29	11.62	3.55
2011	1,494.3	455,522,406	1,772,460.7	3.54	5.73	0.98
2012	1,146.3	593,522,948	2,318,449.0	1.87	2.69	1.14
2013	807.0	258,614,158	1,014,173.2	3.30	4.17	1.93
2014	1,231.3	248,831,865	975,811.2	4.99	6.18	3.52

Source: NYSE Euronext.

	NYSE Euronext Paris					
	Volume of transactions			Share price *(in €)*		
Quarters	***(in millions of euros)***	**Number of shares**	**Average volume**	**Average closing price**	**Highest price**	**Lowest price**
2012						
First quarter	676.90	326,111,600	5,017,101.50	1.99	2.69	1.14
Second quarter	267.36	160,414,367	2,587,328.50	1.68	2.20	1.32
Third quarter	127.35	68,086,199	1,047,480.00	1.87	2.10	1.57
Fourth quarter	74.67	38,910,782	607,981.00	1.92	2.01	1.79
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

Source: NYSE Euronext.

	NYSE 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**
2014						
September	62.70	11,301,705	513,713.86	5.61	5.91	5.14
October	120.97	25,862,538	1,124,458.17	4.79	5.37	4.17
November	67.82	15,000,746	750,037.30	4.57	4.91	4.22
December	53.40	12,083,899	575,423.76	4.49	4.84	4.02
2015						
January	82.11	16,800,556	800,026.48	4.86	5.34	4.44
February	107.68	19,534,535	976,726.75	5.51	5.95	5.28

Source: NYSE Euronext.

6 SOCIAL INFORMATION AND SUSTAINABILITY

6.1 EMPLOYEES AND WORKFORCE 118

- 6.1.1 Overview 118
- 6.1.2 Employee profit-sharing 119
- 6.1.3 Shares held by employees 119
- 6.1.4 Stock option plans and free share plans – Board of Directors' special report 120
- 6.1.5 Human Resources & sustainable development 125
- 6.1.6 Talent and development 125
- 6.1.7 Training policy 128
- 6.1.8 Remuneration policy 129
- 6.1.9 Labor relations 130
- 6.1.10 Working time management and absenteeism 130
- 6.1.11 ILO and global compact progress 131
- 6.1.12 Health and safety management 132

6.2 ENVIRONMENTAL MATTERS 134

- 6.2.1 General 134
- 6.2.2 Programs, systems, and activities 135
- 6.2.3 Operational data and results 139
- 6.2.4 Data collection method and rationale 143

6.3 STAKEHOLDER RELATIONS AND LOCAL IMPACTS OF THE COMPANY'S ACTIVITIES 145

6.4 SUPPLIER AND SUB-CONTRACTOR RELATIONS 146

6.5 TECHNICOLOR FOUNDATION FOR CINEMA HERITAGE 148

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 149

6.1 EMPLOYEES AND WORKFORCE

6.1.1 OVERVIEW

On December 31, 2014, the Group employed 14,201 employees (69% male and 31% female), compared to 14,000 employees at December 31, 2013, an increase of 1.44%.

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, 2014, 2013, and 2012, as well as the distribution of personnel across geographical regions.

	2014	2013	2012
Europe	3,921	3,894	4,135
North America	5,681	5,468	5,930
Asia [1]	2,183	2,063	1,960
Other countries [2]	2,416	2,575	2,614
TOTAL NUMBER OF EMPLOYEES	**14,201**	**14,000**	**14,639**
Number of employees in entities accounted for under the equity method *	344	417	413
* *Mainly the SV Holdco joint venture.*			
(1) Including India.	*1,755*	*1,409*	*1,238*
(2) Including Mexico.	*1,418*	*1,562*	*1,618*

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

The following table indicates the number of Group employees by segment as of December 31, 2014:

Segment	Number of employees	Percentage
Entertainment Services	10,629	74.85%
Connected Home	1,758	12.38%
Technology	591	4.16%
Transversal functions	1,223	8.61%
TOTAL	**14,201**	**100%**

Split by gender and age

At the end of December 2014, the Group employed 4,444 women (representing 31% of Technicolor headcount) and 9,757 men (representing 69% of Technicolor headcount) with the following breakdown per age:

Age	Women	Men	Total
< 20	5	21	26
20 to 29	889	2,269	3,158
30 to 39	1,598	3,814	5,412
40 to 49	1,162	2,139	3,301
50 to 59	646	1,214	1,860
60 +	144	300	444
TOTAL	**4,444**	**9,757**	**14,201**

Hiring and termination

During 2014, 4,527 employees have been hired and 2,019 were made redundant.

Methodology

Employees and workforce figures are extracted from the Technicolor worldwide HR repository system currently implemented in all Technicolor locations with the exception of Mr. X and Maximum Play provided separately and integrated in this overview.

6.1.2 EMPLOYEE PROFIT-SHARING

The Holding company and five French subsidiaries of the Company offer employees incentive plans based on the related subsidiary's results.

The total annual bonuses distributed to employees in connection with these incentive plans over the three most recent years amount to the following:

- amounts distributed in 2012 for year 2011: €1,907,592;
- amounts distributed in 2013 for year 2012: €1,811,405; and
- amounts distributed in 2014 for year 2013: €2,017,398 (including the Company match for the employees who elected to invest their profit sharing into the Group Saving Plan "PEG").

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, 2014, 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 745 913 shares, representing 0,22% of the share capital.

The Combined Shareholders' Meeting of May 22, 2014 authorized the Board of Directors to proceed with share Capital Increases reserved to the Group's employees in connection with an employee shareholding plan (for more information, see Chapter 5: "Technicolor and its shareholders", section 5.1.8: "Delegations granted to the Board of Directors by the Shareholders' Meetings").

6.1.4 STOCK OPTION PLANS AND FREE SHARE PLANS – BOARD OF DIRECTORS' SPECIAL REPORT

Stock Option Plans

The Shareholders' Meeting of May 23, 2013, in its fifteenth resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period, and is valid until July 23, 2016. Options granted under this authorization shall not give rights to a total number of shares greater than 26,843,507 representing 8% of the share capital at the date of the Shareholders' Meeting held on May 23, 2013 and 7.99% of the share capital as of December 31, 2014.

The Board of Directors made use of this authorization during fiscal year 2014 - see below.

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 concerns 64 key Group employees. The exercise price was set without discount. As of December 31, 2014, 4,715,000 stock options granted to the beneficiaries were outstanding, which represents 1.4% 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 2010-2014 - MIP-SP1

Making use of the authorization given by the Shareholders' Meeting of May 22, 2008 in its thirteenth resolution, the Board of Directors meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1 and SP2) for the benefit of the CEO and approximately 80 key Group employees. This plan awarded Performance Units comprised of half cash and, according to the categories of beneficiaries, either half subscription options or half performance shares.

The vesting of the options were subject to performance conditions. The level of achievement of the performance conditions of the plan were reviewed by the Board of Directors in February 2013.

The maximum number of subscription options that can be exercised is 887,972, accounting for 0.26% of the share capital, as of December 31, 2014. The options are exercisable from June 18, 2014 to June 17, 2018.

Management Incentive Plan 2015 - MIP 2015

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 2014.

Upon the recommendation of the Remuneration, Nomination and Governance Committee, on May 23, 2013, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, approved the establishment of a Mid-Term Management Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders. This plan concerns 83 Key Group employees. The Board of Directors made use of the authorization on several occasions (see the chart below). The exercise price was set without discount. As of December 31, 2014, 15,280,000 stock options rights were outstanding.

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

- on May 23, 2015, if the generation of consolidated Free Cash Flow for fiscal year 2014 is greater than or equal to €100 million, 50% of the options awarded shall become exercisable;
- on May 23, 2016, if the generation of consolidated Free Cash Flow for fiscal year 2015 is greater than or equal to €100 million, 25% of

the options awarded shall become exercisable. In the event that the Performance Objectives for 2014 were not achieved, 75% of the options would become exercisable;

- on May 23, 2017, if the generation of consolidated Free Cash Flow for fiscal year 2016 is greater than or equal to €100 million, 25% of the options awarded shall become exercisable. In the event that the Performance Objectives for 2014 and/or 2015 were not achieved, the options that had not become exercisable in 2015 and/or 2016 shall become exercisable.

Following the determination by the Board of Directors on February 18, 2015 of the level of achievement of the performance condition for the fiscal year 2014, but still subject to the achievement of the attendance condition until May 23, 2015, the maximum number of subscription options exercisable as from May 23, 2015 is 7,640,000 accounting for 2.27% of the share capital. Subject to the presence condition, the options may be exercised from May 23, 2015 until May 23, 2021 included. Options that have not been exercised by that date will be automatically cancelled.

Certain beneficiaries will have to retain, in their name, in registered form, and during twelve months as from the exercise of the options, at least 20% of the shares subscribed further to the exercise of the options.

Stock Options Plans as of December 31, 2014

The stock option plans in existence as of December 31, 2014 are as follows (Tables No. 8 and 9 of the AFEP-MEDEF):

	Plan 04/19/2005	Plan 12/08/2005	Plan 12/14/2007	Plan MIP-SP1 06/17/2010	Plan MIP 2015 05/23/2013	Plan MIP 2016 06/20/2014
Date of Shareholders' Meeting	**11/10/2000**	**05/10/2005**	**05/10/2005**	**05/22/2008**	**05/23/2013**	**05/23/2013**
Date of Board of Directors' meeting	04/19/2005	12/08/2005	12/14/2007	06/17/2010	05/23/2013 06/7/2013 10/24/2013 12/18/2013 03/26/2014	06/20/2014 10/21/2014
Type of options	Purchase	Purchase	Subscription	Subscription	Subscription	Subscription
Number of options granted, including:	719,400	1,993,175	1,307,100	12,167,000	17,188,000	4,745,000
Number of options granted to Directors and officers:						
Frédéric Rose						
■ *Before adjustments and performance condition review*	-	-	-	2,155,700	2,685,000	0
■ *After adjustments and performance condition review*[1][2]	-	-	-	*190,529*	-	-
■ *Number of options granted to the first ten employee beneficiaries - before adjustments and performance condition review when applicable*	-	-	-	*7,196,400*	*5,255,000*	*1,890,000*
After adjustments and performance condition review [1] [2]	-	-	-	*635,996*	-	-
■ *Beginning of the exercise period*	04/20/2008	12/09/2008	12/15/2009	06/18/2014	05/23/2015	06/20/2016 10/21/2016
Plan life	10 years	10 years	8 years	8 years	8 years	8 years
Expiration date	04/18/2015	12/07/2015	12/14/2015	06/17/2018	05/23/2021	06/20/2022 10/21/2022
Exercise price at grant time	€20.82	€17.73	€10.43	€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
Exercise period	50%: 04/20/2008 100%: 04/20/2009	50%: 12/09/2008 100%: 12/09/2009	50%: 12/15/2009 100%: 12/15/2010	100%: 06/18/2014	50%: 05/23/2015 75%: 05/23/2016 100%: 05/23/2017	50%: 06/20/2016 10/21/2016 75%: 06/20/2017 10/21/2017 100%: 06/20/2018 10/21/2018
Number of shares subscribed as of December 31, 2014	-	-	-	-	-	-
Number of options cancelled since the beginning of the plan	451,100	1,606,650	895,400	3,395,679	1,908,000	30,000
Number of options cancelled during the 2014 exercise	0	19,000	14,000	0	1,146,000	30,000
Number of outstanding options at the end of the exercise (after 2010 & 2012 capital adjustments and performance condition review) [2]	32,684	47,136	50,269	887,972	15,280,000	4,715,000
Exercise price	€170.99	€145.60	€85.64	€6.52	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

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

As of December 31, 2014, the total options granted under the plans amounted to 79,820 purchase options and 20,933,241 subscription options granted to 278 beneficiaries. If all of the subscription options in the stock option plans mentioned above were exercised, Technicolor's share capital would be composed of 356,840,911 ordinary shares, *i.e.* a 6.23% increase in the number of shares as compared to the number existing as of December 31, 2014.

The exercise price of the various stock option plans has been fixed without discount.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that no options were exercised in 2014.

Free Share Plans

The Shareholders' Meeting of May 23, 2013, in its sixteenth resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 38-month period, and is valid until July 23, 2016. The existing or the shares to be issued pursuant to this authorization shall not represent more than 0.50% of the share capital at the date of the Shareholders' Meeting held on May 23, 2013.

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 2014.

Management Incentive Plan 2010-2014 - MIP-SP2

Making use of the authorization given by the Shareholders' Meeting of May 15, 2007 in its thirteenth resolution, the Board of Directors meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1 and SP2) for the benefit of the CEO and approximately 80 key Group employees. This plan awarded Performance Units comprised of half cash and, according to the categories of beneficiaries, either half subscription options or half performance shares.

The vesting of the performance shares were subject to performance conditions. The level of achievement of the performance conditions of the plan were reviewed by the Board of Directors in February 2013. 120,084 free shares were delivered on April 2013 to beneficiaries with a two-year acquisition period and 114,034 performance shares were delivered on June 2014 to beneficiaries with a four-year acquisition period.

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 will be delivered on June 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 will be delivered on June 2015 for the beneficiaries with a four-year acquisition period.

Therefore, the maximum 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, 2014, the maximum number of shares to be delivered, subject to the achievement of the presence condition, was 1 265,125 shares, accounting for 0,38% of Technicolor's share capital.

Free Share Plans as of December 31, 2014

The free share plans in existence as of December 31, 2014 are as follows (Table No. 10 of the AMF Guide for compiling Registration Documents revised on December 17, 2013):

	MIP-SP2	LTIP 2011	Free Share Plan 2013
Date of Shareholders' Meeting	**May 15, 2007**	**June 8, 2011**	**May 23, 2013**
Date of Board of Directors' meeting	**June 17, 2010**	**June 8, 2011**	**October 24, 2013**
Number of shares granted, including:	503,000	1,633,644	1,604,000
Number of shares granted to Directors and officers:	*N/A*	*213,333*	*N/A*
Frederic Rose			
■ *before performance condition review*	N/A	213,333	N/A
■ *after performance condition review* [1] [2]	N/A	182,186	N/A
Acquisition date	February 2013 [1], or June 17, 2014 [2]	*Tranche* 2011: June 8, 2013 [3] *Tranche* 2012: June 8, 2013 [3] *Tranche* 2013: March 26, 2014 [4]	November 6, 2017
End of the holding period	February 2015 for the shares delivered in February 2013 No holding period for the shares delivered on June 2014	June 2015 for the shares delivered in June 2013 and March 2016 for the shares delivered in March 2014 No holding period for the shares to be delivered on June 2015	N/A
Cumulated number of forfeited shares	268,882	527,789	338,875
Cumulated number of delivered shares	234,118	363,828	
Number of outstanding free shares as of December 31, 2014	0	742,027	1,265,125

(1) For beneficiaries with a two-year acquisition period. The shares were delivered on April 2013.
(2) For beneficiaries with a four-year acquisition period. The shares were delivered on June 18, 2014.
(3) The shares were delivered on June 2013 for beneficiaries with a two-year acquisition period and will be delivered on June 2015 for the beneficiaries with a four-year acquisition period.
(4) The shares were delivered on March 2014 for the beneficiaries with a two-year acquisition period and will be delivered on June 2015 for the beneficiaries with a four-year acquisition period.

The number of free shares that are to be delivered under the Free Share Plans above amounts to 2,007,152 as of December 31, 2014, accounting for 0,6% of Technicolor's share capital.

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 2014, 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 and Australia;
- Americas : including; Brazil, Mexico, Canada and USA;
- European Cluster France : including France, Belgium, Germany and Switzerland;
- European Cluster UK : including UK, the Netherlands, Sweden, Norway, Italy, Spain 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.

6.1.6 TALENT AND DEVELOPMENT

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 Amplify 2015 Roadmap undertaken in 2012, Technicolor's priorities in Talent and Development focus on leadership development, innovation and entrepreneurship to support the growth of our divisions.

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 now 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 this Group's talent pool. The members of the talent pool benefit from dedicated leadership development trainings, activities and events during the year.

Further to the 2014 Talent Review, the talent pool represents 8% of the exempt population of the Group.

Members of the 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.

Capitalizing on our previous partnership with the University of Stanford in California the third edition of the "Innovation Management and Culture" program was revamped. Group High Potentials have followed this program that focused on demonstrating the impact of internal organizational aspects and external aspects on the capacity to innovate. Aligned with the Group's strategic priorities, topics such as innovation and profitability, monetization and innovative business models and leading for innovation were covered. In addition to these training sessions, small teams of Group High Potentials participated in 10 innovative projects through an iterative process oriented on Minimum Viable Product. These groups were mentored by an expert and their outcomes were presented to EXCOM Mid 2014 to arbitrate on their integration in R&D and business funnels for future developments.

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. In 2014, this initiative has been continued with a blended learning program mixing on-line courses and on-site sessions on how to develop leadership and emotional intelligence. In 2014, 5 additional members of the HR community participated in this initiative, making it 18 the total number of people who can now operate as internal coaches for High Potentials

The Management Academy plays an important role in the support HR provides to managers in the Group. A group of HR managers has been prepared to facilitate management training sessions within the academy with the objective of ensuring the quality and the consistency of our management practices across the globe. Adjustments in this program were made further to the conclusions of the pilot phase of 2012. Sessions were delivered in the U.S.,UK, France and Belgium in 2014 both by internal and external experts.

A total of 8,518 hours of training were delivered to managers world-wide in order to enhance management capacities and posture for our employees : 5,436 hours of training in North America ; 1,648 hours in APAC (India, China and Australia); 784 hours in the UK, 482 hours in Poland ; and 168 hours of training were delivered by an expert third-party to all managers on all sites in France.

Ressource 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 324 persons enrolled at end of 2014 : Product/Service Line managers, R&D Project managers, Customer Project managers and 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 January 2015. More than 1,486 man/days of training were delivered in this program till it started in 2013.

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 in the Workplace

Gender diversity

A comprehensive 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 for the first year, two women entered the EXCOM in 2014, now representing 22% of the total number of members. At MCOM level, two new women were nominated, now reaching 38% 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 were reviewed and adapted to secure equity between men and women in leadership positions ; Gender diversity was integrated in divisions Talent review, which outcomes are presented to EXCOM, including dedicated action plans as needed;
- A mentoring policy was implemented towards talented women in order to support them in overcoming classical breaks to career evolutions : all High potential women now benefit from an individual menttoring from female executives.
- An internal Women's network of almost eighty women keeps animating awareness sessions on changing gender values throughout the Group.

In addition, a couple of local initiatives were launched in UK and India to promote gender diversity:

- In UK, out of the 101 roles advertised, 93 had at least one female applicant in the shortlist, as the remaining IT/Engineering roles did not attract female applicants; the maternity policy was reviewed with recommendations for more attractive maternity provision in 2015 with the aim of retaining the female talents ; and Technicolor got strongly engaged with Women in Film & Television Network by hosting a Technical Skills award for Female Technicians in the Media Industry;

- In India, among the final shortlists applicants, 8% were women for Animation & Gaming, 15% for Media Services and 42% for Transversal Functions (very variable rates due to the % of female applicants). The local women's network was re-energized and 2 specific events were held (Women's Day celebration in March 2014 and Training on Self Defense for Women employees, in August 2014), whereas constructive links were established with the Women in Animation with the ambition to extend the gender initiatives externally in 2015.

Principle of non-discrimination

A diverse workforce is a business imperative to Technicolor in its competitive environment. It must be able to recruit and retain the most talented candidates from a broad range of disciplines and experience. Technicolor's policy is to provide equal employment opportunity without regard to race, sex, religion, national origin, age or disability status.

Non-discrimination and equal employment opportunity policies, based upon the Ethics Charter and locally augmented according to specific legal requirements if needed, including the anti-harassment policy, are implemented at all Technicolor sites. In several countries, managers and supervisors are provided Legal awareness training sessions about anti-harassment and non-discrimination.

In addition to the role of the management, detection of discrimination cases also relies on the whistleblower policy allowing any employee to confidentially disclose their situation or the situation of a co-worker, without fear of publicity or adverse reaction. Such cases are reported to the Ethics Committee and investigated with the Audit team. Some countries implement in addition an official trust person or advocate for employees if there is a discrimination issue. Overall, about less than ten cases of discrimination were reported in 2013.

Employment and integration of disabled people

Depending on national legislations, legal requirements to integrate disabled persons or to hire a specified number or percentage of disabled employees, and thus the definition of a disabled employee, may strongly vary, or may not even exist. Also, labeling, categorizing, or making a record of an employee as disabled may be legally prevented in certain countries or subject to the individual authorization by each concerned employee who may refuse. Therefore statistics do not reflect properly the reality.

However, beyond the legal requirements when they exist, Technicolor strives to adapt our working places, including factories, to provide equal employment opportunities with no discrimination against disabled people with regard to hiring, training, allocation of work, promotion, or reward, and seeks to eliminate employment barriers and to accommodate disabled employees. In that regard, employment of disabled is part of our non-discrimination policy, and Technicolor has been and continues to be willing to integrate different needs including modified duties, adapted hours, and adapted workspaces.

6.1.7 TRAINING POLICY

The objective of Technicolor training policy is to ensure the development of competencies and capabilities 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 support 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 2014 encompass 317,600 hours person of training.

6.1.8 REMUNERATION POLICY

Total remuneration is considered a key pillar of Technicolor's Human Resources policy. The remuneration policy is tailored to acknowledge and fairly recognize an employee's contribution to the short and longer term success of the Group.

Technicolor continues to incorporate a classification structure based upon Towers Watson methodology, with grades and bands that ultimately emphasizes and reinforces the strong link between contribution and remuneration. Technicolor is steadily reviewing its job definitions and levels and reflects the evolutions of the Group. Such classification allows the Group to ensure the internal equity of remuneration packages; moreover, Technicolor participates to relevant salary surveys to assess the competitiveness of remuneration in the proper marketplaces. This provides Technicolor with sustainable, objective and equitable means of remunerating employees while closely controlling its wage bill.

The total remuneration policy is structured around flexible and competitive fixed and variable compensation elements driven by market best practices and the Group's objectives for long-term value creation appropriate to circumstances and goals:

- **competitiveness:** appropriate market benchmarks of total compensation against comparable companies allow Technicolor to offer competitive compensation packages to employees in accordance with competitive pressures in the marketplace. This ensures that Technicolor continues to attract, motivate and retain high potentials and key contributors for which Technicolor competes in an international market place while controlling cost structures;
- **equitable approach:** Technicolor believes that it remunerates its employees on an equitable basis in each of its geographical locations both in line with local standards and proposed corporate programs. The remuneration policy is set according to the Group's "broadbanding policy" which allows consistent assessment of responsibility, contribution and levels of expertise on an international business basis across all businesses and functions. In addition, the remuneration policy of top executives is managed by Corporate Human Resources to facilitate consistency of various remuneration components and ease international and cross-business mobility;
- **business and skills focus:** the remuneration of professionals, engineers and managers is a sound, market-driven policy and ultimately administered to stimulate business performance. A substantial part of the total remuneration package is composed of variable elements which drive a performance culture and support the Company's strategy. These variable elements are meant to stimulate, recognize and reward not only individual contribution, especially innovation and risk-taking, but also and in particular, solid and consistent Group and divisions performances.

In accordance with the principles and rules established by the Group, each Group entity is entitled to recognize the potential and encourage the development of its employees by means of various remuneration factors defined by the Group.

At constant currency rate exchange (end 2014) and at constant population of employees (all employees present both in 2013 and in 2014), the evolution of the base salary payroll mass (without variable elements and social contributions paid by the employer) between 2013 and 2014 increased by 3.53%.

6.1.9 LABOR RELATIONS

Labor relations with Technicolor employees are the responsibility of site managers in each country with the support of Human Resources.

With respect to its European operations, Technicolor entered into a labor agreement with a European council of employee representatives (the "European Council") confirming the Group's labour practices. This council, which meets several times each year, comprises union representatives or Members of local works councils in European countries.

In 2011, Technicolor has renewed the composition of its European Works Council in order to reflect its business evolution in Europe; as a consequence, the European Works Council is now composed with:

Country	Number of European Works Council seats
Belgium	1
France	2
Germany	1
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 2014.

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 2014, Technicolor entered into 4 collective bargaining agreements with its German employees; 12 such agreements in France; 2 such agreements in Belgium. In Italy, 100% of the employees are unionized. In Spain, 100% of the employees are unionized. In Poland, 4,0% of the employees are unionized.

In Canada, in 2014, we entered into 2 collective bargaining agreements and 5.0% of the Group's employees are unionized. In the United States, approximately 3.8% of the Group's employees are unionized and were covered by the collective bargaining agreements negotiated with the national and/or local unions. These agreements, with an average duration of three years, address salaries, employment benefits, and working conditions and organization.

In Australia, 60% of employees belong to an union.

In China, 100% of the employees are unionized.

6.1.10 WORKING TIME MANAGEMENT AND ABSENTEEISM

Working time is managed according to the needs of Technicolor's various business activities in both the parent company and its subsidiaries. The Group complies with regulatory obligations and contractual commitments in terms of working time in each country in which it operates. Through various working time management tools, the Group ensures employees do not exceed legal thresholds and are appropriately compensated for any overtime according to their employment agreement. However, a large part of Technicolor's workforce is exempt and paid a flat rate for a number of days worked per year: worked days are then monitored.

Part time and remote working are authorized on a case-by-case basis according to the Group policies and depending on the occupational requirements. Technicolor has about 150 part time employees working 1 to 4 days per week. Part time employees working at least half time represent 95% of part time employees and part employees working at least the equivalent of 4 days per week (80% of a full time worker's time) represent 65% 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 440 full time jobs.

Overall, seasonal workers (interim and temporary) represent about the equivalent of 4,100 full time jobs while at the peak they may more than double the number of workers present on the relevant sites.

Working time is managed in the Group's various sites *via* software such as ADID (France), Oasis (UK), Kronos (UK, Australia, Canada, U.S.), CasNet (Mexico), Myehr (China) and Telematica (Brazil). There are also some additional manufacturing related tools that track working time such as ScheduAll, Laserbase and CETA.

Absences are generally defined on an annual basis in terms of holidays, vacations, personal and family medical leave or other possible unplanned absence such as jury duty, as described by bargaining unit contract, employment contract, or regulation. Throughout the year, each employee categorizes any absence according to its definition, and all absences are subsequently reviewed and approved inside the applicable working time tracking software solution.

Leave of absence (for sickness, etc.) is also tracked. The average rate of employee absenteeism at the Group level in 2014 was 4%.

Absenteeism Methodology

Population coverage: all sites above 25 employees. 96% of the employees are covered. In particular, Mr X. company acquired in 2014 is not covered. All employees with an active and not terminated working contract with Technicolor (interns, apprentices, contracted workers, employees under a notice period are excluded).

Absence reported: all absences except vacations, bank holidays, training, severance absence, time in lieu off/compensation time, medical leave beyond 12 continuous weeks of absence.

Absenteeism rate divides volume of recorded absence (days) by the product of theoretical number of days worked during the year and the monthly full time equivalent average headcount of the covered population.

6.1.11 ILO AND GLOBAL COMPACT PROGRESS

Technicolor closely follows the international principles laid out in the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work in its approach to Ethics and Social Responsibility, a standard reinforced in the Group's Ethics policy and in its membership with the UN Global Compact. In this way, the Company pledges to ensure freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor and elimination of discrimination in respect of employment and occupation. These principles carry through into the supply chain, and supplier compliance with the Company's policies and principles relating to ethics and human rights is monitored through a Supplier Ethics 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

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 2014 and several of them are summarized below:

- Memphis (USA) replaced all sit-down forklift vehicles with stand-up forklifts for better driver visibility in the direction of travel and thus prevention of lift truck incidents;
- Memphis (USA) also implemented an improved training, certification, and badge program for all Pick Module workers, including hazard recognition for stairways, proper use of step stools, hazards of conveyor systems and gates, and fall prevention when working in drop locations, including the proper use of personal protective equipment;
- in Livonia (USA), the site initiated a Safety Bingo awareness campaign to help workers learn about and focus on key safety topics throughout the year. Safety Bingo focuses on awareness of each day's "At Risk" activity, and it provide a good incentive to communicate and discuss workplace hazards;
- Piaseczno (Poland) purchased two electric trucks to eliminate manual handling for the transport of large industrial batteries and large containers of polycarbonate plastic;
- Piaseczno (Poland) also organized a two-day training event addressing both first-aid and fire-fighting emergency teams, with coaching by a professional paramedic for first-aid and by the local fire brigade for the fire-fighting, who also instructed the team about the handling of new on-site fire-fighting equipment;
- Rennes (France) purchased a series of panic alarm devices to ensure that persons working alone are safe and can call for assistance in case of emergency. Visual alarms with flashing lights were added in isolated data centers where the building's emergency siren could be muffled by surrounding walls or other ambient noise. Parking safety was improved also with anti-slip coating added to bends and curve and additional signage posted;
- in Vancouver (Canada), a century old building was improved to meet modern earthquake standards during redevelopment that added two additional floors. Safety was also a concern when choosing desks and the choice was made for desks that are weight-rated for 3,000 lb so that desks may provide shelter to the occupants from falling debris in case of an earthquake.

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 2014, about 30,000 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 2014, including medical exams, vaccinations, flu shots, blood drives, wellness programs, ergonomic evaluations, first aid training, holiday adoptions, food, clothing, eyewear collections and other cash, product, and time donations.

Safety performance

What follows are results of key safety metrics that were tracked in 2014:

In 2014, Technicolor experienced a 10% decrease in work-related injury and illness incident rate (number of reportable injuries and occupational illnesses per 200,000 hours worked) from 1.13 in 2013 to 1.02 in 2014.

The work-related lost workday incident rate (number of reportable lost workday injuries and occupational illnesses per 200,000 hours worked), decreased from 0.51 in 2013 to 0.44 in 2014.

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 (0.044), to average lost days per incident (9.04), to average lost days per equivalent full-time worker (0.088).

Work Related Incident Rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Incidents	Rate	Incidents	Incident rate
2012	196	1.10	83	0.46
2013	201	1.13	90	0.51
2014	177	1.02	77	0.44

2014 Incident and Lost Workday Incident Rates for 200,000 hours worked

	Injury and Occupational Illness		Lost workday incident	
	Incident	Rate	Incident	Incident rate
Connected Home	16	0.72	14	0.64
Entertainment Services	160	1.10	63	0.43
Technology	1	0.38	0	0
Other	0	0	0	0

6.2 ENVIRONMENTAL MATTERS

This report provides an overview of the activities that Technicolor is taking to fulfill its responsibilities as a global corporate citizen with respect to Environment, Health, and Safety (EH&S). As such, Technicolor is reporting on what it has determined to be the most significant aspects and impacts, both globally and by business unit, for the fiscal year 2014.

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 2014 management report, a total of 39 reporting locations are included.

There were many notable environmental achievements during 2014 and several of them are summarized below:

- in Brampton (Canada), the office temperatures are now lowered two hours earlier at night by three degrees, and maintained 0.5 degrees lower through the day to reduce energy consumption;
- in Boulogne-Billancourt (France), an open loop water-cooled air conditioning system was dismantled in favor of a closed system, leading to a significant reduction of water consumption;
- in Burbank (USA) and Culver City (USA), electrical charging areas for vehicles were added, and one site implemented a battery disposal service on-site as part of local efforts to promote the use of low emitting cars and electrical vehicles;
- several sites continued systematic replacement of fluorescent lighting with the most recent energy efficient LED lighting fixtures;
- in Manaus (Brazil), in cooperation with local government, the site has begun building its own solar panel power plant at a pilot level of 100 kWp generation capacity, currently powering all exterior lights and with room for future expansion;
- in Montreal (Canada), calories collected during the cooling of the server rooms is recycled as heat during the winter months and helps reduce the consumption of natural gas;
- in Manaus (Brazil), tanks and piping have been installed for the collection and reuse of rain water, with capacity for 20,000 liters. Planned uses for 2015 are landscaping and non-potable domestic water;
- in Melbourne (Australia), process and facility improvements were made to reduce Nickel discharge in the effluent and to lower pH levels of effluent going to trade waste;
- the three sites of Rugby (UK), Vancouver (Canada), and Indianapolis (USA) changed their waste contractor and enjoy now an increased recycling rate with more waste being diverted from incineration or landfill.

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 2014, the Group operated 39 main locations, 14 of which are industrial. By Technicolor's definition an industrial location is a facility where DVDs are produced, packaged or distributed or where any Digital Delivery product is made.

To provide finished products and services, Technicolor utilizes purchased materials, chemicals, components, energy, and water. As a result of the products and services it provides, there are a number of potential activities that may result in adverse impacts to the environment.

Environmental aspects reviewed in this report include waste management (total waste generated, landfilled, and recycled), energy consumption (electricity and fossil fuels), water consumption, air emissions (greenhouse gas emissions), main materials used, and processing wastewater effluents. The 39 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 distracted driving, emerging disease and workplace violence.

Each Technicolor industrial location is responsible for reviewing the EH&S Policies and Guidelines and applicable laws and regulations, and developing local programs that ensure compliance and address site-specific issues. Along with the charter and other key information, the Policies and Guidelines are available to employees *via* the Technicolor EH&S Intranet website.

Annual Performance Measurement Process

A process was implemented in 1997 to allow for the consistent internal benchmarking of key management programs and requirements within each of the Group's industrial locations, and tracking of site progress toward environmental, safety and resource conservation improvement goals. This process was revised during 2012 to better support the wider network and diversity within the Group's mix of industrial and non-industrial locations, and it assesses benchmark criteria, helping the Group create consistent global focus and action plans on key programs, requirements and initiatives.

Training

Technicolor understands that each employee has the ability to impact the Group's EH&S efforts and performance, thus it is critical that they are provided with appropriate tools, resources and knowledge. The EH&S training program develops awareness and skills that allow employees and contractors to perform their jobs in such a manner that will not only ensure compliance with appropriate laws, regulations and policies, but also prevents accidents which may lead to injuries or harm to the environment. Training programs are evaluated during the Corporate EH&S audit process, and are a core requirement in the EH&S performance measurement process. In 2014, about 30,000 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 2014, six 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 2014, 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 Boxes and Network Equipment. For a number of years, most of Connected Home STB models marketed in U.S. met the Energy-Star STB energy efficiency levels. In Australia, Technicolor is an Associate Member of the Subscription Television Industry Voluntary Code for improving the energy efficiency of conditional access set-top boxes.

Compliance methods and actions are in place with regard to the RoHS, and WEEE European directives, and the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) European regulation, or similar legislation in other regions, dealing with the Restriction on the use of Hazardous Substances within products and systems, and preparing for better end-of-life handling of Electrical and Electronic Equipment Waste. For U.S. market, Technicolor, although not directly under scope of Dodd-Frank Wall Street Reform and Consumer Protection Act, is also taking steps to develop and implement a due diligence process for identifying and managing the sourcing of "conflict minerals" based on the OECD Due Diligence guidance.

Regarding consumer product health and safety, the Group ensures that all products sold comply with all consumer safety regulations applicable in each country where the product is marketed. Additionally, in some emerging markets where safety regulations may not yet be robust, the Group applies its knowledge of appropriate product safety regulations and ensures that emerging market products comply with a higher product safety standard.

Audits and Internal Governance

EH&S audits and inspections are a key part of Technicolor's continued efforts to improve EH&S management and performance, and to prevent incidents from occurring. In addition to the establishment of Internal Audits within each manufacturing, packaging, and film lab site, a comprehensive corporate audit program was implemented in 1996. The aim of the audit program is to review the Group's industrial locations' compliance with Corporate EH&S Policies and Guidelines and specific applicable EH&S laws and regulations. The audit program has also been demonstrated to be a valuable tool for increasing EH&S awareness, identifying best practice opportunities, communicating successful initiatives between plants, creating opportunities for different approaches to problem solving, and introducing EH&S personnel to other aspects of the Group's multi-faceted business.

The audits include physical inspections of the location, review of documents and records, and examination of activities within the EH&S scope. The use of Technicolor specific audit protocols helps ensure and maintain consistency in approach while also bringing renewed focus to key corporate requirements. In addition, the protocols allow for, and require, the inclusion of location-specific regulatory and business requirements. Issues and recommendations identified during the audit process are reviewed and discussed with members of the location's management.

In 2014, five 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 €2.34 million was spent on environmental remediation projects in 2014.

A certain number of Technicolor's current and previously-owned manufacturing sites have an extended history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures:

- soil and groundwater contamination was detected at a former production facility in Taoyuan, Taiwan acquired in the 1987 transaction with General Electric Company and Technicolor's affiliate in Taiwan owned the facility from approximately 1988 to 1992, when it was sold to an entity outside the Group. Soil remediation was completed in 1998. In 2002, the Taoyuan Environmental Protection Bureau ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. It is Technicolor's position that General Electric Company has a contractual obligation to indemnify Technicolor with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric (for further information, please refer to note 33 of Technicolor's consolidated financial statements for 2014, 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 are planned for 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 2014, 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 €9,500 was invested. Potential pollution not directly related to chemicals or waste, such as noise pollution or noise restrictions, are assessed at the site level and mitigating measures are taken where appropriate.

6.2.3 OPERATIONAL DATA AND RESULTS

Goals and Performance 2012-2015

Technicolor established the following EH&S goals and objectives for the Group, to be met by its worldwide industrial operations by the end of 2015:

- 5% annual reduction of injury rate;
- 10% minimum proportion of energy coming from renewable sources;
- 75% minimum waste recycling rate;
- Reporting to satisfy GRI Application Level B+.

Reporting Perimeter

This report contains data from 39 operating locations, of which 14 are industrial. Prior years data are reported for the same locations when available, although some newly acquired sites may not have data values for years prior to acquisition. Given the diversity of the Group's operations, the environmental aspects and potential impacts vary by location, thus not every location is required to report on each of the established metrics.

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

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

Environment

The year 2014 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 2014. 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 2014 worldwide energy use was approximately 1,134 tera joules, a decrease of 10% compared with 2013. Of the total energy consumed, 84.9% was in the form of electricity (of which 9.7% was from renewable sources), 14.8% 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 0.340 TJ/m€ across the business in 2014.

Energy consumption *(terajoules or tj/m€)*

	Total	Electricity	Fuel sources	Total per revenue
2012	1,221 (1)	1,051	164	0.341
2013	1,261 (1)	1,062	193	0.360
2014	1,134 (2)	963	168	0.340

(1) Total energy includes about 6 TJ steam purchase.
(2) Total energy includes about 3 TJ steam purchase.

2014 energy consumption *(terajoules or %)*

	Total Energy	% Total Group	Electricity	% Total Segment	Fuels	% Total Segment
Connected Home	52.2	4.6%	51.2	98.1%	1.0	1.9%
Entertainment Services	1063.5	93.7%	896.8	84.3%	166.7	15.7%
Technology	4.3	0.4%	4.3	100%	-	-
Other	14.3 (1)	1.3%	10.9	76.2%	0.3	2.1%

(1) Total energy includes about 3 TJ steam purchase.

Water

In 2014, water consumption at the Technicolor reporting locations decreased by 28% versus 2013 to 447 thousand cubic meters, primarily as a result of the Group's continued exit from Photochemical film. When compared to revenues, average water consumption rate was 0.134 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 2014 was about 1,200 m^3

Water consumption *(thousand cubic meters or km^3/m€)*

	Total Consumption	Total per Revenue
2012	880	0.246
2013	624	0.181
2014	447	0.134

2014 water consumption *(thousand cubic meters)*

	Total Consumption	% Total
Connected Home	39.4	8.8%
Entertainment Services	392.8	88%
Technology	7.8	1.7%
Other	6.9	1.5%

Process Waste Water

Within Technicolor's facilities, 4 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 2014, the amount of treated water discharged was 87 thousand cubic meters, and the total estimated amount of discharged priority pollutants was 0.09 metric ton.

In addition, due to effluent characteristics, 3 sites are required to monitor biological oxygen demand (BOD) or chemical, oxygen demand (COD), in 2014 an estimated total of 563 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 2014 were:

Raw materials *(metric tons)*

Polycarbonate molding plastic	21,375
Cardboard and paper packaging	12,378
Plastic packaging	4,214
DVD bonding resin	1,273
Water-based ink	180

Waste

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

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

Total waste generated by industrial sites was 30,394 tons, a decrease of 3,347 metric tons or 10% compared to 2013. The recycling rate was 81.7% increasing about 4.6 percent compared to 2013. When compared to total revenue, the average waste generation rate across the business was 9.12 M-Ton/m€ in 2014.

Waste *(metric tons or m-ton/m€)*

	Total Waste Generated	% Treated Hazardous	% Recycled	Total per Revenue
2012	33,450	7.6%	81.4%	9.35
2013	33,741	3.3%	77.1%	9.78
2014	30,394	2.4%	81.7%	9.12

2014 waste generation *(metric tons or %)*

	Total Waste Generated	% Total	% Treated Hazardous	% Recycled
Connected Home	489.7	1.6%	1.6%	90.6%
Entertainment Services	29,904	98.4%	2.5%	81.6%
Technology	-	-	-	-
Other	-	-	-	-

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 2015 to more completely measure and categorize this waste generation. For 2014, the overall reported waste was not significant at about 2% of the Group total tonnage, with approximately 53 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 2014, a total of 9,478 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
2012	9,469
2013	10,285
2014	9,478

Indirect emissions from consumption of electricity (Scope 2) were 139,323 metric tons CO_{2e} 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_{2e}
2013 (reference, not verified)	149,198
2014	139,323

Climate Change

In 2014, Technicolor participated for the seventh consecutive year in the Carbon Disclosure Project, targeting collaboration between large international firms and investors related to global warming. Technicolor's answer is available on the CDP's website: http://www.cdproject.net.

The Group's first carbon footprint assessment was published for the year 2008, taking into account business travel, worker travel between home and work, incoming and outgoing freight and transportation, energy use, waste disposal, raw materials, and the use of refrigerants and industrial gasses.

Climate change is integrated into Technicolor's business strategy along two primary axes: development of eco-friendly products and services and infrastructure improvements to reduce emissions or to maintain performance when faced with climate impacts. The development strategy has Technicolor joining or leading various industry groups, regulatory committees, or trade collaborations as a way to find or to create improvements and manage them in to the product or service offerings. The infrastructure strategy is to seek out improved efficiencies in technology or human process/behavior.

Examples are upgrades of existing lighting installations, building management systems, Research & Innovation programs linked to integration of smartgrid software in Set-Top Boxes, energy efficiency improvements from eco-design of products or packaging, anticipation on upcoming legislation, increase use of energy from renewable resources.

Locally other initiatives exist such as a "green car" policy for leased vehicles or a CO_2 emissions compensation program implemented at our Set-Top Box manufacturing facility in Manaus, Brazil.

Finally, Technicolor is preparing its facilities to mitigate the material effects of climate change (principally severe weather episodes such as heavy rainfalls and flooding or draughts or storms) by putting in place the needed prevention programs and adapting emergency action and contingency plans where needed.

Biodiversity

All 39 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 2014, 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 39 locations. Given the diversity of the Group's operations, environmental impacts vary by location, thus not every location is required to report on each of the established metrics.

The Corporate EH&S Organization has identified key information that is tracked and reported. This information includes utility consumption, waste generation, recycling and disposal, air emissions and water effluent from the identified locations. To ensure the timely and consistent reporting of information from Technicolor's worldwide locations, the Group has developed its own electronic reporting system. This system serves as a vital tool for identifying and acting upon trends at the reporting site, business unit, regional and global levels. The reporting locations provide required data through the electronic system on a monthly and annual basis, depending upon the information provided. Data is organized and consolidated globally and is communicated to the Vice-President, Corporate EH&S and others as appropriate.

The collection period runs from January 1, 2014 to December 31, 2014.

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:

			2012			2013			2014		
Site	**Segment (ref 2014)**	**Location**	**E**	**utility**	**H&S**	**E**	**utility**	**H&S**	**E**	**utility**	**H&S**
Bangalore	Entertainment Services	India		X	X		X	X		X	X
Bangkok (1)	Entertainment Services	Thailand	X	X	X	X	X	X			
Bejing	Connected Home	China		X	X		X	X		X	X
Brampton	Entertainment Services	Canada	X	X	X	X	X	X	X	X	X
Boulogne	Entertainment Services	France					X	X		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
Edegem	Connected Home	Belgium	X	X			X	X		X	X
Glendale	Entertainment Services	California, USA		X	X		X	X		X	X
Glendale (film) (1)	Entertainment Services	California, USA	X	X	X	X	X	X			
Guadalajara	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Hannover	Technology	Germany		X	X		X	X		X	X
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
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	X
Montreal MPC	Entertainment Servics	Canada								X	X
New York MPC	Entertainment Services	New York, USA								X	X
Ontario California	Entertainment Services	California, USA	X	X	X	X	X	X	X	X	X
Paramount	Entertainment Services	California, USA					X	X		X	X
Perivale (1)	Entertainment Services	UK		X	X		X	X			
Piaseczno	Entertainment Services	Poland	X	X	X	X	X	X	X	X	X
Pinewood	Entertainment Services	UK	X	X	X	X	X	X		X	X
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	X	X	X			
Rugby	Entertainment Services	UK	X	X	X	X	X	X	X	X	X
San Francisco	Entertainment Services	California, USA		X	X		X	X		X	X
Santa Monica MPC	Entertainment Services	California, USA					X	X		X	X
Sydney	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Toronto (post)	Entertainment Services	Canada		X	X		X	X		X	X
Tultitlan	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Vancouver MPC	Entertainment Services	Canada		X	X		X	X		X	X
Vancouver (post)	Entertainment Services	Canada		X	X		X	X		X	X
Warsaw	Corporate	Poland					X	X		X	X
Wilmington	Entertainment Services	Ohio, USA	X	X	X	X	X	X	X	X	X

E = Environmental data, Utility = Water and Energy data, H&S = Work injury and illness data.
(1) These sites have been closed or sold.
(2) The prior Montreal location stopped Photochemical film operations during 2012 and was refurbished for digital production operations for 2013 and beyond.

6.3 STAKEHOLDER RELATIONS AND LOCAL IMPACTS OF THE COMPANY'S ACTIVITIES

Technicolor's main activities are in the field of research, Intellectual Property, Entertainment Services and Connected Home devices. They require creative talents for innovation of technologies and services and for development of products. This leads Technicolor to maintain relationships with a variety of key 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.

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 2014, 20 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 it operates R&D activities and has established strong relationships with neighboring educational institutions in close proximity to Technicolor research locations such as Stanford University in Palo Alto (California).

Standardisation bodies are key for the implementation of patents in the frame of our Licensing activity. Technicolor contributes to 57 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. Three surveys were performed in 2014.

Technicolor maintains close relations with local communities in order to limit the impacts of the Company's activities on the local environment (*e.g.* noise pollution, light pollution, air pollution and road traffic). The Group strives to take the necessary steps in these contexts in order to achieve a satisfactory outcome for all concerned.

Technicolor strives to hire locally most of its employees. Technicolor's locations are usually in very large cities and surrounding metropolitan areas and, as a result, Technicolor holds a minority employer position in most employment areas where it is located and has limited direct local economic influence, except for research and development impact as detailed above.

One area in which Technicolor had strong activities in the past continued to significantly reduce in 2014: photo-chemical film processing due to the acceleration of the transition to digital cinema. This development led to the closure of all remaining manufacturing units, to which Technicolor has committed resources, according to its existing policies, in order to mitigate the impact for the concerned stakeholders.

We maintain strong relationships with our shareholders and investment community, 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 187 events (roadshows, conference calls and conferences), met 493 institutions (institutional investors) and had 31 contacts with analysts during the course of the year. Overall Technicolor handled 570 meetings or calls with investors and analysts over the course of the year.

In addition to its support to the Technicolor Foundation, the Group continues to support activities in various environments relating to the world of film: training students in schools, donating equipment, launching festivals for new talent, organizing screenings for children in hospitals *(Les Toîles Enchantées)*, supporting charities, and developing new experimental technologies or supporting joint initiatives with students to foster product and service innovation.

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	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

During 2014, 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

6.4 SUPPLIER AND SUB-CONTRACTOR RELATIONS

Through meetings, contracts, and other methods of formal communication, the Group shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by Human Rights laws and standards, and strive for continual improvement in their environmental management systems, processes and products.

Technicolor requires its suppliers and sub-contractors to actively support its EH&S Principles. Suppliers are required to comply with the legal requirements and standards of their service or industry as applicable under the national law of the countries in which they operate. Technicolor suppliers and sub-contractors also ensure the compliance of their components and products with specific legal requirements applicable in the countries where their products are being sold.

Beyond raw material and component purchasing, the main areas where Technicolor subcontracts production and services are the manufacturing of set of boxes and gateways (83%), and part of the logistics of the DVD Services in Europe (37%) (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 32 audits performed in 2014. 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.

New for 2014, Technicolor adopted the Code of Conduct for the Electronics Industry Citizenship Coalition and was granted 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 TECHNICOLOR FOUNDATION FOR CINEMA HERITAGE

The Technicolor Foundation for Cinema Heritage operates worldwide to safeguard films of the past, in order that they may be seen now and in the future.

Created in 2006, the Technicolor Foundation is a non-profit entity, acting in the field of the preservation and promotion of film heritage, which reflects the history and the culture of a country.

The programs are built around three main guiding principles:

- preserve film heritage as a key part of a country's memory;
- promote and highlight film heritage in order that it may be seen by and shared with as wide an audience as possible;
- train and sensitize everyone who can play a part in the safeguarding of film heritage.

To meet these three main objectives, the Foundation operates in different ways:

- it operates directly on site with the related film archive institutions (Cambodia, India): annual programs are defined to upgrade the archive and enable access to these archives (preservation work, equipment donations, education programs for local teams, collection enrichment, etc.). Since 2005, the Foundation has brought its support to Bophana Center, the Cambodia Film and Audiovisual Archive, managed by the Franco/Cambodian filmmaker Rithy Panh. The program comprises equipment donation and technical training, lost film search worldwide, digitization of film, creation of an international festival fully dedicated to film heritage, etc.;
- it defines and monitors major restorations: each year, one of the objectives of the Foundation is to restore and promote key international cinema titles in order to better raise audiences' awareness of the importance of film heritage and the risks of endangering films that are not properly safeguarded. A project team is set up, which includes the Foundation, the rights owners and a film archive institution. The Foundation monitors the whole process from the preservation to the non-commercial distribution of the restored version in the world. The Foundation also most notably provides legal support and technical expertise. Several restorations: in 2008, the Foundation restored *Lola Montès* by Max Ophuls and in 2009 *Mr. Hulot's Holiday* by Jacques Tati, *Selvi Boylum al Yazmalim* by Atif Yilmaz. In 2009 and 2010, the Foundation worked closely with Pierre Etaix in order to put an end to a legal imbroglio which blocked the films for almost 20 years. Consequently the *Complete Film Works* of Pierre Etaix could then be restored and released again. In 2011, the Foundation conducted one of the most ambitious restoration projects with a master piece of early times of cinema *A Trip to the Moon* by Georges Méliès (1902). The original color version which had disappeared for 80 years was miraculously found and meticulously restored. In 2012, among other projects: the first feature of Jacques Demy, *Lola* (1961),*Tell Me Lies* (1968) by Peter Brook. In 2013, Hiroshima Mon Amour (1959) by Alain Resnais was restored and presented at Cannes Film Festival in presence of Emmanuelle Riva. All those films were circulated worldwide since their restoration. In 2014, the Foundation restored, alongside the Cineteca di Bologna and the MEMORY Cinéma Association, *Marriage Italian Style* (1964) by Vittorio De Sica. The premiere of the restored version took place at Cannes Classics Festival in presence of Sophia Loren, Guest of Honor of the festival in 2014;
- it defines and conducts specific education programs targeting mostly film school students: the Foundation is involved in various ways from offering a complete curriculum incorporated in film school programs to conducting regular workshops in these programs or during festivals (India, USA, China, France, Romania, Russia, Italy, Portugal, Ethiopia and Turkey). These educational programs cover basic aspects of film heritage: preservation concerns and risks, access to film heritage, basic technical and legal knowledge, filmmaker responsibilities (rights and duties). The objective is to raise the awareness of the future generation of filmmakers, in close liaison with film industry representatives and film archive institutions;
- it supports classics festivals or creates specific festivals or events for the promotion of film heritage. In 2013, the Foundation co-created MEMORY! International Film Heritage Festival alongside MEMORY Cinéma Association, the first festival in Asia dedicated to worldwide cinema heritage. It is designed to reach both large audience and international professionals. The second edition of the Memory International Film Heritage Festival took place in June 2014 in Phnom Penh. Nearly 60 films from around the world were screened with the presence of leading figures of cinema such as Catherine Deneuve, Brillante Mendoza, Antony Chen and over 50 industry delegations from more than 20 countries.

For all of these programs, the Foundation identifies the appropriate resources required and helps set up multi-disciplinary teams. These include experts from its founder Technicolor and experts from leading film archive institutions, film preservation schools and cinema schools. Knowledge transmission and education play a key role in each program.

6.6 REPORT OF ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD-PARTY, ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PUBLISHED IN THE MANAGEMENT REPORT

Year ended December 31st 2014

This is a free translation into English of the original 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 auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditor of Technicolor SA, and appointed as independent third-party, for whom the certification request has been approved by the French National Accreditation Body (COFRAC) under the number 3-1048[1] , we hereby present you with our report on the social, environmental and societal information prepared for the year ended December 31st, 2014 (hereinafter the "CSR Information"), presented in the management report pursuant to Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

RESPONSIBILITY OF THE COMPANY

The Board of Directors of Technicolor SA is responsible for preparing a management report including CSR Information in accordance with the provisions of Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting protocols and guidelines used by Technicolor SA (hereafter the "Reporting Guidelines"), which are available for consultation at the headquarters of the company and for which a summary is presented in part 6. SOCIAL INFORMATION AND SUSTAINABILITY of the management report.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional auditing standards and the applicable legal texts and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITOR

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of completeness of CSR information);
- to express limited assurance on the fact that, taken as a whole, CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Guidelines (Formed opinion on the fair presentation of CSR Information).

Our work was carried out by a team of 4 people between December 2014 and February 2015 for an estimated duration of 4 weeks. To assist us in conducting our work, we referred to our corporate responsibility experts.

We conducted the following procedures in accordance with professional auditing standards applicable in France, with the order of May 13, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, concerning the formed opinion on the fair presentation of CSR Information, with the international standard ISAE 3000[2].

(1) The scope of which is available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

1. ATTESTATION OF COMPLETENESS OF CSR INFORMATION

Based on interviews with management, we familiarized ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the company's business and its societal commitments and, where appropriate, any resulting actions or programs.

We compared the CSR Information presented in the management report with the list set forth in Article R. 225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, i.e., the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limitations presented in the chapter titled "6.SOCIAL INFORMATION AND SUSTAINABILITY" of the management report.

Based on these procedures and considering the limitations mentioned above, we attest that the required CSR Information is presented in the management report.

2. FORMED OPINION ON THE FAIR PRESENTATION OF CSR INFORMATION

Nature and scope of procedures

We conducted around ten interviews with the people responsible for preparing the CSR Information in the departments in charge of data collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Reporting Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, taking into consideration, when relevant, the sector's best practices;
- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR Information that we have considered to be most important[3]:

- for the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the management report;
- for a representative sample of entities that we have selected[4] according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and performed substantive tests using sampling techniques, consisting in verifying the calculations made and reconciling the data with supporting evidence. The selected sample represented 18% of the headcount and between 45% and 65% of the environmental quantitative information.

Regarding the other consolidated CSR Information, we have assessed its consistency in relation to our understanding of the Group.

Lastly, we assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

(3) Social indicators: total workforce at the end of the year; hirings and teminations; 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: Principles of non-discrimination; Talent & Development; Health & Safety management; Working-time management and absenteeism; Programs, systems and activities; Environmental investments, ryepemediation and pollution prevention; Supplier and sub-contractor relations; Stakeholder relation and local impacts of the company's activities.

(4) Entities covered by testing on social and environmental information: Guadalajara (Mexico), Memphis (United-States), Montreal MPC (Canada), Montreal Sainte Catherine (Canada).

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Information cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly, in accordance with the Reporting Guidelines.

Neuilly-sur-Seine, March 5th 2015

French original signed by one of the statutory auditors:

DELOITTE & ASSOCIÉS

Julien Rivals
Associé, Sustainability Services

Ariane Bucaille
Associé

7 ADDITIONAL INFORMATION

7.1 PROPERTY, PLANT AND EQUIPMENT 154
Operating facilities and locations 154
7.2 MEMORANDUM AND BYLAWS 156
7.2.1 Corporate purpose 156
7.2.2 Board of Directors and Executive Committee members 156
7.2.3 Rights, privileges and restrictions linked to shares 156
7.2.4 Actions necessary to change the rights of shareholders 157
7.2.5 Shareholders' Meetings 157
7.2.6 Bylaws requirements for holdings exceeding certain percentages 157
7.3 MATERIAL CONTRACTS 158
7.4 ADDITIONAL TAX INFORMATION 158
7.5 ORGANIZATION OF THE GROUP 159
7.5.1 Legal organizational chart of the Group as of December 31, 2014 159
7.5.2 Operational organization 161
7.6 AVAILABLE DOCUMENTS 162
7.7 INFORMATION ON ACCOUNTING SERVICES 162
7.7.1 Statutory Auditors 162
7.7.2 Substitute Statutory Auditors 163
7.8 TABLE OF AUDITORS' FEES 163
7.9 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT 164
7.9.1 Declaration by the person responsible for the Registration Document and the Annual Financial Report 164
7.9.2 Responsible for information 164

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 2014, Technicolor took a number of key actions to optimize its global real estate footprint. These actions have resulted in a reduced global real estate footprint from 10.7 million square feet at end 2013 to 9.8 million square feet at end 2014, i.e a reduction of 8.4%.

The key actions taken to reduce the Group's real estate footprint in 2014 included:

Operating Facilities	Primary Activity	Type of Action
Glendale, United States	Production	Closure
Perivale, UK	Production	Closure
Bangkok, Thailand	Film Lab	Closure
New-York (42nd St.), United States	Office	Closure
Madrid (Alcala), Spain	Office	Closure
Burbank, Ontario St, United States	Office	Closure
Montreal, Canada	Production	Closure

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 2014, 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	3,969,386
Livonia (MI, United States)	Distribution	Lease	766,552
Brampton (ON, Canada)	Distribution	Lease	459,100
Mexicali (Mexico)	Distribution	Lease	342,432
Piaseczno (Poland)	Manufacturing	Own	291,776
Rugby (United Kingdom)	Distribution	Lease	282,675
Guadalajara (Mexico)	Manufacturing	Own	272,850
Ontario (CA, United States)	Distribution	Lease	258,614
Tultitlan (Mexico)	Distribution	Lease	232,292
Issy-les-Moulineaux (France)	Office	Lease	195,410
Indianapolis (IN, United States)	Office	Lease	194,310
Rennes-Cesson (France) Les Champs Blancs	Lab	Lease	194,129
Bangalore (India)	Production/Office	Lease	185,764
Mississauga (ON, Canada)	Distribution	Lease	149,629
Camarillo (CA, United States)	Distribution	Lease	144,500
Romulus (MI, United States)	Distribution	Lease	138,122
Prestons (Australia)	Distribution	Lease	137,014
Wilmington (OH, United States)	Distribution	Lease	121,600
Hollywood (CA, United States)	Office	Lease	114,959
London Wardour (United Kingdom)	Production	Lease	87,328
Toronto (Canada)	Production	Lease	76,747

Main Operating Facilities	Primary Activity	Own/Lease	Square Feet
Sydney (NSW, Australia)	Distribution	Lease	75,057
Beijing (China)	Office	Lease	71,720
Los Angeles Paramount (United States)	Production/Office	Lease	64,573
Burbank Olive Street (CA, United States)	Office	Lease	63,270
Montreal Ste Catherine (Canada)	Production	Lease	61,913
Montreal MPC (Canada)	Office	Lease	54,724
Manaus (AM, Brazil)	Manufacturing	Own	50,001
Boulogne (France)	Production	Lease	46,285
Melbourne (Australia)	Manufacturing/Distribution	Lease	43,411
Princeston (NJ, United States)	Office	Lease	42,334
San Francisco (CA, United States)	Production	Lease	40,429
Vancouver (Canada)	Production	Lease	40,279
Glendale, Flower Street (CA, United States)	Film Lab/Office	Lease	39,945
Edegem (Belgium)	Office	Lease	38,513
Hanover (Germany)	Lab/Office	Lease	37,889
London Pinewood Studios (United Kingdom)	Production	Lease	37,835
Burbank 2233 Ontario Street (CA, United States)	Office	Lease	33,698

Summary of Operating Facilities	Square Feet	Percentage of Surface
Office	1,162,750	11.8%
Lab	299,829	3.0%
Film Lab	37,835	0.4%
Manufacturing	645,684	6.6%
Production	633,736	6.5%
Warehouse/Distribution	7,036,519	71.7%
ALL PROPERTIES	**9,816,353**	**100%**

Production: *sites dedicated to digital work for Production Services (post production, special effects, animation, digital conversion, digital distribution...).*
Manufacturing: *sites dedicated to DVDs, set top boxes and gateways are manufacturing.*
Film lab: *Photochemical film development and printing sites.*
Lab: *research sites.*
Office: *sites dedicated to corporate activities and product development.*
Warehouse/Distribution: *sites dedicated to DVDs and film distribution/warehousing.*

Manufacturing, Production, Film Processing and Distribution

Technicolor's manufacturing, production, film processing, and distribution facilities accounted for 90% of its facilities space, at the end of 2014. 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 63% in-house and approximately 37% by 3PL's.

Film Services

Following the rapid shift to digital cinema since 2010, the Company has launched several initiatives in order to optimize its Photochemical film activities. It has resulted in March 2014 to the closure of the last remaining film laboratories of the Group in Bangkok. Physical film theatrical hard drive distribution relies mostly on DCP (Digital Cinema Package) distribution where broadband or satellite distribution are not available. For more information, please refer to section 1.3.2: "Entertainment Services" of this Annual Report.

Set top boxes, Gateways, and Connected Devices

In 2014, Technicolor delivered a total of about 34,4 million gateways, set-top boxes, and connected devices. Overall, around 17% 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 2014 :

In-house Manufacturing and Replication	Number of Units
Entertainment Services	
DVD replication	1.1 billion DVDs
Blu-ray™ Replication	258 million Blu-ray™ discs
Theatrical post production (picture & sound)	228 feature films
Broadcast post production (picture & sound)	192 series
Connected Home	
Gateways, SetTop Boxes and Connected Devices	5.7 million units

7.2 MEMORANDUM AND BYLAWS

This section contains the information required by paragraph 21.2: "Memorandum and Bylaws" of European Commission Regulation (EC) No. 809/2004 of April 29, 2004.

You may obtain copies of the Company's bylaws in French from the *Greffe* of 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 is listed in Chapter 4: "Corporate governance and internal control", section 4.1.2: "Composition and expertise of the Board of Directors" of this Annual Report.

7.2.3 RIGHTS, PRIVILEGES AND RESTRICTIONS LINKED TO SHARES

Voting rights

"Each shareholder shall have as many votes as the shares that he possesses or represents by proxy" (Article 20 of the bylaws). Each shareholder is entitled to one vote per share only.

As permitted by amended Article L. 225-123 par.3 of the French Commercial Code, a resolution to amend the bylaws of the Company in order to confirm that each share is entitling to a single vote into the Shareholders' General Meetings will be submitted to the Shareholders' General Meeting convened on April 9, 2015.

Under French law, treasury shares are not entitled to voting rights.

Other rights of shareholders

"In addition to the right to vote that is attributed by law, each share gives the right to the ownership of the corporate assets, to a share in the profits, and to the liquidation proceeds, in an amount equal to the portion of the share capital represented.

Whenever it may be necessary to own a certain number of shares in order to exercise a right, it is the responsibility of the shareholders who do not own an adequate number of shares, as the case may be, to group their shares in the amount necessary.

The ownership of a share entails, by operation of law, adherence to the bylaws of the Company and to the decisions of the Shareholders' Meeting and of the Board of Directors, acting by delegation of the Shareholders' Meeting" (Article 9 of the bylaws).

7.2.4 ACTIONS NECESSARY TO CHANGE THE RIGHTS OF SHAREHOLDERS

Any amendment to the bylaws must be voted 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 identity, to participate in Shareholders' Meetings, by attending in person, by mailing in a voting form, or by designating a proxy.

Such participation is subject to the recording of the shares, either in the Company's registered share account, or in bearer share account held by an authorized intermediary, within the time limits and under the conditions provided for by applicable regulation. In the case of bearer shares, the 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 time limit as for the legal obligation, by registered letter with return receipt requested, by facsimile or by telex, indicating whether the shares or the voting rights are held for the account of, under the control of, or in concert with other legal entities or individuals. An additional notice is required for each additional holding of 0.5% of the share capital or voting rights, without limitation.

This duty to inform applies under the same conditions when the equity holding or the voting rights decrease below the thresholds mentioned in the preceding paragraph.

In the event of a failure to comply with the duty to inform provided above, the shareholder may, under the conditions and within the limits of applicable laws and regulations, be deprived of the right to vote in respect of the shares exceeding the relevant threshold. This penalty is independent of any penalty which may be decided by judicial decision upon request of the Chairman, a shareholder, or the AMF.

For the purpose of determining the thresholds referred to above, shares or voting rights held indirectly and shares or voting rights associated with the shares or voting rights actually held are taken into account, as defined by the provisions of Articles L. 233-7 *et seq.* of the French Commercial Code.

The declarant must certify that the declaration includes all the securities giving access, immediately or in the future, to the share capital of the Company held or owned within the meaning of the preceding paragraph. The declarant must also indicate the date or dates of acquisition.

Mutual fund management firms are required to report this information in respect of all of the voting rights attached to the shares of the Company held by the funds that they manage" (Article 8.2 of the bylaws).

7.3 MATERIAL CONTRACTS

Readers are invited to refer to the description of the agreements relating to the Term Loan Debt described in Chapter 2: "Operating and financial review and prospects", section 2.10.3 "Financial resources" of this Annual Report.

7.4 ADDITIONAL TAX INFORMATION

Total amounts, by category of expenditure, reinstated in the taxable profits following a definitive tax adjustment under Article 223 quinquies of the Tax Code

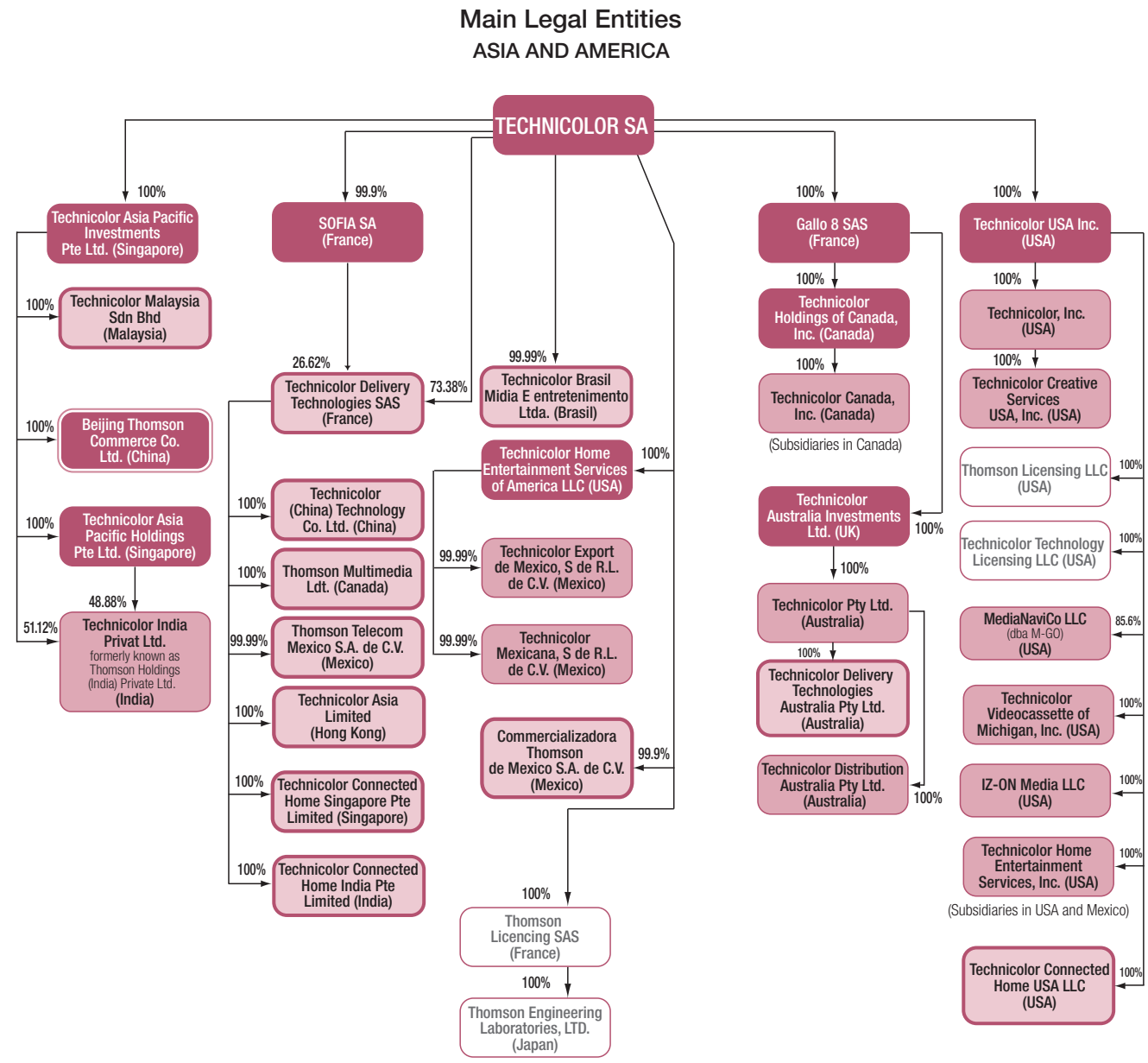
None.

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

The non-deductible expenses referred to in Article 39-4 of the French General Tax Code amounted to €127,457.39 in 2014 for the Company and correspond to non-deductible lease payments on private vehicles.

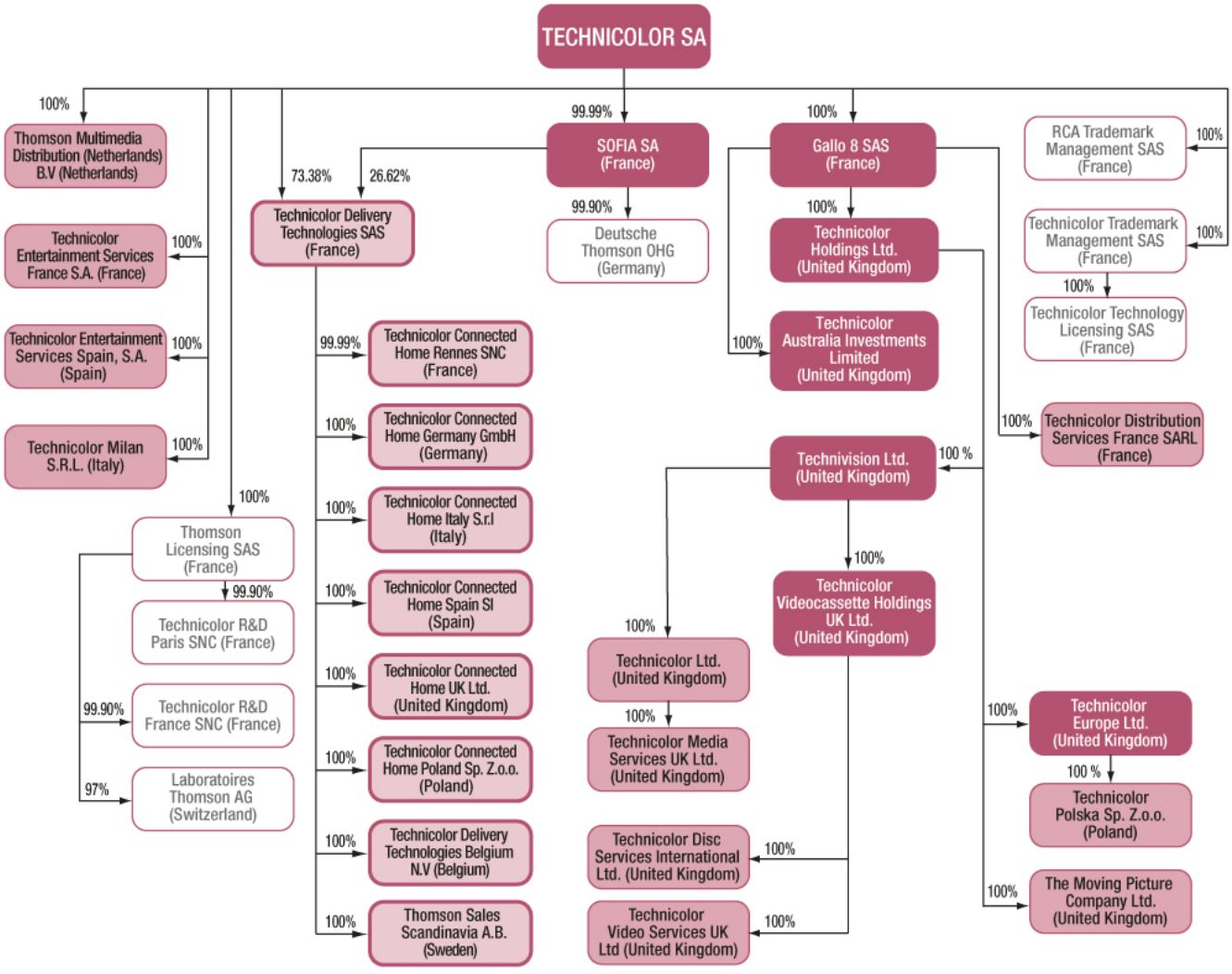
7.5 ORGANIZATION OF THE GROUP

7.5.1 LEGAL ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2014



Main Legal Entities

EUROPE



SEGMENTS:

Connected Home | Technology | Entertainment Services | Corporate (Corporate Holding or belonging to several divisions)

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, 2014. They have been selected based on their contribution to the Group's revenues (external and intra-group) for the entities of Entertainment Services and Connected Home segments. They are based on workforce for the entities belonging to Technology. Revenues from these subsidiaries represented 98% of the Group's revenues (external and intra-group) in 2014.

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
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 Serv.(UK) Ltd. ▪ Thomson multimedia Distribution (Netherlands) BV ▪ Technicolor Ltd. ▪ Technicolor Media Services UK Ltd.
Americas	▪ Thomson Licensing LLC ▪ MediaNaviCo LLC	▪ Technicolor USA Inc ▪ 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 Videocassette of Michigan, Inc. ▪ Technicolor Home Entertainment Services Inc. ▪ Technicolor Creative Services USA Inc. ▪ Technicolor Canada, Inc. ▪ Technicolor Export de Mexico, S. de R.L. ▪ Technicolor Home Entertainment Services de Mexico S. de R.L. de C.V. ▪ Technicolor Mexicana, S. de R.L. de C.V. ▪ Technicolor Inc. ▪ IZ-ON Media, LLC.
Asia		▪ Technicolor Delivery Technologies Australia, Pty, Ltd. ▪ Technicolor Asia Pacific Holding Pte Ltd. ▪ Technicolor Connected Home Singapore Pte Ltd.	▪ Technicolor, Pty, Ltd. ▪ Technicolor India Pvt Ltd. ▪ Technicolor Distribution Australia, Pty, Ltd.

Parent company

At December 31, 2014, Technicolor SA had 232 employees. It hosts mainly 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 €173 million in 2014 (compared with a loss of €69 million in 2013) (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 "Technicolopr SA parent company financial statements" and 8.5 "Notes the parent company financial statements" of this Annual Report).

Main cash flows between the Company and the subsidiaries

The Company ensures the financing of its subsidiaries by loans and current accounts (net payable position of €332 million before depreciation at December 31, 2014) and equity instruments and, consequently, received €231 million in dividends in 2014 (compared with €11 million in 2013). The Company has organized a system of centralization of the treasury in the main countries where it operates and implements hedge transactions for the Group, in accordance with defined management rules.

The Company also provides services to companies affiliated to the Group in computing, purchases, management, treasury, people and various counsels. These services are invoiced either on the basis of a percentage of the income or/and 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 Annual Report, 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 Annual Report are available free of charge. This Annual Report may also be consulted on the Technicolor website.

7.7 INFORMATION ON ACCOUNTING SERVICES

7.7.1 STATUTORY AUDITORS

Deloitte & Associés
185 C, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
Represented by Mrs. Ariane Bucaille and Mr. Alain Pons

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 for the approval of the 2015 annual accounts.

7.7.2 SUBSTITUTE STATUTORY AUDITORS

BEAS
195, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Mr. Patrick de Cambourg
1, rue André Colledebœuf
75016 Paris

Duration and expiration date of Substitute Statutory Auditors' mandate

BEAS: approved at the Combined Shareholders' Meeting of June 20, 2012. Their mandate will expire at the Shareholders' Meeting to be held for the approval of the 2017 annual accounts.

Mr. Patrick de Cambourg: renewed by the Annual Ordinary Shareholders' Meeting held on June 17, 2010. His mandate will expire at the Shareholders' Meeting to be held for the approval of the 2015

7.8 TABLE OF AUDITORS' FEES

	Deloitte		Mazars		Total	
(in thousands euros)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Audit services[1]	**2,100**	**2,136**	**1,634**	**1,611**	**3,734**	**3,747**
■ Technicolor SA	730	725	706	680	1,436	1,405
■ Subsidiaries	1,370	1,411	928	931	2,298	2,342
Other services relating to the audit function[2]	**117**	**197**	**78**	**628**	**195**	**825**
■ Technicolor SA	66	166	35	565	101	731
■ Subsidiaries	51	31	43	63	94	94
Tax fees[3]	**39**	**76**	**14**	**5**	**53**	**81**
■ Technicolor SA	-	-	-	-	-	-
■ Subsidiaries	39	76	14	5	53	81
Other fees	**-**	**-**	**-**	**-**	**-**	**-**
■ Technicolor SA	-	-	-	-	-	-
■ Subsidiaries	-	-	-	-	-	-
TOTAL	**2,256**	**2,409**	**1,726**	**2,244**	**3,982**	**4,653**

(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, 2014, included on page 248 of this Registration Document is unqualified and does not contain any observation.

The Statutory Auditors' report on the annual financial statements for the same year, included on page 277 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, 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 279 of the 2013 Registration Document is unqualified and does not contain any observation.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2012, included on page 221 of the 2012 Registration Document submitted to the AMF on April 16, 2013 under the No. D. 13-0361 and included by reference in this Registration Document, is unqualified and contains the following emphasis of matter:

"Without qualifying our opinion, we draw your attention to note 3.1 to the consolidated financial statements which describes the reasons for applying the going concern assumption to approve the consolidated financial statements."

The Statutory Auditors' report on the parent company financial statements for the same fiscal year included on page 246 of the 2012 French Registration Document is unqualified and contains the following emphasis of matter:

"Without qualifying our opinion, we draw your attention to note 2 to the financial statements which describes the reasons for applying the going concern assumption to approve the financial statements."

The 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

Mr. Stéphane Rougeot, Chief Financial Officer, Technicolor
1-5, rue Jeanne-d'Arc – 92130 Issy-les-Moulineaux – France
Tel.: +33 (0)1 41 86 50 00 – Fax: +33 (0)1 41 86 56 22

8 FINANCIAL STATEMENTS

8.1 TECHNICOLOR 2014 CONSOLIDATED FINANCIAL STATEMENTS 166

8.1.1 Consolidated statement of operations 166

8.1.2 Consolidated statement of comprehensive income 167

8.1.3 Consolidated statement of financial position 168

8.1.4 Consolidated statement of cash flows 170

8.1.5 Consolidated statement of changes in equity 171

8.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 172

8.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014 248

8.4 TECHNICOLOR SA PARENT COMPANY FINANCIAL STATEMENTS 250

8.4.1 Statement of operations 250

8.4.2 Statement of financial position 251

8.4.3 Statement of changes in equity 252

8.5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 253

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) 276

8.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 277

8.8 STATUTORY AUDITORS'S SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS AS OF DECEMBER 31, 2014 279

8.1 TECHNICOLOR 2014 CONSOLIDATED FINANCIAL STATEMENTS

8.1.1 CONSOLIDATED STATEMENT OF OPERATIONS

		Year ended December 31,	
(in million euros)	Note	2014	2013
CONTINUING OPERATIONS			
Revenues		3,332	3,450
Cost of sales		(2,513)	(2,627)
Gross margin		**819**	**823**
Selling and administrative expenses	(6)	(315)	(341)
Research and development expenses	(7)	(136)	(143)
Restructuring costs	(26)	(25)	(68)
Net impairment losses on non-current operating assets	(8)	(48)	(31)
Other income (expense)	(6)	7	(16)
Profit (loss) from continuing operations before tax and net financial income (expense)		**302**	**224**
Interest income	(9)	10	5
Interest expense	(9)	(75)	(117)
Other financial income (expense)	(9)	(52)	(176)
Net financial income (expense)	(9)	**(117)**	**(288)**
Share of loss from associates		-	(6)
Income tax	(10)	(48)	(41)
Profit (loss) from continuing operations		**137**	**(111)**
DISCONTINUED OPERATIONS			
Net gain (loss) from discontinued operations	(11)	**(9)**	**19**
NET INCOME (LOSS)		**128**	**(92)**
Attributable to Equity holders		*132*	*(87)*
Attributable to Non-controlling interest		*(4)*	*(5)*

		Year ended December 31,	
(in euros, except number of shares)	Note	2014	2013
Weighted average number of shares outstanding (basic net of treasury shares held)	(29)	335,305,821	335,094,417
Earnings (losses) per share from continuing operations			
■ basic		0.42	(0.32)
■ diluted		0.42	(0.32)
Earnings (losses) per share from discontinued operations			
■ basic		(0.03)	0.06
■ diluted		(0.03)	0.06
Total earnings (losses) per share			
■ basic		0.39	(0.26)
■ diluted		0.39	(0.26)

The accompanying notes on pages 172 to 247 are an integral part of these consolidated financial statements.

8.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Period ended December 31,	
(in million euros)	Note	2014	2013
Net income (loss) for the year		**128**	**(92)**
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligations	(25)	(70)	14
Items that may be reclassified subsequently to profit or loss			
Fair value gains / (losses), gross of tax on available-for-sale financial assets:			
■ reclassification adjustments to income on disposal of available-for-sale financial assets		-	(2)
Fair value gains / (losses), gross of tax on cash flow hedges:			
■ reclassification adjustments when the hedged forecast transactions affect profit or loss	(22)	1	(2)
Currency translation adjustments:			
■ currency translation adjustments of the year		33	(47)
Total other comprehensive income [1]		**(36)**	**(37)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**92**	**(129)**
Attributable to:			
■ *Equity holders of the parent*		*96*	*(124)*
■ *Non-controlling interest*		*(4)*	*(5)*

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

The accompanying notes on pages 172 to 247 are an integral part of these consolidated financial statements.

8.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million euros)	Note	December 31, 2014	December 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	284	293
Goodwill	(13)	448	450
Other intangible assets	(13)	476	375
Investments in associates and joint ventures	(15)	10	13
Investments and available-for-sale financial assets	(15)	8	6
Contract advances and up-front prepaid discount	(14)	53	54
Deferred tax assets	(10)	342	364
Income tax receivable		1	19
Other non-current assets	(18)	37	35
Cash collateral and security deposits	(19)	15	15
Total non-current assets		**1,674**	**1,624**
Current assets			
Inventories	(16)	99	104
Trade accounts and notes receivable	(17)	580	545
Derivative financial instruments		2	-
Income tax receivable		35	16
Other current assets	(18)	326	341
Cash collateral and security deposits	(19)	21	25
Cash and cash equivalents	(19)	328	307
Total current assets		**1,391**	**1,338**
TOTAL ASSETS		**3,065**	**2,962**

The accompanying notes on pages 172 to 247 are an integral part of these consolidated financial statements.

(in million euros)	Note	December 31, 2014	December 31, 2013
EQUITY AND LIABILITIES			
Shareholders' equity	(20)		
Common stock *(335,907,670 shares at December 31, 2014 with nominal value of €1 per share)*		336	335
Treasury shares		(157)	(156)
Additional paid-in capital		939	940
Subordinated perpetual notes		500	500
Other reserves		(45)	15
Retained earnings (accumulated deficit)		(1,095)	(1,228)
Cumulative translation adjustment		(255)	(287)
Shareholders' equity attributable to owners of the parent		**223**	**119**
Non-controlling interest		(4)	-
TOTAL EQUITY		**219**	**119**
Non-current liabilities			
Borrowings	(23)	852	936
Retirement benefits obligations	(25)	384	322
Restructuring provisions	(26)	2	-
Other provisions	(26)	56	82
Deferred tax liabilities	(10)	106	130
Other non-current liabilities	(28)	189	136
Total non-current liabilities		**1,589**	**1,606**
Current liabilities			
Borrowings	(23)	59	86
Retirement benefit obligations	(25)	30	34
Restructuring provisions	(26)	34	59
Other provisions	(26)	62	51
Trade accounts and notes payable	(17)	502	450
Derivative financial instruments		4	-
Accrued employee expenses		130	135
Income tax payable		29	10
Other current liabilities	(28)	407	412
Total current liabilities		**1,257**	**1,237**
TOTAL LIABILITIES		**2,846**	**2,843**
TOTAL EQUITY AND LIABILITIES		**3,065**	**2,962**

The accompanying notes on pages 172 to 247 are an integral part of these consolidated financial statements.

8.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
(in million euros)	Note	2014	2013
Net income (loss)		**128**	**(92)**
Income (loss) from discontinued activities		**(9)**	**19**
Profit (loss) from continuing activities		**137**	**(111)**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		175	197
Impairment of assets [1]	(8)	49	34
Net changes in provisions		(39)	18
Gain on asset disposals		(8)	(1)
Interest (income) and expense	(9)	65	112
Other non-cash items (including tax)		67	195
Changes in working capital and other assets and liabilities	(31)	5	(5)
Cash generated from continuing activities		**451**	**439**
Interest paid		(66)	(84)
Interest received		10	4
Income tax paid		(43)	(53)
Net operating cash generated from continuing activities		**352**	**306**
Net operating cash used in discontinued activities		(15)	(39)
NET CASH FROM OPERATING ACTIVITIES (I)		**337**	**267**
Acquisition of subsidiaries, associates and investments, net of cash acquired	(31)	(14)	(8)
Proceeds from sale of investments, net of cash	(31)	10	6
Purchases of property, plant and equipment (PPE)		(60)	(64)
Proceeds from sale of PPE and intangible assets		3	1
Purchases of intangible assets including capitalization of development costs		(50)	(51)
Cash collateral and security deposits granted to third parties		(7)	(2)
Cash collateral and security deposits reimbursed by third parties		13	7
Loans (granted to) / reimbursed by third parties		(1)	-
Net investing cash used in continuing activities		**(106)**	**(111)**
Net investing cash used in discontinued activities	(11)	(3)	27
NET CASH USED IN INVESTING ACTIVITIES (II)		**(109)**	**(84)**
Changes in ownership interests with no gain / loss of control, net of transaction fees		-	2
Proceeds from borrowings		-	843
Repayments of borrowings	(1)	(194)	(965)
Fees paid linked to the debt and capital restructuring	(31)	(26)	(131)
Other		(1)	3
Net financing cash generated used in continuing activities		**(221)**	**(248)**
Net financing cash used in discontinued activities		-	-
NET CASH USED IN FINANCING ACTIVITIES (III)		**(221)**	**(248)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**7**	**(65)**
Cash and cash equivalents at beginning of year		**307**	**397**
Exchange gains/(losses) on cash and cash equivalents		14	(25)
Cash and cash equivalents at end of year		**328**	**307**

(1) Including €1 million and €3 million of impairment of assets as part of restructuring plans in 2014 and 2013, respectively.

The accompanying notes on pages 172 to 247 are an integral part of these consolidated financial statements.

8.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Group								Non-controlling interest	Total equity (deficit)
(in million euros)	Share capital	Treasury shares	Additional paid-in capital	Perpetual notes (TSS)	Other reserves	Retained earnings	Cumulative translation adjustment	Total Group equity (deficit)		
Balance at January 1, 2013	**335**	**(156)**	**940**	**500**	**-**	**(1,142)**	**(240)**	**237**	**4**	**241**
Changes in 2013										
Total other comprehensive income *	-	-	-	-	*10*	-	*(47)*	*(37)*	-	*(37)*
Net income (loss) for 2013	-	-	-	-	-	*(87)*	-	*(87)*	*(5)*	*(92)*
Total comprehensive income for 2013	**-**	**-**	**-**	**-**	**10**	**(87)**	**(47)**	**(124)**	**(5)**	**(129)**
Impact of IAS 19 Revised	-	-	-	-	-	1	-	1	-	1
Share-based payment to employees (see note 27)	-	-	-	-	6	-	-	6	-	6
Capital increase of non-controlling interest	-	-	-	-	(1)	-	-	(1)	1	-
Balance at December 31, 2013	**335**	**(156)**	**940**	**500**	**15**	**(1,228)**	**(287)**	**119**	**-**	**119**
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**

* *Refers to details in the "Consolidated Statement of Comprehensive Income".*

The accompanying notes on pages 172 to 247 are an integral part of these consolidated financial statements.

8.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1	General information	173
Note 2	Accounting policies	174
Note 3	Group critical accounting estimates and judgments	178
Note 4	Scope of consolidation	180
Note 5	Information by operating segments and by geographic areas	183
Note 6	Selling and administrative expenses and other income (expense)	187
Note 7	Research and development expenses	187
Note 8	Net impairment losses on non-current operating assets	188
Note 9	Net financial income (expense)	189
Note 10	Income tax	190
Note 11	Discontinued operations and held for sale operations	193
Note 12	Property, plant and equipment	195
Note 13	Goodwill and other intangible assets	197
Note 14	Customer contract advances and up-front prepaid discount	202
Note 15	Investments	202
Note 16	Inventories	203
Note 17	Trade accounts and notes receivable & Trade accounts and notes payable	204
Note 18	Other current and non-current assets	204
Note 19	Cash, cash equivalents, cash collateral and security deposits	205
Note 20	Sharolders' equity	206
Note 21	Financial Instruments and Management of Financial Risks	207
Note 22	Derivative Financial Instruments	213
Note 23	Borrowings	214
Note 24	Fair value measurement	219
Note 25	Retirement benefit obligations	221
Note 26	Provisions for restructuring and other provisions	228
Note 27	Share-based compensation plans	230
Note 28	Other current and non-current liabilities	234
Note 29	Earnings (Loss) per share	235
Note 30	Information on employees	236
Note 31	Specific operations impacting the consolidated statement of cash flows	236
Note 32	Contractual obligations and other commitments	238
Note 33	Contingencies	240
Note 34	Related party transactions	244
Note 35	Subsequent events	245
Note 36	List of main consolidated subsidiaries	246

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

Debt transactions and exit from Sauvegarde Plan

On February 5, 2014 Technicolor put in place with certain lenders an exchange of €181 million ($75 million and €126 million) of senior secured debt (the "Reinstated Debt") issued in 2010 and maturing in 2016 and 2017 against the issuance of incremental term loans maturing in 2020 on terms identical to the term loans issued in July 2013 by Tech Finance & Co S.C.A. (the "Term Loan Debt").

On April 30, 2014 Technicolor closed a repricing transaction under which the interest rate on the Term Loan Debt issued in 2013 and in the February 2014 exchange transaction mentioned above was reduced from the previous pricing of LIBOR / EURIBOR +600bps / 625bps, subject to a 1.25% LIBOR / EURIBOR floor, to LIBOR / EURIBOR +450bps subject to a 1.00% floor. Moreover Technicolor prepaid $69 million (€50 million) of the Term Loan Debt.

On May 30, 2014 Technicolor fully reimbursed the remainder of its Reinstated Debt out of its cash. Accordingly, the Nanterre Commercial Court declared in a judgment dated June 25, 2014, that the *Sauvegarde* plan execution was finalized and thereby closed early the *Sauvegarde* proceeding of the Company which had been opened on November 30, 2009.

The foregoing transactions generate interest savings, extend the maturity profile, simplify the company's debt structure and further increase financial flexibility.

The transactions described above can be summarized as follows:

(in million euros)	Debt as of January 1, 2014	Cashless exchange in February	Term Loan Debt prepayment in April	Reinstated Debt prepayment in May	Scheduled Repayment	Other [1]	Currency Translation Adjustment	Debt as of December 31, 2014
Reinstated Debt maturing 2016/2017	266	(181)	-	(81)	(5)	-	1	-
Term Loan Debt maturing 2020	792	181	(50)	-	(46)	-	77	954
Other Debt	33	-	-	-	-	(14)	-	19
Debt (nominal amount)	**1,091**	**-**	**(50)**	**(81)**	**(51)**	**(14)**	**78**	**973**
IFRS adjustment deducted from Debt accounted for at fair value *	(69)	-	(7)	7	12	-	(5)	(62)
Debt (under IFRS)	**1,022**	**-**	**(57)**	**(74)**	**(39)**	**(14)**	**73**	**911**
** Of which non-cash items*		-	*13*	*7*	*12*	-	*(5)*	
Of which cash items [2]		-	*(20)*	-	-	-	-	

(1) Includes mainly the repayment of the borrowing to Finantia for €(11) million, the repayment of other debt for € (1) million, and the payment of accrued interest on the period.
(2) Fees related to the debt transactions (mainly call premium and original issue discount).

As of December 31, 2014, the IFRS carrying amount of borrowings in the balance sheet is detailed between short-term maturity (€59 million compared to €86 million as of December 31, 2013) and long-term maturity (€852 million compared to €936 million as of December 31, 2013).

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of preparation

Technicolor financial statements are presented in euro. All financial information presented in euro has been rounded to the nearest million, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2014 and adopted by the European Union as of February 18, 2015.

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 consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 18, 2015. 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 2015.

The standards approved by the European Union are available on the following web site:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The accounting policies applied by the Group are consistent with those followed last year except for the following standards, amendments and interpretations which have been applied for the first time in 2014.

a. *Standards, amendments and interpretations effective and applied as of January 1, 2014*

New standard and interpretation	Effective Date [1]	Main provisions
IFRS 10 - Consolidated Financial Statements	Annual periods beginning on or after January 1, 2014	IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, Consolidation - Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. No impact resulted from this new standard.
IFRS 11 - Joint Arrangements	Annual periods beginning on or after January 1, 2014	IFRS 11 provides for accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard eliminates diversity in practice in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The Group changed its accounting method for joint ventures in 2012, and accordingly did not have any significant impact of the application of this new standard.
IFRS 12 - Disclosure of Interest in Other Entities	Annual periods beginning on or after January 1, 2014	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard increases the level of disclosure especially on Tech Finance & Co S.C.A (note 4).
Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities	Annual periods beginning on or after January 1, 2014	These amendments include the main following items: - Provide "investment entities" (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 - Financial Instruments or IAS 39 - Financial Instruments: Recognition and Measurement; - Require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries.
IAS 28 - Investments in Associates and Joint Ventures (amendments)	Annual periods beginning on or after January 1, 2014	This Standard supersedes IAS 28 - Investments in Associates. It prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after January 1, 2014	Amends IAS 32 - Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting.
Amendments to IAS 36- Recoverable Amount Disclosures for Non-Financial Assets	Annual periods beginning on or after January 1, 2014	The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of non-financial assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.
Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting	Annual periods beginning on or after January 1, 2014	Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.

(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.

b. *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
IAS 19 - Defined benefit-employees contribution	Annual periods beginning on or after January 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. The Group does not anticipate any impact.
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. Because the Group has no significant tax levies, no significant impact is anticipated.
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 an asset 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.
Amendments to IFRS 11- Acquisition of an Interest in a Joint Operation	Annual periods beginning on or after January 1, 2016	This amendment was developed for the purposes of transaction in which the interest in a joint operation acquired meets the definition of a business combination in IFRS 3.
IFRS 15 – Revenue from contracts with customers	Annual periods beginning on or after January 1, 2017	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. Whenever the identification of impacts is in its early stage, the Group does not anticipate significant impact.
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.

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 each foreign currency converted to euros) are summarized in the following table:

	Closing rate		Average rate	
	2014	2013	2014	2013
U.S. Dollar (U.S.$)	0.82298	0.72516	0.75435	0.75172
Pound sterling (GBP)	1.28008	1.19503	1.24293	1.17777
Canadian Dollar (CAD)	0.70877	0.68069	0.68148	0.72670

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, 2014, the Group recognized amortization expense amounting to €80 million related to PPE and amortization expense of €72 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, 2014, the Group reviewed its triggering indicators and determined that some amortizable assets and cash generating units may have lost value. Consequently, it performed impairment tests for these assets or group of assets (see notes 12 and 13). The impairment booked on amortizable assets in 2014 amounts to €1 million and is only related to PPE. These amounts exclude impairment loss of tangible assets in the frame of a restructuring plan that amounted to €1 million in 2014 (see notes 8).

Consequently, as of December 31, 2014, the net carrying amount of PPE and intangible assets with finite useful lives amounted to €284 million and €254 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 2014 result in an impairment charge of €47 million related to DVD Services division goodwill. The impairment tests performed in 2013 resulted in an impairment charge of €15 million related to IZ-ON Media division goodwill (see notes 8 and 13.2).

Management believes the updated assumptions used concerning sales growth, terminal values and royalty rates are reasonable and in line with updated market data available for each GRU.

As of December 31, 2014, the net book value of goodwill and trademarks amounted to €448 million and €222 million, respectively, after impairment.

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 2014, taking into account updated forecasts within the French tax group and 2014 consumption, French deferred tax assets remained stable compared to the deferred tax assets recognized as at December 31, 2013. The remaining deferred tax assets correspond to a usage by 2028 which represents the estimated Licensing activity's predictable taxable income period based on existing and future Licensing programmes.

As of December 31, 2014, the Group recorded deferred tax liabilities of €106 million and €342 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 and expense for defined benefit plans is dependent on the use of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in note 25 and include, among others, the discount rate and annual rate of increase in future compensation levels. Assumptions regarding pension and post-retirement benefits obligations are based on actual historical experience and external data.

The Group is exposed to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk. The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Capital markets experience fluctuations that cause downward or upward pressure on the quoted values and higher volatility. While Technicolor's management believes the assumptions used are appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and post-retirement benefits net obligations under such plans and related future expense.

As of December 31, 2014, the post-employment benefits provision amounted to €414 million. The present value of the obligation amounted to €608 million, the fair value of plan assets amounted to €194 million. For the year ended December 31, 2014, net pension expense was €12 million, compared to €15 million in 2013 (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 judgement is required to determine the probability of a third party asserting its rights and the likely cost of using the technology when such assertion is probable. In making its evaluation, management considers past experience with comparable technology and / or with the particular technology owner. The royalties payable are presented within the captions "Other current liabilities" and "Other non-current liabilities" in the Group's balance sheet (see note 28).

NOTE 4 SCOPE OF CONSOLIDATION

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, 2014 and 2013, 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,							
	2014				2013			
	Europe *	France	U.S.	Others	Europe *	France	U.S.	Others
Number of companies								
Parent company and consolidated subsidiaries	39	18	17	38	41	18	16	37
Companies accounted for under the equity method	1	1	2	5	1	1	3	5
Sub-total by region	**40**	**19**	**19**	**43**	**42**	**19**	**19**	**42**
TOTAL		**121**				**122**		

* *Except France.*

4.1 Acquisitions and disposals

a. 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 NYC). 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 is 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 provisional goodwill of 2 million of Canadian dollars (equivalent to €2 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 assets 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 ASSETS 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 (PROVISIONAL AMOUNT AS OF DECEMBER 31, 2014)			**2**

Main disposals

No disposal had significant impact in the Group 2014 consolidated financial statements.

b. In 2013

Main business acquisition

As part of the Strategic Alliance with Village Roadshow Ltd. Technicolor acquired in February 2013 the Village Roadshow distribution business in Australia for a fixed amount of 9 million of Australian Dollars (equivalent to €7 million at transaction rate) payable in four installments until year 2015 and an additional variable consideration dependent on future level of activities of the acquired business. A fair value of 2.3 million of Australian Dollars (equivalent to €1.7 million at transaction rate) of contingent consideration liability has been initially recognized in addition to the fixed consideration, which represents the present value of the Group estimated cash outflow. This business has responsibilities for Warner Bros. and Paramount Home Entertainment as well as Roadshow Entertainment.

The goodwill of 10 million Australian Dollars (equivalent to €8 million at transaction rate) is primarily related to synergies expected with other businesses that Technicolor will develop locally.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2013 is not significant.

The impacts of this transaction as of December 2013 are detailed below:

(in million euros)	Acquirees' carrying amount before acquisition	Fair value adjustments	Fair value
Net assets acquired			
Property, plant and equipment	1	-	1
TOTAL NET ASSETS ACQUIRED	**1**	**-**	**1**
Purchase consideration paid as of December 31, 2013			3
Purchase consideration to be paid (including earn out payments' estimates)			5
TOTAL PURCHASE PRICE			**8**
GOODWILL			**7**

Main disposals

No disposal had significant impact in the Group 2013 consolidated financial statements.

Other main change in the scope of consolidation

Tech Finance & Co S.C.A. ("Tech Finance"), an independent, stand-alone special purpose vehicle which has been incorporated in Luxemburg on June 2013 to organize the refinancing of Technicolor, was fully consolidated based on SIC - 12 criteria. Under IFRS10, applicable from 2014, the analysis conducted on power, return and the ability to use the power to affect returns of Tech Finance also lead to consolidate this special purpose vehicle. Tech Finance assets and liabilities were only those related to the Debt refinancing.

4.2 Significant judgements and assumptions

a. Significant judgment in determining control on entity even though Technicolor does not hold voting rights in this entity

Since June 2013 Tech Finance has been 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 revised 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 refinancing (see note 23).

b. Interest in subsidiaries with minority holders

There has been no change during 2014 in non-controlling interest.

c. Interest in associates and joint ventures

The shut-down of Indoor Direct, LLC (hold jointly by IZ-ON Media and DDN in the USA) during the 2014 first half was fully accrued for in the December 2013 financial statements and therefore did not had any financial impact in 2014.

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, 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
DECEMBER 31, 2013							
Revenues [1]	876	138	323	1,380	527	206	3,450
Segment assets	531	116	122	1,064	229	114	2,176
Non-current assets [2]	188	82	29	736	109	67	1,211

(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 businesses:

  - Research & Innovation ;
  - Intellectual Property & Licensing ;
  - Technology-Leading Solutions (M-GO, Virdata).

  Research & Innovation division includes the Group's fundamental research activities. The Intellectual Property & Licensing division generates revenues by licensing the Group's Intellectual Property. Specific Technology-leading solutions includes M-GO and Virdata which have been developed by the Group to address industry challenges associated with the emergence of disruptive technologies and related-business models.

- **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 businesses:

  - DVD Services,
  - Production Services that contain:
    - Digital Postproduction, Digital Distribution and Digital Cinema as well as legacy activities (mostly film services); and
    - Digital Production (Visual Effects and Animation);
  - IZ-ON Media

  The Entertainment Services segment supports content creators from creation to postproduction (Production Services), while offering global distribution solutions, from digital to physical. Additionally, the Group offers digital place-based media services to retailers through its IZ-ON Media Division.

- **"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,
  - commitments related to former Consumer Electronic operations, mainly pension and legal costs.

The following comments are applicable to the two tables below:

- the Technology segment generates substantially all of its revenue from royalties. Entertainment Services and Connected Home generate their revenue from the sale of goods and services;
- the caption "EBITDA adjusted" corresponds to the profit (loss) from continuing operations before tax and net 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);

- all the statement of operations and statement of financial position items disclosed in the tables below have been measured in accordance with IFRS;
- as of December 31, 2014, 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 €394 and €365 million). As of December 31, 2013, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment represent more than 10% of the Group's consolidated revenues (respectively €462 and €355 million).

(in million euros)	Technology	Connected Home	Entertainment Services	Other	Consolidation Adjustments	Total
			Year ended December 31, 2014			
STATEMENT OF OPERATIONS ITEMS						
Revenues	490	1,382	1,459	1	-	3,332
Intersegment sales	-	2	3	1	(6)	-
EBITDA adjusted	**359**	**77**	**195**	**(81)**	**-**	**550**
Profit (loss) from continuing operations before tax and net financial income (expense)	**340**	**34**	**7**	**(79)**	**-**	**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)	(82)	(2)	-	(139)
Net impairment losses on non-current operating assets [1]	-	-	(48)	-	-	(48)
Other non-cash income (expense)	(3)	(16)	(22)	-	-	(41)
STATEMENT OF FINANCIAL POSITION ITEMS						
Assets						
Operating segment assets	129	418	883	9	-	1,439
Goodwill	-	50	398	-	-	448
Other segment assets	189	76	110	19	-	394
Total segment assets	**318**	**544**	**1,391**	**28**	**-**	**2,281**
Investments in associates	-	1	-	9	-	10
Unallocated assets						774
TOTAL CONSOLIDATED ASSETS						**3,065**
Liabilities						
Segment liabilities	201	549	588	458	-	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) See details in note 8.

(in million euros)	Technology [2]	Connected Home [2]	Entertainment Services	Other	Consolidation Adjustments	Total
			Year ended December 31, 2013			
STATEMENT OF OPERATIONS ITEMS						
Revenues	485	1,346	1,618	1	-	3,450
Intersegment sales	1	2	5	2	(10)	-
EBITDA adjusted	**353**	**43**	**230**	**(89)**	**-**	**537**
Profit (loss) from continuing operations before tax and net financial income (expense)	**339**	**(13)**	**24**	**(126)**	**-**	**224**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(13)	-	-	(13)
Amortization of contract advances and up-front prepaid discounts	-	-	(29)	-	-	(29)
Other depreciation and amortization	(10)	(42)	(98)	(3)	-	(153)
Net impairment losses on non-current operating assets [1]	-	(5)	(26)	-	-	(31)
Other non-cash income (expense)	(6)	(11)	(44)	(38)	-	(99)
STATEMENT OF FINANCIAL POSITION ITEMS						
Assets						
Operating segment assets	130	368	809	11	-	1,318
Goodwill	-	50	400	-	-	450
Other segment assets	217	79	100	12	-	408
Total segment assets	**347**	**497**	**1,309**	**23**	**-**	**2,176**
Investments in associates	-	2	-	11	-	13
Unallocated assets						773
TOTAL CONSOLIDATED ASSETS						**2,962**
Liabilities						
Segment liabilities	232	460	520	471	-	1,683
Unallocated liabilities						1,160
TOTAL CONSOLIDATED LIABILITIES (WITHOUT EQUITY)						**2,843**
OTHER INFORMATION						
Net capital expenditures	(12)	(38)	(63)	(1)	-	(114)
Capital employed	138	50	492	(56)	-	624

(1) See details in note 8.
(2) The activity Virdata has been transferred from the segment Connected Home to the segment Technology.

NOTE 6 SELLING AND ADMINISTRATIVE EXPENSES AND OTHER INCOME (EXPENSE)

(in million euros)	2014	2013
Selling and marketing expenses	(98)	(113)
General and administrative expenses	(217)	(228)
SELLING AND ADMINISTRATIVE EXPENSES	**(315)**	**(341)**
OTHER INCOME (EXPENSE) [1]	**7**	**(16)**

(1) The line "Other income (expense)" mainly includes:

a. in 2014: a gain on disposal of available-for-sale financial asset;

b. in 2013: a loss of €8 million due to the liquidation of the activities within the Production Services division in Italy which evidences the non-recoverability of current accounts. This loss was booked with the assumption that the entity will be closed under the "Concordato" process.

NOTE 7 RESEARCH AND DEVELOPMENT EXPENSES

(in million euros)	2014	2013
Research and development expenses, gross	(147)	(157)
Capitalized development projects	27	31
Amortization of research and development intangible assets	(34)	(35)
Subsidies [1]	18	18
RESEARCH AND DEVELOPMENT EXPENSES, NET	**(136)**	**(143)**

(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.

Value in use is the present value of the future cash flow expected to be derived from an asset or group of assets.

The fair value (less costs to sell) corresponds to the amount that could be obtained from the sale of the asset (or the CGU), in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. It can be determined using an observable market price for the asset (or the CGU) or using discounted cash flow projections that include estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance but exclude any synergies with other CGU of the Group.

For determining the recoverable value, the Group uses estimates of future pre-tax discounted cash flows generated by the asset including a terminal value when appropriate. These flows are consistent with the most recent budgets approved by the Board of Directors of the Group. Estimated cash flows are discounted using pre-tax long-term market rates, reflecting the time value of money and the specific risks of the assets. Methodology and assumptions used by the Group are detailed in note 13.

An impairment loss corresponds to the difference between the carrying amount of the asset (or group of assets) and its recoverable amount and is recognized in "Net impairment losses on non-current operating assets" for continuing operations unless the impairment is part of restructuring plans, or related to discontinued operations in which case it is recognised in "Restructuring expenses". In accordance with IAS 36, impairment of goodwill cannot be reversed.

(in million euros)	Technology	Connected Home	Entertainment Services	Other	Total
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 [3]	**-**	**-**	**(48)**	**-**	**(48)**
Impairment reversal on intangible assets	-	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [3]	**-**	**-**	**(48)**	**-**	**(48)**
2013					
Impairment loss on goodwill [1]	-	-	(15)	-	(15)
Impairment losses on intangible assets [2]	-	(4)	(8)	-	(12)
Impairment losses on tangible assets	-	(1)	(3)	-	(4)
IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [3]	**-**	**(5)**	**(26)**	**-**	**(31)**
Impairment reversal on intangible assets	-	-	-	-	-
NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS [3]	**-**	**(5)**	**(26)**	**-**	**(31)**

(1) In 2014 related to DVD Services. In 2013, related to IZ-ON Media (see note 13).
(2) In 2013, mainly related to IZ-ON Media (see note 13).
(3) In addition to these impairments €1 million and €3 million respectively have been written-off as part of a restructuring plan in 2014 and 2013. Total net impairment of assets amounts therefore to €49 million and €34 million in 2014 and 2013 respectively.

NOTE 9 NET FINANCIAL INCOME (EXPENSE)

(in million euros)	2014	2013
Interest income	10	5
Interest expense	(75)	(117)
Interest expense, net [1]	**(65)**	**(112)**
Interest expense on defined benefit liability, net	(11)	(12)
Acceleration of amortization of the effective interest rate on the debt [2]	(20)	(76)
Foreign exchange gain / (loss)	(11)	2
Other [3]	(10)	(90)
Other financial income (expense), net	**(52)**	**(176)**
NET FINANCIAL INCOME (EXPENSE)	**(117)**	**(288)**

(1) In 2014 interest expense includes €12 million (€22 million in 2013) due to the difference between the effective interest rate and the nominal rate of the debt.
(2) In 2013 and 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.
(3) In 2014 related mainly to the call premium paid as part of the repricing transaction to creditors which did not accept the repricing amendment. In 2013 related mainly to amounts paid for the tender offer of the Reinstated Debt and the issuance of the Term Loan Debt (mainly tender premium and other fees) for €81 million.

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 recognised in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss (either in OCI or directly in equity). Moreover, IAS 12 does not specify whether tax benefits arising from tax losses should be allocated to the source of the loss or the source of the realisation of the benefit. The Group has accounted for any tax benefits arising from tax losses from discontinued activities in continuing operations since these tax losses will be used by future benefits from continuing operations.

10.1 Income tax in the profit or loss

a. Income tax expense

The income tax expense can be analysed as follows:

(in million euros)	2014	2013
Current income tax		
France	(25)	(21)
Foreign	(24)	(25)
Total current income tax	**(49)**	**(46)**
Deferred income tax		
France	-	-
Foreign	1	5
Total deferred income tax	**1**	**5**
INCOME TAX (EXPENSE) ON CONTINUING OPERATIONS	**(48)**	**(41)**

In 2014 and 2013, 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)	2014	2013
Profit (loss) from continuing operations	**137**	**(111)**
Income tax	(48)	(41)
Share of profit (loss) from associates	-	(6)
Pre-tax accounting income on continuing operations	**185**	**(64)**
	38%	*38%*
Expected tax (expense) income	**(70)**	**24**
Effect of unused tax losses and tax offsets not recognized as deferred tax assets [1]	(26)	(91)
Effect of different tax rates applied [2]	51	25
Effect of change in applicable tax rate	-	2
Effect of permanent differences	5	5
Withholding taxes not recovered [3]	(5)	(6)
Tax credits	1	-
Other, net [4]	(4)	-
Effective tax expense on continuing operations	**(48)**	**(41)**

(1) In 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 to 2028 (see note 3.3). In 2013, relates mainly to the depreciation of the deferred tax assets of the U.S. entities.
(2) In 2014, the mother company benefited from reduced rate taxation, resulting in a tax benefit of €27 million related to the Licensing revenue (€14 million in 2013).
(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 2014 comprises €6 million related to "CVAE" of French entities offset by prior year adjustments (€6 million in 2013).

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, 2013	**388**	**(158)**	**230**
Changes impacting continuing profit or loss	(19)	24	5
Other movement	(5)	4	(1)
Year ended December 31, 2013	**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**

b. *Source of deferred taxes*

(in million euros)	2014	2013
Tax losses carried forward	**1,476**	**1,445**
Tax effect of temporary differences related to:		
Property, plant and equipment	40	26
Goodwill	4	5
Intangible assets	(68)	(64)
Investments and other non-current assets	(52)	(45)
Inventories	3	5
Receivables and other current assets	12	12
Borrowings	161	117
Retirement benefit obligations	60	61
Restructuring provisions	14	13
Other provisions	22	24
Other liabilities current and non-current	75	73
Total deferred tax on temporary differences	**271**	**227**
Deferred tax assets / (liabilities) before netting	**1,747**	**1,672**
Valuation allowances on deferred tax assets	(1,511)	(1,438)
NET DEFERRED TAX ASSETS / (LIABILITIES)	**236**	**234**

As shown above, the main temporary difference for the Group is related to tax losses carry forward, which will mostly expire beyond 2018 (€4,111 million on a total of €4,169 at year-end 2014). Unused tax losses arise mainly from France, United States and Germany locations.

As per the Group's current interpretation of the U.S. Tax rules, namely section Code 382, the May 26, 2010 share capital increase of Technicolor SA and NRS issuance under the *Sauvegarde* Plan leads to an "ownership change" of the U.S. group of subsidiaries. Such "ownership change" severely restricts the use of tax losses carried forward of the U.S. subsidiaries. The Group is lobbying against such a severe application of the section 382.

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 2014, there has been no change in discontinued perimeter compared to 2013. It comprises Grass Valley from 2009, Silicon Solutions businesses, Audio-Video and Accessories businesses (AVA) from 2005, and cathode Tubes activities sold in 2004 and 2005.

In 2014, the loss from discontinued operations is mainly made of legal fees and depreciation for risk and litigation. In 2013, the profit from discontinued operations was mainly related to Grass Valley Broadcast business sold to Francisco Partners in 2010.

Cash flows used by discontinued perimeter in 2014 and 2013 are as follows:

(in million euros)	Year ended December 31,	
	2014	2013
Profit (Loss) from discontinued operations	**(9)**	**19**
Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations		
Depreciation and Amortization	-	(8)
Net changes in provisions	(4)	(9)
(Profit) / Loss on asset sales	1	-
Other non-cash items (including tax)	1	-
Changes in working capital and other assets and liabilities [1]	(4)	(41)
NET OPERATING CASH USED IN DISCONTINUED OPERATIONS (I)	**(15)**	**(39)**
Net cash impact from sale of investments [2]	(3)	27
NET INVESTING CASH USED IN DISCONTINUED OPERATIONS (II)	**(3)**	**27**
NET FINANCING CASH USED IN DISCONTINUED OPERATIONS (III)	**-**	**-**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**(18)**	**(12)**

(1) In 2013, corresponds mainly to the payment of a fine from the European Commission for €38.6 million which was accrued for in 2012.
(2) See note 31.

11.2 Assets and liabilities held for sale

As of December 31, 2014 and 2013, there is no activity classified as held for sale.

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, 2012					
Cost	5	73	1,068	266	1,412
Accumulated depreciation	-	(42)	(871)	(149)	(1,062)
YEAR-ENDED DECEMBER 31, 2012, NET	**5**	**31**	**197**	**117**	**350**
2013					
Opening net amount	5	31	197	117	350
Exchange differences	-	-	(10)	(6)	(16)
Additions	-	-	8	53	61
Acquisition of subsidiaries [3]	-	-	1	-	1
Disposals	-	-	(2)	-	(2)
Depreciation charge	-	(3)	(72)	(18)	(93)
Impairment loss [2]	-	-	(3)	(4)	(7)
Other [4]	-	-	38	(39)	(1)
Year-ended December 31, 2013, net	**5**	**28**	**157**	**103**	**293**
At December 31, 2013					
Cost	5	73	996	258	1,332
Accumulated depreciation	-	(45)	(839)	(155)	(1,039)
YEAR-ENDED DECEMBER 31, 2013, NET	**5**	**28**	**157**	**103**	**293**
2014					
Opening net amount	5	28	157	103	293
Exchange differences	-	1	14	9	24
Additions	-	-	12	38	50
Acquisition of subsidiaries [3]	-	-	2	-	2
Disposals	-	-	(1)	-	(1)
Disposal of subsidiaries [5]	(2)	-	-	-	(2)
Depreciation charge	-	(3)	(55)	(22)	(80)
Impairment loss [2]	-	-	(1)	(1)	(2)
Other [4]	-	-	35	(35)	-
Year-ended December 31, 2014, net	**3**	**26**	**163**	**92**	**284**
At December 31, 2014					
Cost	3	54	1,026	269	1,352
Accumulated depreciation	-	(28)	(863)	(177)	(1,068)
YEAR-ENDED DECEMBER 31, 2014, NET	**3**	**26**	**163**	**92**	**284**

(1) Includes tangible assets in progress.
(2) In 2014, it also includes an impairment of €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).
In 2013 corresponds mainly to impairment losses linked to the shutting down of Production Services activities in France and Italy (it also includes an impairment of €3 million in the frame of a restructuring plan which is not included in the impairment losses on non-current operating assets disclosed in note 8).
(3) In 2014 related to the acquisition of Mr. X, Inc. In 2013 related mainly to the acquisition of Village Roadshow Ltd.
(4) Corresponds mainly to the transfer of tangible assets in progress to Machinery and Equipment.
(5) 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 as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- *The fair value of the consideration transferred; plus*
- *The recognized amount of any previously owned non-controlling interests in the acquiree; plus*
- *If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less*
- *The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.*

Under option, for each business combination, any non-controlling interest in the acquiree is measured either at fair value (thus increasing the goodwill) or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Once control is achieved, further acquisition of non-controlling 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 capitalized development projects, trademarks, rights for use of patents and acquired customer relationships.

Intangibles acquired through a business combination are recognized at fair value at the transaction date. For material amounts, Technicolor relies on independent appraisals to determine the fair value of intangible assets. Separately acquired intangible assets are recorded at purchase cost and internally generated intangibles are recognized at production cost.

Purchase cost comprises acquisition price plus all associated costs relating to the acquisition and set-up. All other costs, including those relating to the development of internally generated intangible assets such as brands, customer files, etc., are recognized as expenses of the period when they are incurred.

Intangible assets considered to have a finite useful life are amortized over their estimated useful lives and their value written down in the case of any impairment loss. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. Depending on the nature and the use of the intangible assets, the amortization of these assets is included either in "Cost of sales", "Selling and administrative expenses", "Other income (expense)" or "Research and development expenses".

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.

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 Sorgerm 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 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 acquired or internally developed software.

(in million euros)	Patents and trademarks	Customer relationships	Other intangibles [1]	Total intangible assets	Goodwill
At December 31, 2012					
Cost	597	300	266	1,163	
Accumulated amortization and impairment	(332)	(221)	(177)	(730)	
YEAR-ENDED DECEMBER 31, 2012, NET	**265**	**79**	**89**	**433**	**478**
2013					
Opening net amount	265	79	89	433	478
Exchange differences	(9)	(5)	(3)	(17)	(23)
Additions	-	-	41	41	1
Acquisition of subsidiary	-	-	1	1	9
Disposal	-	-	-	-	-
Amortization charge	(18)	(13)	(42)	(73)	-
Impairment loss [2]	-	(6)	(6)	(12)	(15)
Other	-	-	2	2	-
Year-ended December 31, 2013, net	**238**	**55**	**82**	**375**	**450**
At December 31, 2013					
Cost	577	283	298	1,158	
Accumulated amortization and impairment	(339)	(228)	(216)	(783)	
YEAR-ENDED DECEMBER 31, 2013, NET	**238**	**55**	**82**	**375**	**450**
2014					
Opening net amount	238	55	82	375	450
Exchange differences	31	5	8	44	43
Acquisition of subsidiary	2	-	-	2	2
Additions	97	-	33	130	-
Amortization charge	(23)	(10)	(39)	(72)	-
Impairment loss [2]	-	-	-	-	(47)
Other	-	-	(3)	(3)	-
Year-ended December 31, 2014, net	**345**	**50**	**81**	**476**	**448**
At December 31, 2014					
Cost	715	317	254	1,286	
Accumulated amortization and impairment	(370)	(267)	(173)	(810)	
YEAR-ENDED DECEMBER 31, 2014, NET	**345**	**50**	**81**	**476**	**448**

(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 customer relationship is detailed in note 13.1 hereafter. Impairment of goodwill is detailed in note 13.2 hereafter.

13.1 Customer relationships

As of December 31, 2014, management didn't identify any triggering event that may result in a loss of values of such assets.

As of December 31, 2013, some of the customer relationships of Entertainment Services have been tested for impairment due to the existence of triggering event (certain agreements with IZ-ON Media's customers have not been renewed in 2013). Accordingly the Group fully impaired the IZ-ON Media's customer relationship and recognized a €6 million impairment charge.

13.2 Trademarks and Goodwill

The following table provides the allocation of the significant amounts of goodwill and trademarks to each significant goodwill reporting unit based on the organization effective as of December 31, 2014.

	As of December 31, 2014					As of December 31, 2013				
	Goodwill			Technicolor Trademark	Other Trademark	Goodwill			Technicolor Trademark	Other Trademark
	Gross amount	Impairment of the period	Net amount	Net amount	Net amount (1)	Gross amount	Impairment of the period	Net amount	Net amount	Net amount (1)
Entertainment Services										
DVD Services	379	(47)	**332**		-	342	-	**342**		-
Production Services	66	-	**66**		**4**	58	-	**58**		**2**
IZ-ON Media	-	-	-		-	15	(15)	-		-
Connected Home	50	-	**50**		-	50	-	**50**		-
Technology	-	-	-		**33**	-	-	-		**33**
TOTAL	**495**	**(47)**	**448**	**185**	**37**	**465**	**(15)**	**450**	**163**	**35**

(1) Includes:
- *Moving Picture Company® (MPC) trademark and Mr. X 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, 2014, trademarks total €222 million and consist mainly of Technicolor®, RCA®, THOMSON®, MPC® and Mr. X®.

	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, 2014		8%	
Net amount of trademarks	**185**	**29**	**214**
Other trademarks			**8**
TOTAL NET AMOUNT OF TRADEMARKS			**222**

- 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, 3 GRU are considered:
  - DVD Services,
  - Production Services regrouping 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,
  - IZ-ON Media;
- 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**	**IZ-ON Media**	
Basis used to determine the recoverable amount	Fair Value [1]	Value in Use	Value in Use	Value in Use
Description of key assumptions		Budget and cash flow projections		
Period for projected future cash flows	(*)	5 years	5 years	5 years
Growth rate used to extrapolate cash flow projections beyond projection period:				
■ As of December 31, 2014	(*)	2%	2%	2%
■ As of December 31, 2013	(*)	2%	2%	2%
Post-tax discount rate applied:				
■ As of December 31, 2014 [2]	8%	8%	10%	10%
■ As of December 31, 2013	8%	8%	10%	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) The corresponding pre-tax discount rates are within a range from 11.8% to 15.0%.

(*) The main activities within the DVD Services division are considered to have a finite life, determined on the expected timing for the obsolescence of the underlying technology of these activities. Accordingly, no terminal value has been applied for these activities. A growth rate of 2% has been applied to the remaining activities within DVD Services.

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.

The Group recorded as of December 31, 2013 an impairment charge on goodwill of €15 million. The impairment test of IZ-ON Media and the related change in the contracts renewal assumptions has led the Group to determine that the expected future cash flow generated by IZ-ON Media are not sufficient to recover its carrying value. As a consequence the Group has written off IZ-ON Media's goodwill.

Sensitivity of recoverable amounts at December 31, 2014

- For DVD Services, as the fair value equals the book value as of December 31, 2014, any negative change in the main assumptions would bring the recoverable value below the book value. A 0.5% increase in the post-tax discount rate assumption would generate an impairment of €16 million. 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 or film processed.

Contract advances and up-front prepaid discount amounted to €53 million and €54 million as of December 2014 and December 2013 respectively.

NOTE 15 INVESTMENTS

15.1 Investments in associates and joint ventures

The Group has investments accounted for using the equity method, listed in 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)	2014	2013	2014	2013
Main investment in associates	9	10	(2)	2
Main investment in joint ventures	1	3	2	(8)
TOTAL	**10**	**13**	**-**	**(6)**

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 €8 million and €6 million as of December 2014 and December 2013 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)	2014	2013
Raw materials	23	31
Work in progress	11	9
Finished goods and purchased goods for resale	70	75
Gross value	**104**	**115**
Less: valuation allowance	(5)	(11)
TOTAL	**99**	**104**

NOTE 17 TRADE ACCOUNTS AND NOTES RECEIVABLE & TRADE ACCOUNTS AND NOTES PAYABLE

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)	2014	2013
Trade accounts and notes receivable	607	577
Less: valuation allowance	(27)	(32)
TOTAL TRADE ACCOUNTS AND NOTES RECEIVABLE (1)	**580**	**545**

(1) Including €59 million which are past due as of 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 (€580 million as of December 31, 2014 compared to €545 million as of December 31, 2013).

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 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)	2014	2013
Other non-current assets	37	35
Other current assets [1]	326	341
TOTAL OTHER ASSETS	**363**	**376**
(1) Detail of other current assets		
Value added tax receivable	33	38
Research tax credit and subsidies	33	37
Prepaid expenses	39	36
Other current assets *	221	230
Total other current assets	**326**	**341**

* *As of December 31, 2014 and December 31, 2013 other current assets include €140 million and €165 million of accrued royalty income respectively.*

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)	2014	2013
Cash	113	187
Cash equivalents	215	120
TOTAL	**328**	**307**
CASH COLLATERAL AND SECURITY DEPOSITS [1]	**36**	**40**

(1) Cash to secure credit facilities and other obligations of the Group, out of which the current portion amounts to €21 million as of December 2014 and €25 million as of December 31, 2013. 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 b. for more information on average interest and maturity of deposits.

NOTE 20 SHAROLDERS' 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

As of December 31, 2014, Technicolor's share capital amounts to €335,907,670. It is divided into 335,907,670 fully paid-up shares, each with a nominal value of €1.

Vector Capital directly or indirectly held, on its behalf or on behalf of its clients, 12.94% of the share capital and 12.95% of the voting rights of the Company at December 31, 2014 (against 20.70% at December 31, 2013), following the sale of 26 million Technicolor shares on March 14, 2014. After completion of the transaction, Vector Capital remains the main shareholder of the Group, holding approximately 43.5 million shares in Technicolor.

(in euros, except number of shares)	Number of shares	Per value	Euros
Share Capital as of January 1, 2013	335,543,841	1	335,543,841
Share capital increased by issuance of new shares (1)	165,551	1	165,551
Share Capital as of December 31, 2013	335,709,392	1	335,709,392
Share capital increased by issuance of new shares (2)	198,278	1	198,278
SHARE CAPITAL AS OF DECEMBER 31, 2014	**335,907,670**	**1**	**335,907,670**

(1) On February 28, 2011 and June 8, 2011, the Board of Directors approved the principles of a Long-Term Incentive Plan (LTIP) that led to the issuance of 165,551 new shares on June 17, 2013 (see note 27).

(2) As of March 31, 2014, the share capital was increased by 198,278 new shares of €1 each in order to deliver the free shares vested under the LTIP share based plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in capital by €198,278 (see note 27).

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.

	2014	2013
Number of Treasury shares at opening	**485,603**	605,687
Treasury shares delivered (1)	(114,034)	(120,084)
Treasury shares acquired (2)	272,762	-
Number of Treasury shares at closing	**644,331**	**485,603**

(1) On June 18, 2014, as part of the Mid-Term Incentive Plan (MIP of 2010, see note 27.1) 114,034 free shares were delivered to employees.
On June 13, 2013, as part of the Mid-Term Incentive Plan (MIP of 2010, see note 27.1) 120,084 free shares were delivered to employees.

(2) The Combined Shareholder's Meeting on May 23, 2013 authorized an implementation of a share repurchase program. Accordingly 272,762 shares were repurchased for a total amount of 1,204,077€.

20.3 Subordinated perpetual notes

On September 26, 2005, Technicolor issued subordinated perpetual notes 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 can 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 Company' debt in 2010, the characteristics of the notes are now as follows:

- 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 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 or 2013.

The Board of Directors has decided to propose the payment of a dividend of €0.05.

20.5 Non-controlling interests

In 2014, there was no significant change in non-controlling interests.

In 2013, DreamWorks Animation SKG, Inc., partner of Technicolor in MediaNaviCo LLC (doing business as M-GO), subscribed to an increase in capital for $2 million (€1.5 million at 2013 average rate), thus diluting the Group percentage of ownership in this company.

20.6 Net equity hedging reserve

As of December 31, 2014, a loss of €0.4 million on hedging instruments was recognized in OCI (compared to a loss of €1 million recognized in OCI in 2013).

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 Executive Committee and to the Audit Committee *via* various reports showing the company's exposures to these risks with details of the transactions undertaken to reduce these risks. 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 commercial clients 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 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 2014, exchange rate fluctuations of all currencies had a negative impact of €15 million on revenue and a negative impact of €3 million on profit/(loss) from continuing operations before tax and net finance costs. In 2014, the average U.S. dollar rate versus the euro was broadly stable compared to 2013 and these translation impacts in 2014 were mainly due to the depreciation of the Brazilian real against the euro. The Group estimates that its sensitivity to translation risk has not significantly changed since the end of 2014.

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 U.S. $403 million in 2014 (net revenue of U.S. $523 million in 2013).

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 the Licensing division and in some cases the 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, 2014 no hedges of this type were 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 and were nil in 2014 and in 2013.

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.

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

2013 *(in million euros)*	**Transaction**	**Translation**	**Total**
Profit from continuing operations before tax and net finance costs [1]	38	(8)	30
Equity Impact (cumulative translation adjustment) [2]			5

(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 or currencies pegged to the 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, 2014 exchange rate) would be €53 million on the amount of the Term Loan Debt of €954 million (nominal amount rather than the IFRS amount in the consolidated statement of financial position) compared to total gross cash interest charges for 2014 of €66 million. In 2013 total gross cash interest charges were €84 million. Sensitivity of the Group's interest charges to interest rate movements is shown hereafter.

Interest rate operations

In April 2010 in anticipation of the finalization of the new Reinstated Debt, the Group purchased interest rate caps. The caps matured in June 2014. No other hedging has been undertaken and at December 31, 2014, the Group had no outstanding interest rate hedging derivatives.

Effective interest rates

The average effective interest rates on the Group's consolidated debt are as follows:

	2014	2013
Average interest rate on borrowings	7.85%	10.41%
Average interest rate after interest rate hedging	7.85%	10.41%
Average interest rate after currency swaps and interest rate hedging	7.85%	10.41%

The average effective interest rate in 2014 on the Group's consolidated deposits was 3.15% (1.50% in 2013). 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 2014 and 2013 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)	2014	2013
Average debt	944	1,091
Percentage at floating rate *	99%	78%

* *Includes €892 million (consolidated statement of financial position value after IFRS adjustment) of floating rate debt for which the reference rate has a 1% floor.*

The Group's average deposits in 2014 amounted to €303 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. dollar, in euro and in Brazilian reals. 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, 2014 of a variation versus current rates *

(in million euros)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	0	0
Impact of interest rate variation of -1%	(2)	(2)

* *At December 31, 2014, 3 month EURIBOR and 3 month LIBOR were 0.078% and 0.256% respectively*

Maximum impact over one year on the net exposure as of December 31, 2013 (after hedging) of a variation versus current rates *

(in million euros)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	2	2
Impact of interest rate variation of -1%	(2)	(2)

* *At December 31, 2013, 3 month EURIBOR and 3 month LIBOR were 0.287% and 0.246% respectively*

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 net worth in the context of market conditions and the Group's financial projections. Among other things these reviews take into account the Group's debt maturity schedule, covenants, projected cash flows and financing needs. To implement these policies, the Group uses various long-term and committed financings which may include net worth, debt, subordinated debt and committed credit lines. For further information about the details of the Group's net worth and debt please refer to notes 20 and 23.

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.

In 2014 the Group reduced the interest rate in a repricing transaction of its Term Loan Debt issued in 2013 and refinanced and repaid the remaining Reinstated Debt (see note 1.2 "Main events of the period" for a description of these operations) and extended from 2016 to 2019 an existing receivables backed credit facility in the amount of $125 million (see note 23.3d. for further information on these credit lines).

As a result the Group has been able to:

- come out of *Sauvegarde* in June 2014;
- reduce the level of net debt and increase net equity;
- maintain sufficient cash flow to cover liquidity needs and financial needs such as principal and interest repayments;
- put in place committed credit lines in order to assure access to liquidity; and
- extend debt maturities with a significant portion being long-term.

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, 2014 and December 31, 2013, respectively.

	At December 31, 2014						
(in million euros)	**2015**	**2016**	**2017**	**2018**	**2019**	**There after**	**Total**
Floating rate term loans – principal	49	49	49	49	49	709	954
Floating rate term loans – 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 loans – interest	43	50	47	44	41	27	252
TOTAL INTEREST PAYMENTS	**43**	**50**	**47**	**44**	**41**	**27**	**252**

	At December 31, 2013						
(in million euros)	2014	2015	2016	2017	2018	There after	Total
Floating rate term loans – principal	63	64	53	246	40	591	1,057
Floating rate term loans – accrued interest	10	-	-	-	-	-	10
Other debt – principal and accrued interest	13	2	-	1	2	6	24
TOTAL DEBT PRINCIPAL PAYMENTS	**86**	**66**	**53**	**247**	**42**	**597**	**1,091**
IFRS Adjustment							**(69)**
Debt in IFRS							**1,022**
Floating rate term loans – interest	68	72	68	56	46	71	381
TOTAL INTEREST PAYMENTS	**68**	**72**	**68**	**56**	**46**	**71**	**381**

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, 2014 and 2013, Technicolor had no outstanding equity derivatives on its 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 €328 million at December 31, 2014. 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)	2014	2013
A-1+	14%	13%
A-1	55%	78%
A-2	1%	8%
A-3	30%	1%
Money Market funds	-	-
Non rated financial institutions	-	-
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 one year.*

The termination of hedge accounting may occur if the underlying hedged item does not materialize, if there is a voluntary revocation of the hedging relationship or at the termination or the arrival of maturity of the hedging instrument. The accounting consequences are then as follows:

- *for fair value hedges, the fair value adjustment of the debt at the date of cessation of the hedging relationship is amortized via the effective interest rate method recalculated on that date;*
- *for cash flow hedges, the amounts recorded in other comprehensive income are taken to profit or loss in the case of the disappearance of the hedged item. In other cases, they are recycled into profit or loss in the same period during which the hedged transaction impacts profit and loss.*

In both cases, subsequent changes in value of the hedging instrument, if it remains outstanding, are recognized in profit or loss.

Derivatives not designated as hedging instruments are measured at fair value. Subsequent changes in fair value are recognized in 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 2014, of the result on hedging instruments recognized in OCI at December 31, 2013, a loss of €2.5 million was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At December 31, 2014, a loss of €0.4 million on hedging instruments was recognized in OCI.

The Group put in place interest rate caps in 2010 for a part of its debt at variable interest rate; they were classified as cash flow hedges. These caps matured in June 2014.

In 2014 a total of €30 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 €1.2 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, 2014 there was a loss of €2 million on the outstanding hedging instruments and a gain of €1 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 2014 and 2013 this impact was a loss of €0.1 million and a loss of €0.3 million, respectively, booked in "Other financial income (expense), net".

The ineffective portion of the interest rate caps is recognized in profit and loss. In 2014 and 2013 the impact was nil.

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, consisting of Term Loans in U.S. dollars and in euros, issued in 2013 and subsequently amended in 2014 *via* an exchange transaction and a repricing transaction. The Group's Reinstated Debt was completely repaid in 2014. See note 1.2 "Main events of the period", which describes these transactions.

23.1 Analysis by nature

(in million euros)	December 31, 2014	December 31, 2013
Debt due to financial institutions	892	1,000
Bank overdrafts	-	1
Other financial debt	10	10
Accrued interest	9	11
DEBT UNDER IFRS	**911**	**1,022**
Total non-current	*852*	*936*
Total current	*59*	*86*

23.2 Summary of debt

Details of the Group's debt (under IFRS) as of December 31, 2014 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 Loans	USD	783	739	Floating [3]	5.50%	6.92%	Amortizing	July 10, 2020
Term Loans	EUR	309	284	Floating [4]	5.50%	7.58%	Amortizing	July 10, 2020
Total Term Loan Debt	**EUR**	**954**	**892**		**5.50%**	**7.13%**		
Total Other Debt	**EUR**	**19**	**19**		**0.87%**	**0.87%**		
TOTAL	**EUR**	**973**	**911**		**5.41%**	**7.00%**		

(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, 2014.
(3) 3 month LIBOR with a floor of 1.00% +450bp.
(4) 3 month EURIBOR with a floor of 1.00%+450bp.

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, 2014	December 31, 2013
Less than 1 month	22	32
Between 1 and 6 months	12	22
Between 6 months and less than 1 year	25	32
Total current debt	**59**	**86**
Between 1 and 2 years	49	66
Between 2 and 3 years	50	53
Between 3 and 4 years	52	247
Between 4 and 5 years	52	42
Over 5 years	711	597
Total non-current debt	**914**	**1,005**
Total nominal debt	**973**	**1,091**
IFRS Adjustment [1]	**(62)**	**(69)**
DEBT UNDER IFRS	**911**	**1,022**

(1) In the consolidated statement of financial position the Term Loan Debt and the Reinstated Debt were initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.

b. *Interest rate characteristics*

All of the Group's debt is at floating rate.

c. Analysis of borrowings by currency

(in million euros)	December 31, 2014	December 31, 2013
Euro	296	382
U.S. Dollar	615	640
Other currencies	-	-
DEBT UNDER IFRS	**911**	**1,022**

d. Undrawn Credit Lines

(in million euros)	December 31, 2014	December 31, 2013
Undrawn, committed lines expiring in more than one year	203	241

The Group has a receivables backed committed credit facility in an amount of $125 million (€103 million at the December 31, 2014 exchange rate) which matures in 2019 and a €100 million revolving credit facility (the "RCF") maturing in 2018. Neither was drawn at December 31, 2014. The availability of the receivables backed credit line varies depending on the amount of receivables. At December 31, 2013 the Group also had a second receivables backed committed credit facility in an amount of €50 million; this facility was cancelled by the Group in the first half of 2014.

e. Financial Covenants and Other Limitations

Following the full repayment of the Reinstated Debt the limitations under this debt no longer apply. The limitations under the Term Loan Debt are described below.

Security Package

The Term Loan Debt and the 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 dispositions**: the net proceeds in respect of any disposal of any of its assets to an unaffiliated third party will be applied, subject to a minimum threshold, to repay the outstanding 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 dispositions 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.

In respect of 2014 and subsequent financial years, a percentage of Technicolor's excess cash flow (which is defined above) will be applied to prepay the Term Loan Debt. The applicable percentage depends on the leverage ratio of the Group:

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

- **change of control**: upon the occurrence of a change of control of Technicolor (see "Change of Control Provisions" above), 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 terms of the Term Loan Debt as amended in 2014, Technicolor can at its election prepay all or part of its outstanding term loans. All prepayments made after October 31, 2014 can be done at par without penalty.

Covenants

The Term Loan Debt contains a single affirmative financial covenant which requires that the total gross nominal debt be no more than 3.50 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, 2014 must be no more than 3.50 times the EBITDA of the Group for the twelve months ending December 31, 2014. 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, 2014.

- Gross Debt €973 million
- EBITDA €546 million
- Gross Ratio Debt / EBITDA 1.78:1.00

Since 1.78 is less than the maximum allowed level of 3.50, the Group meets this financial covenant.

RCF leverage covenant

Since the Group had no drawings outstanding under the RCF at December 31, 2014 this covenant does not apply.

Other Restrictions of the Term Loan Debt

In addition to certain information provision covenants, the agreements governing the Term Loan Debt 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 for capital leases,
  - in excess of the greater €250 million or 50% of EBITDA for credit facility debt,
  - for subsidiaries other than Thomson Licensing SAS, in excess of €50 million (excluding credit facilities and capital leases),
  - for Technicolor SA if the ratio of EBITDA to fixed charges is above a certain ratio,
  - for Thomson Licensing SAS: no additional indebtedness allowed except for drawings on the RCF, excluding certain permitted financial indebtedness including, among others, the refinancing of the Reinstated Debt;
- enter into interest rate or currency hedging agreements other than for non-speculative purposes;

- enter into material transactions or arrangements with affiliates for an amount in excess of €20 million unless on an arms-length basis and if greater than €40 million approved by the Board of Directors;
- make restricted payments, if certain ratios are not met, in a cumulative amount over the life of the Term Loan Debt greater than €125 million, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- make investments in joint ventures not controlled by the Group except to the extent the Group's consolidated leverage ratio is under a threshold which rises over time and subject to a cumulative €100 million basket over the life of the 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 31.2 for further information) in 2014 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 and the 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 and the RCF, the Debt Parties, the agents representing the lenders under the Term Loan Debt and RCF agreements and the collateral agent entered into an intercreditor agreement.

Events of Default

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

IFRS analysis of the exchange and repricing transactions

The exchange and repricing transactions performed in the first half of 2014 were mainly executed with existing lenders and accounted for as a modification of the existing debt (no substantial change to the existing contract). However certain lenders were replaced by new lenders, therefore part of the transaction was accounted for as an extinguishment and a new issue. Consequently, only part of the fees incurred in these transactions were expensed in the first half of 2014 (€4 million) and the remaining part was booked as an IFRS adjustment to the carrying amount of the Term Loan Debt (€20 million).

Carrying amount of the Reinstated Debt

In accordance with IAS 39 paragraph 43, the Reinstated Debt was determined initially at its fair value on May 26, 2010. The difference between the fair value of the Reinstated Debt and the nominal value was booked as a financial non cash gain of €229 million in the 2010 consolidated Statement of Operations. At December 31, 2013 the

remaining unamortized difference between the IFRS balance sheet value and the nominal value of the Reinstated Debt was €27 million. Of this amount, €17 million was transferred to the Term Loan Debt in connection with the February debt exchange and the remainder was taken in financial charges, €3 million in interest expense and €7 million in other financial expense.

Carrying amount of the Term Loan Debt

The IFRS value of the Term Loan Debt was determined to be the nominal amount of the Term Loan Debt reduced by transaction costs as adjusted by the effective interest rate (EIR) method. These costs including €45 million at issuance of the Term Loan Debt in 2013 amounts to €62 million on December 31, 2014 as detailed below:

(in million euros)

IFRS discount of the Term Loan Debt as of December 31, 2013	**(42)**
Transfer of the exchanged Reinstated Debt IFRS discount	(17)
Transaction costs related to 2014 repricing	(20)
Impact of April 2014 Early repayment	13
2014 EIR effect and variation due to exchange rates	4
IFRS DISCOUNT OF THE TERM LOAN DEBT AS OF DECEMBER 31, 2014	**(62)**

This IFRS discount of €62 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 7.13%.

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, 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**

December 31, 2013	Accounting Categories					Fair Value			
(in million euros)	Fair value through P&L (incl. derivative instruments)	Available-for-sale assets	Payables and receivables	Debt at amortized cost	Consolidated statement of financial position value	Quoted Price	Internal model with observable parameters	Internal model with non-observable parameters	Fair Value
						Level 1	Level 2	Level 3	
Investments and available-for-sale financial assets	-	6	-	-	**6**	-	6	-	**6**
Derivative financial instruments (current and non-current assets)	-	-	-	-	-	-	-	-	-
Trade accounts and notes receivable	-	-	545	-	**545**				**545**
Borrowings	-	-	-	1,022	**1,022**				**1,101**
Derivative financial instruments (current and non-current liabilities)	-	-	-	-	-				-
Trade accounts and notes payable	-	-	450	-	**450**				**450**

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, 2014		December 31, 2013	
(in million euros)	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow and fair value hedges	1.9	4.0	0.3	0.4
Total current	**1.9**	**4.0**	0.3	0.4
TOTAL	**1.9**	**4.0**	**0.3**	**0.4**

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 2014, we recognized impairment charges for goodwill due to adverse market trend evolution for DVD Services.

In 2013, we recognized impairment charges of €4 million on our property, plant and equipment, mainly related to the shutting down of Production Services activities in France and Italy which assets will cease to be used. Valuation of these assets is classified as Level 3 in the fair value hierarchy since their fair values were determined based on unobservable inputs. The impairment charge is determined based on the difference between the assets estimated fair value (being nil) and their carrying amount. We did recognize impairment charges for goodwill and other intangible assets in 2013 (respectively €15 million and €12 million) mainly due to negative outlook for IZ-ON Media.

In 2013, machinery and equipment with a value of 1.3 million of Australian Dollars (€1 million), recognized upon the acquisition of Roadshow (see note 4.1) was not revalued at the reporting date. Management determined that the fair value was not materially different from the book value.

NOTE 25 RETIREMENT BENEFIT OBLIGATIONS

POST-EMPLOYMENT OBLIGATIONS

The Group operates various post-employment schemes for some employees. Contributions paid and related to defined contribution plans, i.e. pension plans under which the Group pays fixed contributions and has no legal or constructive obligation to pay further contributions (for example if the fund does not hold sufficient assets to pay to all employees the benefits relating to employee service in the current and prior periods), are recorded as expenses when employees have rendered services entitling them to the contributions.

The other pension plans are analyzed as defined benefit plans (i.e. pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation) and are recognized in the balance sheet based on an actuarial valuation of the defined benefit obligations being carried out at the end of each annual reporting period.

The method used for determining employee benefits obligations is based on the Projected Unit Credit Method. The present value of the Group benefit obligations is determined by attributing the benefits to employee services in accordance with the benefit formula of each plan. The provisions for these benefits are determined annually by independent qualified actuaries based on demographic and financial assumptions such as mortality, employee turnover, future salaries, benefit levels and discount rates.

Remeasurement, comprising actuarial gains and losses, the effect of changes in asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in OCI in the period in which they occur. Remeasurement recognised in OCI is reflected immediately in retained earnings and will not be classified in profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are classified as follows:

- *service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) to be recognized in profit or loss;*
- *net interest expense or income, to be recognized as financial expense and financial income (see note 9);*
- *remeasurement.*

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.

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

(in million euros)	Pension plan benefits		Medical Post-retirement benefits		Total	
	2014	2013	2014	2013	2014	2013
Opening provision	**350**	**381**	**6**	**7**	**356**	**388**
Net periodic pension cost	15	17	-	-	15	17
Curtailment gain	(3)	(2)	-	-	(3)	(2)
Benefits paid and contributions	(28)	(30)	-	-	(28)	(30)
Change in perimeter	(2)	-	-	-	(2)	-
Actuarial (gains) losses recognized in OCI	69	(13)	1	(1)	70	(14)
Currency translation differences	6	(3)	-	-	6	(3)
CLOSING PROVISION	**407**	**350**	**7**	**6**	**414**	**356**
Of which current	*30*	*34*	-	-	*30*	*34*
Of which non-current	*377*	*316*	*7*	*6*	*384*	*322*

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 2014 (€19 million in 2013).

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;

- **in other countries**, Technicolor maintains mainly non funded pension plans in Mexico, in Canada and in Japan. The benefits are mainly based on employee's pensionable salary and length of service. These plans are either funded through independently administered pension funds or unfunded.

Medical Post-retirement benefits

In the U.S., Technicolor provided to certain employees a post-retirement medical plan that includes basic medical and dental benefits. Such plan was closed to new entrants in 1992. Only inactive participants remain in the plan.

In 2014, 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	317	134	130	17	10	608
Fair value of plan assets	-	(89)	(105)	-	-	(194)
RETIREMENT BENEFIT OBLIGATIONS	**317**	**45**	**25**	**17**	**10**	**414**
Cash flows	(18)	(6)	(3)	-	(1)	(28)
Average duration (in years)	10	10	19	10	N/A	N/A

The Group expects the overall 2015 benefits paid to be equal to €36 million for defined benefits plans, of which €22 million directly by the company to the employees and €14 million by the plans.

In addition, the Group pays an average yearly funding contribution to the plan assets for around €7 million (see note 25.4).

c. *Multi-employer plan*

Since August 2009, Technicolor participates in the Motion Picture Industry multi-employer defined benefit plan in the U.S. As the information about the dividing up of plan financial position and performance between each plan Member are not available, Technicolor accounts for this plan as a defined contribution plan.

The average expense incurred each year is less than €1 million.

25.2 Elements of the Statement of Operations and Other Comprehensive Income

a. *Statement of Operations*

(in million euros)	Pension plan benefits		Medical post-retirement benefits		Total	
	2014	2013	2014	2013	2014	2013
Service cost:						
■ Current service cost	(4)	(5)	-	-	(4)	(5)
■ Past service cost and gain from settlements	3	2	-	-	3	2
Financial interest expense, net [1]	(11)	(12)	-	-	(11)	(12)
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN PROFIT OR LOSS	**(12)**	**(15)**	**-**	**-**	**(12)**	**(15)**

(1) The financial components are recognized in "Other financial income (expense)". It includes:
- *interest cost on DBO and interest income on plan assets for respectively €(19) million and €8 million in 2014;*
- *interest cost on DBO and interest income on plan assets for respectively €(19) million and €7 million in 2013 .*

b. *Other Comprehensive Income (OCI)*

The OCI impact of the pension provision revaluation is detailed below:

(in million euros)	Pension plan benefits		Medical post-retirement benefits		Total	
	2014	2013	2014	2013	2014	2013
OPENING					**(97)**	**(111)**
Return on plan assets	3	6	-	-	3	6
Actuarial gains/(losses) arising from:						
■ changes in demographic assumptions	(2)	-	-	-	(2)	-
■ changes in financial assumptions [1]	(70)	8	(1)	1	(71)	9
■ experience adjustments	-	(1)	-	-	-	(1)
COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN OCI	**(69)**	**13**	**(1)**	**1**	**(70)**	**14**
CLOSING					**(167)**	**(97)**

(1) In 2014, the decrease in discount rates (see note 25.5) led to actuarial losses amounting to €(71) million when, in 2013, the increase in discount rates resulted in actuarial gain for €9 million.

25.3 Analysis of the change in benefit obligation and in plan assets

(in million euros)	Pension plan benefits		Medical post-retirement benefits		Total	
	2014	2013	2014	2013	2014	2013
Benefit obligation at opening	**(523)**	**(554)**	**(6)**	**(7)**	**(529)**	**(561)**
Current service cost	(4)	(5)	-	-	(4)	(5)
Interest cost	(18)	(19)	-	-	(18)	(19)
Remeasurement - actuarial gains / (losses) arising from:						
■ changes in demographic assumptions	(2)	-	-	-	(2)	-
■ changes in financial assumptions	(70)	8	(1)	1	(71)	9
■ experience adjustments	-	(1)	-	-	-	(1)
Past service cost, including gains / (losses) on curtailments	3	2	-	-	3	2
Benefits paid	34	37	-	-	34	37
Currency translation adjustments	(23)	9	-	-	(23)	9
Change in perimeter [1]	2	-	-	-	2	-
Benefit obligation at closing [2]	**(601)**	**(523)**	**(7)**	**(6)**	**(608)**	**(529)**
Benefit obligation wholly or partly funded	*(250)*	*(215)*	-	-	*(250)*	*(215)*
Benefit obligation wholly unfunded	*(351)*	*(308)*	*(7)*	*(6)*	*(358)*	*(314)*
Fair value of plan assets						
Fair value at opening	**173**	**173**	**-**	**-**	**173**	**173**
Interest income	7	7	-	-	7	7
Remeasurement gains / (losses)	3	6	-	-	3	6
Employer contribution	8	6	-	-	8	6
Benefits paid	(14)	(13)	-	-	(14)	(13)
Currency translation adjustments	17	(6)	-	-	17	(6)
Fair value at closing [3]	**194**	**173**	**-**	**-**	**194**	**173**
RETIREMENT BENEFIT OBLIGATIONS	**(407)**	**(350)**	**(7)**	**(6)**	**(414)**	**(356)**

(1) In 2014, changes in perimeter are mainly due to the deconsolidation of Italian entities.
(2) For NAFTA subsidiaries (which include U.S., Canada and Mexico):
- *pension benefits obligations amounted to €137 million and €120 million, for the years ended December 31, 2014 and 2013 respectively;*
- *medical post-retirement benefits obligations amounted to €7 million and €6 million for the years ended December 31, 2014 and 2013, respectively.*

(3) For NAFTA subsidiaries (which include U.S., Canada and Mexico), plan assets amounted to €89 million and €81 million for the years ended December 31, 2014 and 2013.

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 2014 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 (€4 million at 2014 average rate).

Periodically an asset-liability analysis is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles.

- in the U.S., as the pension plan is frozen, the investment strategy aims to increase the funded ratio toward termination liability while simultaneously attempting to minimize the volatility of the funded ratio (currently funded ratio is above 70%). Asset mix is based on 40% equity instruments and 60% 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 38% of insurance contracts that cover obligations with pensioners, 25% of equity instruments, 14% of bonds 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

(in % and in million euros)	Plan assets allocation at December 31		Fair value of plan assets at December 31	
	2014	2013	2014	2013
Cash and cash equivalents	2%	2%	4	4
Equity investments	33%	49%	64	84
Debt securities	32%	33%	62	57
Properties	12%	16%	24	28
Annuity contracts	21%	-	40	-
TOTAL	**100%**	**100%**	**194**	**173**

The fair value of the above equity and debt instruments is determined based on quoted market prices in active markets. The fair value of the plan assets did not include any Technicolor's own financial instruments or any asset used by the Group.

The 2014 actual return on plan assets amounted to €10 million (€13 million in 2013).

25.5 Assumptions used in actuarial calculations

	Pension plan benefits		Medical post-retirement benefits	
	2014	2013	2014	2013
Weighted average discount rate	2.5%	3.7%	3.9%	4.4%
Weighted average long-term rate of compensation increase	1.7%	2.1%	N/A	2.1%

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	1.5%	0.4%	N/A
UK	3.6%	N/A	N/A
U.S.	3.9%	N/A	4.1%

25.6 Risk associated to the plans

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.

Sensitivities of the benefits to these risks are presented below in section 25.7.

25.7 Sensitivity analysis

The sensitivity of the actuarial valuation is described below:

- if the discount rate is 0.25% higher, the obligation would decrease by €18 million;
- if the discount rate is 0.25% lower, the obligation would increase by €20 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 €2 million;
- if the salary increase rate is 0.25% lower, the obligation would decrease by €2 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)	2014	2013
Opening provisions	**59**	**46**
Current period additional provision [1]	29	69
Release [1]	(3)	(1)
Usage during the period	(45)	(49)
Currency translation adjustment and other movements	(4)	(6)
CLOSING PROVISIONS [2]	**36**	**59**
Of which current	*34*	*59*
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). In December 2013, the Group has announced a number of cost reduction action plans in order to streamline support functions.

(2) Of which €1 million for provisions related to environmental costs as of December 31, 2014, and €1 million as of December 31, 2013.

26.2 Other provisions

(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, 2014	16	55	62	133
Current period additional provision	7	12	13	32
Release	(3)	(5)	(4)	(12)
Usage during the period	(3)	(12)	(9)	(24)
Currency translation adjustments and other [3]	1	1	(13)	(11)
AS OF DECEMBER 31, 2014	**18**	**51**	**49**	**118**
Of which current	*18*	*9*	*35*	*62*
Of which non-current	*-*	*42*	*14*	*56*

(1) Include mainly provisions for risk and litigation.
(2) Of which:
- *€17 million for provisions related to litigation as of December 31, 2014, and €26 million as of December 31, 2013;*
- *€3 million for provisions related to environmental costs as of December 31, 2014, and €2 million as of December 31, 2013.*

(3) Other movements are mainly due to the deconsolidation of Italian entities.

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

- On May 23, 2013, the Board of Directors approved the principles of a Management Incentive Plan (MIP 2015). As part of this plan, stock options have been awarded to around 90 key senior executives subject to presence conditions and to the achievement of performance targets that relate to the Group consolidated Free Cash Flow in 2014, 2015 and 2016.

  On June 20, 2014, the Board of Directors approved in continuity of the MIP approved on May 2013 (MIP 2015), the grant of additional stock options (the "MIP 2016"). As part of this plan, options have been granted to around 60 key senior executives subject to presence conditions and to the achievement of performance targets that relate to the Group consolidated Free Cash Flow in 2015, 2016 and 2017.

  The Board authorized a potential stock options plan of 26,843,507 options, of which a total of 21,933,000 options have been initially granted as of December 31, 2014 (17,188,000 options and 4,745,000 options related respectively to MIP 2015 and MIP 2016).
- On October 24, 2013, the Board of Directors of the Group decided to launch a Free Share Plan. According to this plan, Technicolor will grant its eligible employees 125 Technicolor newly issued shares for free. The vesting period is 4 years. The grant of free shares is subject to the presence in the Group at the end of the vesting period. The compensation expense related to the Free Share Plan has been estimated with a pricing model similar to the one used for the other option plans. As of December 31, 2014, 1,604,000 free shares have been granted to employees.
- In February 2011, the Board of Directors approved the principles of a Long-Term Incentive Plan (LTIP) that has been implemented during the first semester of 2011. As part of this plan, free performance shares may be awarded in 2012, 2013 and 2014 to some key senior executives subject to and proportionally to fulfillment of specified performance conditions based both on market performance criteria and on Technicolor performance achieved respectively on December 31, 2011, 2012 and 2013 as approved by the Board of Directors. For free performance shares that would be awarded based on 2011, 2012 and 2013 performance, final vesting is still conditional to senior executives staying in the company.
- On June 17, 2010, the Board approved a Mid-term Incentive Plan (MIP) granting non-market performance units made up of a combination of cash and, depending on Management level, either stock options or free shares. Subject to the presence condition at vesting dates and fulfillment of specified non-market performance conditions on December 31, 2012 as approved by the Board of Directors, the rights under the plan shall vest either partially or in full for each beneficiary in the proportions set by the Board of Directors.

  For non-french tax domiciled beneficiaries, free shares were acquired and exercisable since June 17, 2014. Beneficiaries need to be continuously employed for the plan's entire vesting period.

As of December 31, 2014 the total number of outstanding stock options amounted to a maximum of 21,013,061 options and 2,007,152 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 details of these options are disclosed hereafter.

	Type of plan	Grant date	Number of options initially granted	Number of options outstanding	Initial number of beneficiaries	Vesting date	Contractual option life	Exercise price [2]	Estimated fair values of the options granted
Plan 4	Purchase options	April 19, 2005	71,940	32,684	93	50% as of April 19, 2008 50% as of April 19, 2009	10 years	€170.99	€73.20
Plan 5	Purchase options	Dec. 8, 2005	199,317	47,136	390	50% as of Dec. 8, 2008 50% as of Dec. 8, 2009	10 years	€145.60	€62.50
Plan 7	Subscription options	Dec. 14, 2007	130,710	50,269	482	50% as of Dec. 14, 2009 50% as of Dec. 14, 2010	8 years	€85.64	€20.80
MIP * options	Subscription options	June 17, 2010	1,216,700 [1]	887,972	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.52	€2.32
LTI free share	Free Shares (existing or to be issued)	April 28, 2011 and June 30, 2011	1,637,152 [1]	742,027	63	June 2013 (50%) and March 2014 (50%)	-	-	€5.20 on average
MIP 2015 options **	Subscription options	May 23, 2013 and June 17, 2013	16,398,000	14,490,000	94	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	8 years	€3.31	€1.10
MIP 2015 options **	Subscription options	October 24, 2013	200,000	200,000	1	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	8 years	€4.07	€1.45
MIP 2015 options **	Subscription options	December 18, 2013 [3]	375,000	375,000	1	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	8 years	€3.81	€1.21
MIP 2015 options **	Subscription options	March 26, 2014	215,000	215,000	2	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	8 years	€4.70	€1.79
Free share plan	Free shares (to be issued)	November 12, 2013	1,604,000	1,265,125	12,832	November 2017	-	-	€3.87
MIP 2016 options ***	Subscription options	June 20, 2014	2,830,000	2,800,000	40	June 2016 (50%), June 2017 (25%) and June 2018 (25%)	8 years	€6.00	€1.89
MIP 2016 options ***	Subscription options	October 21, 2014	1,915,000	1,915,000	24	October 2016 (50%), October 2017 (25%) and October 2018 (25%)	8 years	€5.10	€1.51

* *Mid-Term Incentive Plan (MIP) (see description above).*
** *Management Incentive Plan (MIP 2015) (see description above).*
*** *Management Incentive Plan (MIP 2016) (see description above).*
(1) Maximum potential number.
(2) Exercise prices and number of options were modified following the 2012 capital increases.
(3) Beneficiaries were informed on February 2014

Movements in the number of free shares and share options outstanding with their related weighted average exercise prices are as follows for 2014 and 2013:

	Number of share options	Weighted Average Exercise Price *(in euros)*
Outstanding as of December 31, 2012	**2,880,501**	**17.40**
(with an average remaining contractual life of 5 years – excluding free shares)		(ranging from 0 to 171)
Of which exercisable	*354,496*	*115.40*
Granted	17,440,000	3.68
Forfeited	(784,728)	6.03
Outstanding as of December 31, 2013	**19,535,773**	**5.60**
(with an average remaining contractual life of 7 years – excluding free shares)		(ranging from 0 to 171)
Of which exercisable	*321,167*	*111.60*
Granted	5,335,000	5.08
Delivered	(322,526)	-
Forfeited & other	(1,528,034)	15.26
Outstanding as of December 31, 2014	**23,020,213**	**4.20**
(with an average remaining contractual life of 7 years – excluding free shares)		(ranging from 0 to 171)
Of which exercisable	*130,089*	*47.30*

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:

(in % and in euros)	Stock options plan granted in						
	October 2014	June 2014	March 2014	December 2013 (1)	October 2013	May & June 2013	June 2010
Weighted average share price at measurement date	4.71	5.68	4.88	3.59	4.06	3.20	5.5
Weighted average exercise price	5.10	6.00	4.70	3.81	4.07	3.31	6.52
Expected volatility	40%	40%	40%	40%	40%	40%	52%
Expected option life *	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Risk free rate	0.127%	0.306%	0.62%	0.65%	0.77%	0.62%	1.85%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Fair value of option at measurement date	1.51	1.89	1.79	1.21	1.45	1.10	2.32

* *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.*
(1) *Beneficiaries were informed on February 2014.*

Factors that have been considered in estimating expected volatility for the long-term maturity stock option plans include:

- the historical volatility of Technicolor's stock over the longest period available;
- adjustments to this historical volatility based on changes in Technicolor's business profile.

For shorter maturity options, expected volatility was determined based on implied volatility on Technicolor's share observable at grant date.

For the 2011 and 2010 free shares granted as part of the MIP and the LTI, Technicolor considered an expected turnover of 4% based on historical data of related beneficiaries, an average initial share price of €5.2 in 2011 (€5.5 in 2010), and a dividend rate of 0% (in 2011 and 2010).

For the 2013 free shares granted as part of Free Share Plan, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €3.87 and a dividend rate of 0%.

27.2 Plans granted by MediaNaviCo and Maximum Play

In 2011, Technicolor's subsidiary MediaNaviCo granted 13 million "Value Options Plan" to employees and a "Profit Interest Plan" for two MediaNaviCo executives.

In 2014, Technicolor subsidiary Maximum Play provided to around 30 selected employees an Equity Incentive Plan which is in the scope of IFRS 2. This plan was adopted on September 1, 2014 and authorized the issuance of 13,600,000 options, of which a total of 10,436,000 options have been granted as of December 31, 2014

The estimated fair values of the options granted were calculated using a binomial option pricing model for MediaNaviCo and a Black&Scholes valuation model for Maximum Play.

The inputs into the model were as follows:

	Plan Granted by MediaNaviCo *(in % and in euros)*		**Plan granted by Maximum Play** *(in % and in U.S.$)*
	Profit Interest Plan Options	**Value Options**	
Expected volatility	60%	60%	65%
Expected option life	4 years	Between 3.5 and 4.5 years depending on the grant date	4 years
Risk free rate	2.1%	2.1%	0.09%
Turnover rate over the vesting period	0%	Between 0% and 15%	8%
Exercise price	N/A	0.45	0.23
Fair value of option at measurement date	0.26	0.26	0.25

In addition, Maximum Play granted in 2014 to two senior executives 5,200,000 free shares which vesting period is over 56 months.

The impact of these plans on Technicolor's result is not material in 2014 and in 2013.

27.3 Compensation expenses charged to income

The compensation expenses charged to income for the services received during the period amount to €9 million and €6 million for the years ended December 31, 2014 and 2013, respectively. The counterpart of this expense has been credited fully to equity.

27.4 Elements concerning the plans to which IFRS 2 has not been applied *

** Granted before November 7, 2002 and/or vested as of January 1, 2005.*

The equity instruments not restated under IFRS 2 in accordance with IFRS 1 includes BASAs (*Bons d'Achat et de Souscription d'Actions*) granted on September 15, 2004 and acquired by the Group's employees who were eligible to participate in the plan. The residual equity instruments not restated under IFRS 2 are the stock options granted in 2004 in replacement of stock option rights granted prior to November 7, 2002 (part of Plan 3 for which the option life has expired in 2014).

The details of stock options (excluding BASAs) not accounted for under IFRS 2 because of IFRS 1 exceptions are as follows:

	Number of options	Weighted Average Exercise Price *(in euros)*
Outstanding as of December 31, 2012 (with an average remaining contractual life of 2 years)	**204,806**	**131.38**
Of which exercisable	*204,806*	*131.38*
Forfeited	(31,039)	131.38
Outstanding as of December 31, 2013 (with an average remaining contractual life of 1 year)	**173,767**	**131.38**
Of which exercisable	*173,767*	*131.38*
Expired	(173,767)	131.38
Outstanding as of December 31, 2014 (with an average remaining contractual life of 0 year)	**-**	**-**
Of which exercisable	-	-

NOTE 28 OTHER CURRENT AND NON-CURRENT LIABILITIES

(in million euros)	2014	2013
TOTAL OTHER NON-CURRENT LIABILITIES	**189**	**136**
Taxes payable	32	42
Current royalties	114	119
Payables for fixed assets	19	13
Other	242	238
TOTAL OTHER CURRENT LIABILITIES	**407**	**412**

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

	2014	2013
NUMERATOR:		
Adjusted profit (loss) "Group share" from continuing operations attributable to ordinary shareholders *(in million euros)*	141	(106)
DENOMINATOR (*):		
Weighted shares *(in thousands)*	340,160	335,094

(*) Weighted average number of share for basic earnings is 335,306 thousands shares in 2014 and 335,094 thousands shares in 2013. For computation of the diluted earnings (loss) per share in 2013, because there was a loss from continuing operations attributable to ordinary equity holders, the unconverted shares from assumed conversions of stock-options have not been included in calculating the diluted per-share amount. 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).

NOTE 30 INFORMATION ON EMPLOYEES

The geographical breakdown of the number of employees at the end of the year is as follows:

	2014	2013
Europe	3,921	3,894
North America	5,681	5,468
Asia [1]	2,183	2,063
Other countries [2]	2,416	2,575
TOTAL NUMBER OF EMPLOYEES	**14,201**	**14,000**
Number of employees in entities accounted for under the equity method	344	417
(1) Of which India	*1,755*	*1,409*
(2) Of which Mexico	*1,418*	*1,562*

There were no employees reported under the discontinued perimeter as of December 31, 2014 and 2013.

The total "Employee benefits expenses" (including only employees in the consolidated entities) is detailed as follows:

(in million euros)	2014	2013
Wages and salaries	677	630
Social security costs	88	86
Compensation expenses linked to share options granted to Directors and employees [1]	9	6
Pension costs - defined benefit plans [4]	12	15
Termination benefits and other long-term benefits [2]	19	47
TOTAL EMPLOYEE BENEFITS EXPENSES (EXCLUDING DEFINED CONTRIBUTION PLANS) [3]	**805**	**784**
Pension costs - defined contribution plans	19	19

(1) See note 27.3.
(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 Cash impact of debt restructuring

(in million euros)	Note	2014	2013
Fees paid for debt and capital restructuring [1]	(9)	(26)	(131)
Reimbursement of borrowings to bank holders [2]	(1)	(182)	(124)
TOTAL CASH IMPACT OF DEBT RESTRUCTURING		**(208)**	**(255)**

(1) The fees paid directly linked to the debt refinancing have been classified into financing cash flows as they relate to the refinancing debt (of which €25 million related to 2014 repricing transaction).
(2) In addition to debt restructuring, €11 million were reimbursed to Finantia as part of the closing of the Sauvegarde Proceeding and €1 million of other debt were also reimbursed.

31.2 Acquisition and disposal of subsidiaries, associates and investments

As of December 31, 2014, acquisition of investments, net of cash position of companies acquired, amounted to €14 million. They are mainly related to the acquisition of Mr. X, Inc. activity in the U.S. and in Canada for €6 million, to installment payment of Village Roadshow distribution business for €2 million and to acquisition of available-for-sale investments.

As of December 31, 2013, acquisition of investments, net of cash position of companies acquired amounted to €8 million, and were mainly related to the acquisition of the Village Roadshow distribution business in Australia and additional acquisition of interest in Indoor Direct, LLC.

Net cash impact from disposal of available-for-sale investments amounted to €10 million in 2014 and €6 million in 2013.

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 to a financial institution its CIR receivable identified in 2013. This sale occurred at the end of June 2014 and led to the derecognition of the €18 million receivable with the following counterpart:

- a cash receipt of €16 million;
- a €1 million receivable towards the financial institution, corresponding to the residual cash to be received when the French tax authorities reimburse the CIR in 2017; 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, 2014 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)	2014	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]	973	59	99	104	711
Finance leases [2]	1	1	-	-	-
Payables on acquisition and disposal of companies	5	4	1	-	-
Off-balance sheet obligations:					
Operating leases [3]	276	73	102	53	48
Other unconditional future payments [4]	39	17	16	2	4
TOTAL UNCONDITIONAL FUTURE PAYMENTS (*)	**1,294**	**154**	**218**	**159**	**763**
Conditional future payments					
Off-balance sheet obligations:					
Guarantees given and other conditional future payments [5]	68	15	-	-	53
TOTAL CONDITIONAL FUTURE PAYMENTS (*)	**68**	**15**	**-**	**-**	**53**

(*) "Total Unconditional future payments" and "Total Conditional future payments" as of December 31, 2014 amounted respectively to €1,411 million and €109 million on continuing entities. The purchase obligation is no more included as no minimum volume is engaged in the purchase contracts.

(1) Financial debt is reported here at its nominal value for its principal amount and accrued interest (IFRS value reported in the consolidated statement of financial position is €911 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) There is no significant finance lease in the Group.

(3) Operating leases are described below in this note.

(4) Other unconditional future payments relate mainly to the maintenance costs associated with the lease.

(5) Guarantees comprise:

- *guarantees for customs duties and legal court proceedings for €0.6 million, comprising mainly duty deferment guarantees required by the customs administrations to benefit from customs duty deferments. Imported goods are normally taxed when they enter the territory. In the case of regular import flows, customs may grant an economic regime, under which a cumulated duty payment is made after a determined one-month credit period. The carrying value of this guarantee is to cover the duties to be paid during the credit period;*
- *guarantees given to tax offices for €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.

Conditional future payments mainly include contingent earn-out payments for €1.5 million related to past acquisitions.

Additional information:

- *guarantees and commitments received amount to €152 million as of December 31, 2013. This amount is mainly related to the royalties from licensees (patents, trademarks) within the Technology segment;*
- *the above table is only related to continuing entities. There are no more contractual obligations and commercial commitments taken by discontinued entities as of December 31, 2014.*

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)	2014
Currency swaps	160
TOTAL COMMITMENTS GIVEN	**160**
Currency swaps	160
TOTAL COMMITMENTS RECEIVED	**160**

32.3 Commitments related to operating leases

At December 31, 2014, 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
2015	73	(3)	70
2016	58	(2)	56
2017	44	(2)	42
2018	34	(1)	33
2019	19	-	19
After 5 years	48	-	48
TOTAL	**276**	**(8)**	**268**

(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 OuiDo 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.*

The above table includes the leases accrued as restructuring reserve for €2 million as of December 31, 2014.

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 2014 was €78 million (€82 million in rental expense and €4 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.

a. *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.

b. *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).

c. *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, 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:

Italian tax litigation – Videocolor transfer prices

The Company's former Italian subsidiary, Videocolor S.p.A. ("Videocolor"), was subjected to a tax verification process in connection with its exporting of picture tubes to Technicolor USA, Inc. (formerly Thomson Inc.) from 1993 to 1998. In its report transmitted to the Italian Direct Taxes Local Office (the "Tax Office") in December 1999, the Guardia di Finanza decided to modify the valuation method of the tubes exported to Technicolor USA, Inc. and, as a consequence, increased the taxable income of Videocolor in the amount of €31 million for the fiscal years 1993 through 1998.

In May 2003, Videocolor elected to benefit, in respect of fiscal years 1993 and 1994 only, from a tax amnesty law enacted by the Italian Parliament in 2003. In application thereof, Videocolor paid a total amount of €1 million using available tax losses, thereby ending all disputes with respect to fiscal years 1993 and 1994.

With regard to fiscal year 1995, the Tax Office gave notice in 2001 of an assessment resulting in additional taxes amounting to €4 million and tax penalties amounting to €4 million (before interest). Videocolor successfully appealed this assessment in October 2001 but, following an appeal from the tax authorities, the judgment was partially overturned in June 2006, with the Court of Appeals confirming an assessment in the amount of €2 million, not including interest and penalties. In January 2008, Videocolor filed an appeal with the Supreme Court based on the argument that the assessment did not comply with Organization for Economic Co-operation and Development ("OECD") transfer pricing principles. In June 2008, the Court of Appeals rejected this appeal, and Videocolor challenged this decision before the Supreme Court in October 2009. In addition, in 2009 Videocolor filed a revocation appeal with the Court of Appeals in order to obtain the correction of a material mistake contained in the first instance court decision that resulted in the assessment being unduly increased by around €1 million. The Supreme Court found in favour of Videocolor in the revocation appeal on April 23, 2014, and sent the parties to a Regional Court to re-discuss the revocation appeal. The hearing on the appeal lodged by Videocolor in October 2009 against the 1995 notice took place in January 2014 and the decision is on standby until the revocation appeal decision is handed down.

In 2002, the Tax Office gave notices of two assessments with regard to fiscal years 1996 and 1997 resulting in additional taxes amounting to €3 million and €2 million, respectively and tax penalties amounting to €3 million and €2 million, respectively. Videocolor challenged the assessments before the tax court in order to nullify these assessments. In October 2004, the tax court rejected most of the assessments notified by the Italian Tax authorities. The Tax Office appealed this decision in December 2005. In December 2007, the Court decided in favour of Videocolor, confirming the previous judgment. In July 2008, the Tax Office challenged these rulings to the Supreme Court. The appeal hearing took place in January 2014, with no decision to date.

In December 2003, the Tax Office gave notice of an assessment with respect to fiscal year 1998, resulting in additional taxes amounting to €0.1 million and penalties amounting to €0.1 million. Videocolor appealed against this assessment in March 2004. After a number of court decisions, the Court of Appeals in September 2012 cancelled most of the assessments. This litigation is now closed.

Allegations of Anti-dumping of televisions manufactured by Technicolor in Thailand

Technicolor is defending cases against Customs authorities in four European countries in relation to imports into the European Union by Technicolor subsidiaries of televisions manufactured by Technicolor in Thailand. These proceedings relate to different periods according to the different rules in each country, beginning at the earliest in 1997 and ending at the latest in August 2002. In accordance with the relevant procedures, Technicolor received various re-assessment notices in May 2004, January 2005 and February 2005 relating to antidumping duties, excluding interest and any penalties applicable in various countries of the European Union, including the United Kingdom, Germany, France, and Italy for an aggregate amount of approximately €22 million.

Based on an unfavourable decision of the Italian Supreme Court issued in September 2012, the Italian Customs Authorities have requested the payment of a €7.6 million reassessment by instalments. Technicolor considers the Supreme Court decision to be unlawful in view of European Community law and introduced on November 8, 2013 an indemnity action before the Italian courts against the Italian State, involving the European Court of Justice by way of a preliminary question, if deemed necessary.

The French Customs Authority accepted to submit in August 2005 Technicolor's duty refund claim based on Article 239 of the European Community's Customs Code to the European Commission. In May 2007, the European Commission notified Technicolor of its rejection of this claim, but accepted Technicolor's good faith. In July 2007, Technicolor filed an appeal at the Court of First Instance of the European Court of Justice, which rejected Technicolor's position in September 2009. In November 2009, Technicolor lodged an appeal at the European Court of Justice which also rejected Technicolor's position in June 2010. Technicolor is continuing the legal proceedings at the national courts in France and Germany while, in the United Kingdom, Technicolor paid in July 2013 €1 million in full and final settlement of the reassessment, which closes the case in the United Kingdom. In June 2011, the French court accepted Technicolor's request to transfer the case to the European Court of Justice, which responded in March 2012 but sent the case back to the French courts. In January 2013, the French Court found against Technicolor, declaring it liable to pay €9.5 million including VAT. Technicolor lodged an appeal against this decision on February 18, 2013 and the court hearing took place on January 17, 2014. The Court issued its ruling in March 2014 and found against Technicolor. Technicolor then paid the fine and filed an appeal with the Supreme Court in April 2014. The decision is expected for the second half 2015.

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 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).

The Company is challenging the remaining assessments.

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).

Taoyuan County Form RCA Employees' Solicitude Association (the "Association")

In April 2004, the Plaintiff, 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 claims damages of NTD 2.7 billion (approximately €70 million at the December 31, 2014 exchange rate) to compensate the members of the Association for the alleged injury suffered by the former plant employees who worked and lived at the Facility from its inception until its closure in 1992.

In March 2005, the Association's complaint was dismissed by the Taipei District Court based on the Association's failure to comply with certain procedural aspects of Taiwan's class action statutes. Shortly thereafter, the Association appealed the dismissal, which was reversed by the Taiwan Supreme Court. In 2006, the case was remanded to the Taipei District Court for further proceedings as to procedural compliance by the Association. The parties have filed a number of briefs addressing procedural and substantive issues and the court has held several hearings. The Association has also attempted to add Thomson Consumer Electronics (Bermuda), Ltd., Technicolor USA, Technicolor SA, and General Electric company ("GE") as defendants and Technicolor disputes those entities have been added to the litigation. Defendants are vigorously defending the case and it is Technicolor's position that GE has indemnity obligations to Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric. GE denies the existence of any such obligations to Technicolor. The trial court held its final hearing for December 12, 2014 and the trial court is expected to announce its ruling in April 2015.

Cathode Ray Tubes ("CRT") Investigations and Lawsuits

Class action lawsuits asserting private antitrust claims alleging anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses) were filed in early 2008 in the United States (one group brought by indirect purchasers and one group brought by direct purchasers) that originally named Technicolor SA and others as defendants, although Technicolor SA was dropped as a named defendant when amended complaints were filed in the spring of 2009. The Group sold the CPT business in 2005 and never had activity in the CDT business. In November 2011, Technicolor USA and Technicolor SA executed tolling agreements with the indirect purchaser plaintiffs and the direct purchaser plaintiffs. In August 2012, the indirect purchaser plaintiffs moved the Court to join Technicolor SA and Technicolor USA to the pending class action. In October 2012, Technicolor SA, Technicolor USA, and the indirect purchaser plaintiffs executed an amendment to the tolling agreement which extended the original tolling agreement, prohibited indirect purchaser plaintiffs from bringing Technicolor into the present class action, and required Technicolor to provide certain sales documents.

In March 2013, Sharp Electronics filed suit against Technicolor SA and Technicolor USA alleging anticompetitive behaviour in the CRT industry. Technicolor USA and Technicolor SA timely filed motions to dismiss. In September 2013, the Court issued an order dismissing Sharp's claims without prejudice for failure to plead facts in support of its claims with the requisite particularity, but granted Sharp leave to amend its complaint. In October 2013, Sharp filed an amended complaint against Technicolor SA and Technicolor USA and Technicolor SA and Technicolor USA, timely filed motions to dismiss Sharp's amended complaint. In March 2014, the Court denied in part and granted in part Technicolor USA's and Technicolor SA's motions to dismiss, allowing Sharp to proceed against Technicolor USA and Technicolor SA on Sharp's federal antitrust claims and New York state claims.

In September 2013, Tech Data filed suit against Technicolor SA and Technicolor USA alleging anticompetitive behaviour in the CRT industry, and, in response to Technicolor USA and Technicolor SA's motions to dismiss, similar with Sharp, the Court denied in part and granted in part Technicolor USA's and Technicolor SA's motions to dismiss, allowing Tech Data to proceed against Technicolor USA and Technicolor SA on some of Tech Data's claims.

In November 2011, several direct purchaser plaintiff class opt outs filed individual complaints against other CRT-industry defendants and, in March 2013, sought leave to amend those complaints to add claims against Technicolor SA and Technicolor USA; the Court denied the direct purchaser plaintiffs leave in September 2013. In November and December 2013, several new suits alleging the same anticompetitive behaviour were filed against Technicolor SA and Technicolor USA by some of those same plaintiffs, including: BestBuy Co., Inc.; Costco Wholesale Corp.; Office Depot, Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; creditors of Tweeter Opco, LLC, and

Tweeter Newco, LLC; Electrograph Systems, Inc.; P.C. Richard & Son Long Island Corp.; MARTA Coop. of Am., Inc.; ABC Appliance, Inc.; Target Corporation; and Interbond Corporation of America. Also, in May 2014, ViewSonic filed a complaint against Technicolor USA and Technicolor SA.

Technicolor USA and Technicolor SA moved to dismiss the lawsuits brought by these plaintiffs and, similar to the motions with respect to Sharp, the Court denied in part and granted in part Technicolor USA's and Technicolor SA's motions to dismiss, allowing these plaintiffs to proceed against Technicolor USA and Technicolor SA on some of their antitrust claims. Technicolor SA and Technicolor USA have executed settlement agreements with Target and ViewSonic.

In May 2014, the direct plaintiff purchaser class filed suit against Technicolor SA and Technicolor USA alleging anticompetitive behaviour in the CRT industry. Technicolor SA and Technicolor USA have executed a settlement agreement with the direct plaintiff purchaser class and the parties are submitting the settlement to the court for approval.

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 filed responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian Ministry of Justice indicating Brazilian authorities are initiating an investigation of possible cartel activity within the CRT industry in Brazil. Technicolor SA timely filed its response as well as evidence responding to the allegations.

On September 10, 2012, Technicolor SA received notice from the Mexican Federal Competition Commission indicating Mexican authorities had completed an investigation of possible cartel activity within the CRT industry in Mexico and on December 3, 2012, Technicolor SA timely filed its response as well as evidence responding to the allegations.

Environmental matters

Some of Technicolor's current and previously-owned manufacturing sites have a history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Soil and groundwater contamination was detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired from GE in 1987, and TCETVT, as an affiliate of Technicolor SA, owned the facility from approximately 1988-1992 when it was sold to an entity outside the Technicolor group. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. 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 guaranties provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be precisely adequate.

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)	2014	2013
Statement of financial position items		
Trade receivables		
■ SV Holdco	1	1
■ Other joint ventures	1	2
Trade payables		
■ ST Microelectronics (1)	1	2
■ Eastman Kodak Company (3)	-	1
Other assets		
■ Other joint ventures	-	1
Other liabilities		
■ Thomson Angers	-	1
■ Thalès (1)	-	4
Statement of operations items		
Revenues		
■ SV Holdco	7	8
■ Indoor Direct, LLC (2)	-	3
■ ST Microelectronics (1)	1	1
Expenses		
■ ST Microelectronics (1)	(26)	(33)
■ Thomson Angers	-	(1)
■ Eastman Kodak Company (3)	-	(15)
Extraordinary items		
■ Technicolor Beijing (4)	(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. Mr. Lombard was also Board Member of Thalès from March 2011 till April 2014. Therefore, Thalès is no longer a related party to the Group since April 2014.

(2) Following the shut-down of Indoor Direct, LLC during the 2014 first semester, the entity is not a related party of Technicolor group anymore. From 2012, Technicolor accounted for its investment in this joint venture using the equity method; therefore it was related party in 2013.

(3) Mrs. Quatela was chairperson of Eastman Kodak Company from January 1, 2012 to February 2014 and was appointed General Counsel and Senior Vice-President of Technicolor. Consequently Eastman Kodak Company was a related party to the Group in 2013 but not since February 2014.

(4) The amount deals with depreciation of loan.

There is no contractual obligation and other commitment with these related parties in 2014 and in 2013.

34.2 Key Management compensation

Directors' fees and compensation expenses (incl. Social security costs) amounted to €0.7 million in 2014 and 2013. 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 2014 will be paid in 2015.

Compensation expenses allocated by the Group to Members of the Executive Committee (including those who left this function during 2014 and 2013), during 2014 and 2013 are shown in the table below:

(in million euros)	2014	2013
Short-term employee benefits [1]	13	15
Share-based payment	4	2
TOTAL	**17**	**17**

(1) In case of retirement the Group has an obligation almost nil as of December 31, 2014 versus an obligation of €3 million as of December 31, 2013.

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

There is no subsequent event that may have a significant impact on consolidated Group financial accounts.

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)	**2014**	**2013**
1) Fully consolidated		
Technicolor SA (France)	Parent company	
1-5 rue Jeanne d'Arc, 92130 Issy-les-Moulineaux – France		
MediaNaviCo LLC (U.S.)	85.6	85.6
Th. multimedia Distrib. (Netherlands) BV (Netherlands)	100.0	100.0
Technicolor Disc Services International Ltd. (Hammersmith) (UK)	100.0	100.0
Technicolor Mexicana, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Export de Mexico, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Home Entertainment Services of America LLC (U.S.)	100.0	100.0
Comercializadora Thomson de Mexico, S.A. de C.V. (Mexico)	100.0	100.0
Thomson Sales Europe (France)	100.0	100.0
Technicolor Delivery Technologies SAS (France)	100.0	100.0
Technicolor USA Inc. (U.S.)	100.0	100.0
Thomson Telecom Mexico, S.A. de C.V. (Mexico)	100.0	100.0
Technicolor Delivery Technologies Australia Pty Limited (Australia)	100.0	100.0
Thomson Licensing LLC (U.S.)	100.0	100.0
Technicolor Brasil Midia E Entretenimento LTDA (Brazil)	100.0	100.0
Technicolor Asia Pacific Holdings Pte. Ltd. (Singapore)	100.0	100.0
Technicolor Asia Pacific Investments Pte. Ltd. (Singapore)	100.0	100.0
Technicolor Inc. (U.S.)	100.0	100.0
Technicolor Home Entertainment Services Inc. (U.S.)	100.0	100.0
Technicolor Home Entertainment Services de Mexico, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Videocassette of Michigan, Inc. (U.S.)	100.0	100.0
Technicolor Media Services (UK) Ltd. (UK)	100.0	100.0
Technicolor India Pvt Ltd.(India)	100.0	100.0
IZ-ON Media, LLC (U.S.)	100.0	100.0
Technicolor Creative Services USA Inc. (U.S.)	100.0	100.0
Technicolor Holdings of Canada Inc. (Canada)	100.0	100.0
Technicolor Canada, Inc. (Canada)	100.0	100.0
Technicolor Australia Investments Ltd. (UK)	100.0	100.0
Technicolor, Pty, Ltd. (Australia)	100.0	100.0
RCA Trademark Management SAS (France)	100.0	100.0
Technicolor Holdings Ltd. (UK)	100.0	100.0
Technivision Ltd. (UK)	100.0	100.0
Technicolor Videocassette Holdings (UK) Ltd. (UK)	100.0	100.0
Technicolor Video Services (UK) Ltd. (UK)	100.0	100.0
Technicolor Ltd. (UK)	100.0	100.0
Technicolor Distribution Services France SARL (France)	100.0	100.0
Technicolor SpA (Italy)	0.0 **	100.0
Technicolor Entertainment Services Spain SA (Spain)	100.0	100.0
Technicolor (Thailand) Ltd. (Thailand)	100,0	100.0
The Moving Picture Company Limited (UK)	100.0	100.0
Technicolor Europe Ltd. (UK)	100.0	100.0
Thomson multimedia Ltd. (Canada)	100.0	100.0

Company - (Country)	% share held by Technicolor (% rounded to one decimal) 2014	2013
Thomson multimedia Digital Holding (BVI) Limited (China)	100.0	100.0
Technicolor China investment (BVI) Ltd. (China)	100.0	100.0
TCE Television Taiwan Ltd. (Taiwan)	100.0	100.0
Thomson Licensing SAS (France)	100.0	100.0
Technicolor International SAS (France)	0.0 ***	100.0
Gallo 8 SAS (France)	100.0	100.0
Thomson multimedia Sales UK Ltd. (UK)	100.0	100.0
Technicolor Polska (Poland)	100.0	100.0
Sté Fr. d'Invest. et d'Arbitrage – Sofia SA (France)	100.0	100.0
Deutsche Thomson OHG (Germany)	100.0	100.0
Tech Finance SCA (Luxemburg)	0.0 *	0.0 *
Technicolor Connected Home USA LLC (U.S.)	100.0	100.0
Technicolor Entertainment Services France SAS (France)	100.0	100.0
Technicolor Distribution Australia Pty Ltd (Australia)	100.0	100.0
Technicolor Trademark Management SAS (France)	100.0	100.0
Technicolor Connected Home Rennes SNC (France)	100.0	100.0
Technicolor Connected Home Singapore Pte. Ltd. (Singapore)	100.0	100.0
Technicolor Connected Home Canada (Canada)	100.0	-
Technicolor R&D France SNC (France)	100.0	100.0
2) Accounted for under the equity method		
SV Holdco, LLC (U.S.)	17.5	18.3
TechFund Capital Europe (France)	19.8	19.8
Indoor Direct, LLC (U.S.)	0.0 **	50.0
Beijing Thomson CITIC Digital Technology Co., Ltd. (China)	50.0	50.0

* *See note 4.1.*
** *Entity sold, liquidated or deconsolidated.*
*** *Entity merged into another.*

8.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

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, 2014, on:

- the audit of the accompanying consolidated financial statements of Technicolor S.A.;
- 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, 2014 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 S.A. has made assumptions and used estimates. This note describes that circumstances and actual results may differ from these assumptions and estimates. Amongst the significant estimates, there are goodwill, intangibles, deferred tax assets as well as retirement benefit obligation and provisions for risks and litigation:

- As described in note 3, the Company performs, each financial year, impairment tests on goodwill and assets with indefinite useful lives, and also assesses whether there is any indication of impairment of long-term assets, according to the methods described in this note. We examined the methods used to test for impairment as well as cash flow projections and assumptions used and ensured that note 13 provides appropriate disclosures thereon.
- In relation to the deferred tax assets described in note 10, we have assessed the adequacy of the information and assumptions used as the basis for the estimates retained, reviewed the calculations performed by the Company and ensured that note 10 provides appropriate disclosures thereon.
- Note 25 describes the methods used to evaluate the retirement benefit obligations. These obligations have been evaluated by external actuaries. Our procedures have consisted in reviewing the information used, assessing the assumptions retained and ensuring that note 25 provides appropriate disclosure thereon.
- Regarding risks and litigation, we have reviewed the procedures used by the group to identify, evaluate and account for them. We have also ensured that the uncertainties identified while performing these procedures were adequately disclosed in note 33.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statement

The Statutory Auditors

Neuilly-sur-Seine, March 5, 2015
Deloitte et Associés
French original signed by
Alain Pons
Partner

Ariane Bucaille
Partner

Courbevoie, March 5, 2015
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

		Year ended December 31	
(in million euros)	Note	2014	2013
Revenues	(3)	66	86
Other operating revenues		5	4
Total operating income		**71**	**90**
Wages and salaries		(36)	(55)
Other operating expenses		(52)	(58)
Depreciation, amortization and provisions		(14)	(11)
Loss from operations		**(31)**	**(34)**
Interest income		125	295
Interest expense		(157)	(192)
Dividends from subsidiaries		231	11
Goodwill depreciation		(233)	-
Other net financial gains/(losses)		(145)	(139)
Net finance expense	(4)	**(179)**	**(25)**
Net loss after financial loss		**(210)**	**(59)**
Capital gain / (loss) on asset disposals and contributions		8	(63)
Other extraordinary expenses		(26)	(16)
Extraordinary loss	(5)	**(18)**	**(79)**
Income tax	(6)	55	69
NET LOSS		**(173)**	**(69)**

The accompanying notes on pages 253 to 275 are an integral part of these financial statements.

8.4.2 STATEMENT OF FINANCIAL POSITION

(in million euros)	Note	December 31, 2014	December 31, 2013
Assets			
Non-current assets			
Intangible assets		511	22
Depreciation, amortization and provisions		(379)	(14)
Intangible assets, net value	**(7)**	**132**	**8**
Property and Equipment		15	15
Depreciation, amortization and provisions		(9)	(7)
Property and Equipment, net value	**(7)**	**6**	**8**
Shares in subsidiaries	(8)	9,868	7,932
Provisions on shares in subsidiaries		(6,740)	(6,787)
Other shares		3	2
Other financial assets		23	19
Financial assets, net value		**3,154**	**1,166**
Total non-current assets		**3,292**	**1,182**
Current assets			
Trade Receivables		48	37
Current accounts and loans with subsidiaries	(9)	1,070	4,226
Depreciation of Group company current accounts and loans		(272)	(326)
Other current assets		66	55
Cash and cash equivalents		85	46
Total current assets	**(9)**	**997**	**4,038**
Prepayments and deferred charges	**(10)**	**90**	**28**
TOTAL ASSETS		**4,379**	**5,248**

The accompanying notes on pages 253 to 275 are an integral part of these financial statements.

(in million euros)	Note	December 31, 2014	December 31, 2013
EQUITY AND LIABILITIES			
Equity			
Common stock *(335,907,670 shares at December 31, 2014 at per value of €1.00)*	(12)	336	336
Additional paid-in capital	(12)	1,161	1,161
Other reserves		100	100
Retained earnings		(144)	(75)
Net profit for the year		(173)	(69)
Total shareholders' equity	(12)	**1,280**	**1,453**
Other equity instruments	(12)	500	500
Total shareholders' equity and equity instruments		**1,780**	**1,953**
Provisions for losses and contingencies	(14)	**144**	**53**
Financial liabilities			
Payables to other Group companies		1,437	2,062
Financial debts		965	1,122
Total financial liabilities	(13)	**2,402**	**3,184**
Current liabilities			
Trade payables		12	14
Other current liabilities		35	38
Total current liabilities	(15)	**47**	**52**
Deferred income		**6**	**6**
TOTAL EQUITY AND LIABILITIES		**4,379**	**5,248**

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, 2012	**336**	**1,161**	**-**	**100**	**(2,179)**	**2,104**	**1,522**
Changes in 2013							
Allocation of 2012 balance	-	-	-	-	2,104	(2,104)	-
Net loss of the year	-	-	-	-	-	(69)	(69)
At December 31, 2013	**336**	**1,161**	**-**	**100**	**(75)**	**(69)**	**1,453**
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**

The accompanying notes on pages 253 to 275 are an integral part of these financial statements.

8.5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1	General information and main events	254
Note 2	Summary of accounting policies	256
Note 3	Revenues	257
Note 4	Financial result	257
Note 5	Extraordinary profit (expense)	258
Note 6	Income tax	258
Note 7	Property, equipment and intangible assets	260
Note 8	Financial assets	261
Note 9	Current assets	263
Note 10	Prepayments and deferred charges	263
Note 11	Accrued income	263
Note 12	Shareholders' equity and equity instruments	264
Note 13	Financial debts	267
Note 14	Provisions for losses and contingencies	269
Note 15	Current liabilities	270
Note 16	Accrued charges	271
Note 17	Information on average number of employees	271
Note 18	Contractual obligations and other off-balance commitments	271
Note 19	Contingencies	272
Note 20	Management compensation	274
Note 21	Related party transactions	274
Note 22	Fees paid to Statutory Auditors	275
Note 23	Subsequent events	275

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, 2015. 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 2015.

1.2 Main events of the year

Debt transactions and exit from Sauvegarde Plan

On February 5, 2014 Technicolor put in place with certain lenders an exchange of €181 million (U.S. $75 million and €126 million) of senior secured debt (the "Reinstated Debt") issued in 2010 and maturing in 2016 and 2017 against the issuance of a new debt through incremental term loans maturing in 2020 on terms identical to the term loans issued in July 2013 by Tech Finance & Co. S.C.A. (the "Term Loan Debt").

On April 30, 2014 Technicolor closed a repricing transaction under which the interest rate on the Term Loan Debt, issued in 2013 and in the February exchange transaction mentioned above, was reduced from the previous pricing of LIBOR / EURIBOR +600bps / 625bps, subject to a 1.25% LIBOR / EURIBOR floor, to LIBOR / EURIBOR +450bps subject to a 1.00% floor. Moreover Technicolor prepaid U.S. $69 million (€50 million) of the Term Loan Debt.

On May 30, 2014 Technicolor fully reimbursed the remainder of its Reinstated Debt out of its cash. Accordingly, the Nanterre Commercial Court declared in a judgment dated June 25, 2014, that the *Sauvegarde* plan execution was finalized and thereby closed early the *Sauvegarde* proceeding of the Company which had been opened on November 30, 2009. Following these 2014 transactions, all loans and borrowings between Technicolor SA, Tech Finance, Thomson Licensing SAS and Technicolor International SAS were settled in a cashless compensation and replaced by a single lending from Tech Finance to Technicolor SA.

The foregoing transactions generate interest savings, extend the maturity profile, simplify the company's debt structure and further increase financial flexibility. The impact of the transactions described above can be summarized as follows:

(in million euros)	Debt as of Dec. 31, 2013 [1]	Repricing main effects: Financial debt scheduled repayments	Repricing main effects: Financial debt prepayment	Repricing main effects: Cashless exchange in February & May [2]	Other effects: Other	Other effects: Currency Translation Adjustment	Debt as of Dec 31,2014
From liabilities side							
Financial debt:							
■ Reinstated Debt not refinanced maturing 2016-2017	266	(5)	(81)	(181)	-	1	-
■ Debt with Tech Finance of 2013 maturing 2016-2017	842	(46)	-	(802)	-	6	-
■ Term Loan Debt with Tech Finance maturing in 2020	-	(23)	-	906	-	71	954
Total Reinstated Debt and Term Loan Debt	**1,108**	**(74)**	**(81)**	**(77)**	**-**	**78**	**954**
Other debts	**14**	**-**	**-**	**-**	**(3)**	**-**	**11**
Total Financial debts	**1,122**	**(74)**	**(81)**	**(77)**	**(3)**	**78**	**965**
Payable to other Group companies:							
■ Payable to Thomson Licensing SAS	792	-	(50)	(725)	(22)	5	-
■ Payable to other Group companies	1,270	-	-	-	167	-	1,437
Total payable to other Group companies	**2,062**	**-**	**(50)**	**(725)**	**145**	**5**	**1,437**
TOTAL DEBTS ON LIABILITIES SIDE	**3,184**	**(74)**	**(131)**	**(802)**	**142**	**83**	**2,402**
From assets side							
Loan to Technicolor international SAS	842	(46)	-	(802)	-	6	-

(1) In 2013, Technicolor Reinstated Debt was partially refinanced with the issuance of new term loans (the Term Loan Debt) by Tech Finance. Tech Finance purchased a majority of the notes and loans from the creditors of the Reinstated Debt and became accordingly a new creditor of Technicolor SA. Simultaneously, Thomson Licensing SAS borrowed from Tech Finance the same amount of Term loan Debt and granted to Technicolor SA a loan under the same conditions of the newly issued Term Loan Debt. Technicolor SA then simultaneously lent to Tech Finance (via Technicolor International SAS) the funds needed to purchase the Reinstated Debt.

(2) After the 2014 repricing operations, all-on loans between Technicolor SA, Tech Finance, Thomson Licensing SAS and Technicolor International SAS (of which the loan granted by Technicolor SA under the same conditions of the Reinstated Debt) have been settled in a cashless compensation and replaced by a single lending from Tech Finance to Technicolor SA. After these operations, Technicolor International SAS merged into Technicolor SA.

The gross debt of Technicolor SA significantly decreased in 2014 following the settlement of the intercompany loans and borrowings between all the companies concerned by the transactions above.

Merger of Technicolor SA with Technicolor International SAS

On May 30, 2014 Technicolor SA decided to merge with its 100% owned subsidiary Technicolor International SAS with retroactive effect as from January 1, 2014, from an accounting and tax point of view. The merger has produced a goodwill of €317 million. This goodwill was allocated to some affiliates, then depreciated for the amount of the dividends received in 2014, or when the net equity of the affiliates as of December 31, 2014 became lower than the purchase price acquisition.

This merger aims to simplify the legal structure of the Group, to decrease accounting and administrative costs and simplify financial management.

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

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 valuation methods used in the 2014 financial statements are consistent with those followed last year.

These notes are an integral part of these annual financial statements. They contain additional information relating to the statements of financial position and of operations and give a true and fair view of the Company's assets, financial position and results. Information which is not mandatory is disclosed only if material.

Functional and presentation currency

These financial statements are presented in euro, the functional currency of Technicolor SA. All financial information presented in euro has been rounded to the nearest million, unless otherwise stated.

Use of estimates

The process of drawing up the parent company financial statements involves using certain estimates and assumptions to calculate the figures presented in the Statements of Financial Position and of Operations. The Company periodically reviews its valuations and estimates based on its past experience and various other factors considered reasonable and relevant for the determination of the fair estimates of the assets and liabilities' carrying value and of the revenues and expenses. The actual results could significantly differ from these estimates depending on different conditions and assumptions.

Translation of foreign currency transactions

a. Holding activities

Foreign currency transactions are translated into euros at the exchange rate effective at the trade date. Receivables and payables in foreign currency are revalued at the rate of exchange prevailing at the balance sheet date. The differences arising on the translation compared to the historical rate are recorded as translation adjustments in the balance sheet (a provision for exchange risk is recognized when translation differences occur on receivables or debt).

b. Global cash management

Management of the Group's market and liquidity risks is centralized in its Group Treasury Department in France.

Market risk is managed by Group treasury, in accordance with Group procedures covering, among other aspects, responsibilities, authorizations, limits, permitted financial instruments and tracking tools. All financial market risks are monitored on a permanent basis. Periodic reports are made to the CFO, the Executive Committee and the Audit Committee providing details on the Group's exposure to different risks and the operations carried out to reduce such risks.

To reduce interest rate and 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)".

Property and equipment

Since January 1, 2005, Technicolor SA has applied the rules and guidelines of the French Accounting organizations CRC and CNC concerning recognition of assets, particularly CRC Rule No. 2002-10 on amortization and depreciation of assets, recommending a sum-of-the-parts approach, and CRC Rule No. 2004-06 on the definition, recognition and valuation of assets.

NOTE 3 REVENUES

(in million euros)	2014	2013
France	42	53
European Union (except France)	5	6
Other countries	19	27
TOTAL REVENUES	**66**	**86**

In 2014, revenues consist 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)	2014	2013
Depreciation on financial investments, treasury shares, current accounts and risk provisions regarding subsidiaries, net of reversal [1]	(166)	(139)
Dividends received [2]	231	11
Goodwill depreciation [3]	(233)	-
Net gain/(losses) on foreign exchange	26	1
Net interest income/(expenses)	(32)	103
Other income/(expenses)	15	67
Subtotal	**(159)**	**43**
Transferred to extraordinary result [4]	(20)	(68)
TOTAL FINANCIAL RESULT	**(179)**	**(25)**

(1) In 2014, depreciation on financial investments (see note 8.a(4)) and current accounts mainly applies 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 (€47 million of depreciation on shares).

In 2013, depreciation on financial investments and current accounts mainly applied to the subsidiaries Technicolor USA, Inc.(€236 million of depreciation on current account) and Technicolor International SAS (€134 million of reversal of depreciation on shares).

(2) In 2014, coming mainly from Thomson Licensing SAS (€210 million), RCA Trademark management SAS (€7 million) and Technicolor Brasil Midia e Entretenimento Ltda (€8 million).

In 2013, coming from RCA Trademark Management SAS.

(3) See note 7 for details.

(4) In 2014, corresponds to a reversal of depreciation of treasury shares (part of Other income/(expenses)).

In 2013, corresponded to transfer of charges (i) on reversal of provisions on receivable related to Grass Valley Broadcast business sold to Francisco Partners in 2010 for €47 million, and (ii) on a reversal of depreciation of treasury shares for €21 million (part of Other income/(expenses)).

NOTE 5 EXTRAORDINARY PROFIT (EXPENSE)

Extraordinary items include income or charges of which the nature and amount are not recurring or extraordinary.

(in million euros)	2014	2013
Capital gains on disposals of intangible and financial assets [1]	8	4
Gains/(losses) on business disposals	(1)	5
Costs of restructuring *(accruals net of reversals and charges for the year)* [2]	(10)	(16)
Other net extraordinary charges [3]	(15)	(72)
TOTAL EXTRAORDINARY PROFIT (EXPENSE)	**(18)**	**(79)**

(1) In 2014 and in 2013, results from the sale of investments.

(2) In 2014 and in 2013, corresponds mainly to accruals regarding a restructuring plan on the Group support functions.

(3) In 2014, corresponds 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 following a tax reassessment for €3 million.*

In 2013, it breaks down as follow:

- *Technicolor SA renegotiated certain clauses of its external debt at a cost of €107 million;*
- *The Company negotiated an agreement for an immediate payment of the disposal price of Grass Valley Broadcast business sold to Francisco Partners in December 2010. The gain resulting from that disposal benefited to some subsidiaries of Technicolor SA. This agreement led to a reversal of depreciation (€47 million) for the mother company, since the provision for risks related to this disposal were recorded in its books;*
- *A €5 million provision was booked in 2013 to take into account future operating losses arising from the difference between the lease market price and the lease cost price of the headquarter located in Issy-les-Moulineaux, of which partial surface has been subleased.*

NOTE 6 INCOME TAX

Under French tax law, Technicolor SA is the head company of the tax integration group consisting in 14 companies.

The Company has tax losses to carry forward indefinitely, estimated at €2,507 million as of December 31, 2014 due mainly to the disposal of the Tubes activity in 2005.

a. Breakdown of booked income tax

Technicolor SA is the head company of the French tax consolidation. Therefore Technicolor SA is responsible to the French Tax Authorities for all corporate income tax matters. Technicolor SA is allowed to collect from other members of the tax consolidation the amount of corporate income tax they would have paid if they were taxable separately on a standalone basis.

(in million euros)	2014	2013
Current tax booked by French subsidiaries and passed on to Technicolor SA [1]	76	79
Subsidiaries' research tax credit	20	19
Provision for tax-integrated companies [2]	(22)	(11)
Unused foreign tax credits	(4)	(5)
Other [3]	(15)	(13)
TOTAL INCOME TAX	**55**	**69**

(1) Under French consolidation regime, Technicolor gets a tax income from consolidated French subsidiaries, in particular towards Thomson Licensing SAS (€64 million).

(2) French Tax 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 surtax of 10.7% is extended for a further year, so applies in practice in 2014 and 2015.

The provision for the income tax expense under tax consolidation for 2014 will be offset with the €14 million of foreign withholding tax credits in connection with Thomson Licensing SAS and with €8 million of research tax credit.

(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 2014. In 2014, Technicolor SA paid to the tax authority €19 million of advance payments for corporate tax (of which €17 million charged against research tax credit) and surtax. In the absence of tax integration, the Company would show a nil net income tax expense.

b. Variation of deferred or latent tax bases

Certain or potential tax items to carry forward are the following:

(in million euros)	December 31, 2013	Variation	December 31, 2014
Temporarily non-deductible expenses			
■ To be deducted the following year:			
Paid vacations	4	(1)	3
Restructuring costs	13	3	16
Provisions for retirement	-	1	1
Other	9	11	20
■ To be deducted at a later date:			
Restructuring costs	-	2	2
Provisions for retirement	5	(2)	3
Provisions for subsidiary risks	-	-	-
Depreciation on current accounts	270	-	270
Other	21	(14)	7
To be deducted			
■ Tax losses carried forward	2,437	70	2,507

NOTE 7 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

INTANGIBLE ASSETS

Intangible assets consist mainly of capitalized IT development projects, the cost of software and use of patents.
Ongoing software development projects are classified under "Intangibles in progress". Once development is achieved, the software is capitalized or delivered to the subsidiaries concerned. Software developed or used internally is amortized from the date of use. Other IT development costs are capitalized and amortized on a straight-line basis over a maximum of three years, with some exceptions. Minor IT expenses are amortized over the financial year they are put in use.
Softwares acquired or developed as well as licenses are amortized on a straight-line basis over the duration of their protection or over their useful life, whichever is shorter.

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, 2013		
Cost	22	15
Accumulated depreciation	(14)	(7)
NET	**8**	**8**
2014		
Opening net amount	8	8
Acquisitions / Increase [1]	489	-
Depreciation and amortization [2]	(365)	(2)
NET	**132**	**6**
At December 31, 2014		
Cost	511	15
Accumulated depreciation	(379)	(9)
NET [3]	**132**	**6**

(1) In 2014, following the merger with Technicolor International SAS:
- *former goodwill for €171 million depreciated by €131 million, created by previous mergers of Technicolor International SAS;*
- *goodwill for €317 million following the merger of Technicolor SA with Technicolor International SAS. This goodwill was allocated to shares held in affiliates (mainly Thomson Licensing SAS for €243 million and Technicolor Brasil Midia e Entretenimento Ltda for €58 million).*

(2) Technicolor SA has depreciated the goodwill for the amount of dividends received in 2014 (Thomson Licensing for €210 million, Technicolor Brasil Midia e Entretenimento Ltda for €8 million and TCE Bermuda for €5 million) or when the net equity of the affiliate as of December 31, 2014 is below the purchase price acquisition (TCE Bermuda for €5 million, Gallo 8 SAS for €2 million, TDT SAS and SOFIA SA for €1 million each).

(3) Including €125 million of goodwill allocated to the following affiliates Technicolor Asia Pacific Investments Pte Ltd. (€1 million), Technicolor Brasil Midia e Entretenimento Ltda (€90 million) and Thomson Licensing SAS (€34 million).

NOTE 8 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 cost of acquisition. If that cost is higher than the value in use, an depreciation charge is recorded to reflect the difference. Provision for current accounts and loans are made if the net financial position is negative. In addition, a provision for risk is set aside for the surplus over the residual net negative balance. The value in use is equivalent to the portion of equity represented by the shares. The equity value of companies consolidated under the Technicolor group is equivalent to their consolidated shareholders' equity after potential adjustments.

a. Variation of financial assets

(in million euros)	Shares in subsidiaries	Other financial assets [1]	Total financial assets
At December 31, 2013			
Cost	7,932	96	8,028
Accumulated depreciation and impairment	(6,787)	(75)	(6,862)
NET	**1,145**	**21**	**1,166**
2014			
Opening net amount	1,145	21	1,166
Acquisitions / recapitalizations (other than merger) [2]	596	17	613
Merger [3]	1,684	-	1,684
Disposals	(19)	(28)	(47)
Depreciation provisions [4]	(448)	(8)	(456)
Reversals of depreciation provisions [5]	170	24	194
NET	**3,128**	**26**	**3,154**
At December 31, 2014			
Cost	9,868	85	9,953
Accumulated depreciation and impairment	(6,740)	(59)	(6,799)
NET	**3,128**	**26**	**3,154**

(1) In 2014, includes €3 million of other shares held by the Company, €15 million of borrowings and €8 million of collateral and guarantees (see due dates for these receivables in note 8b. below).
(2) Corresponds to recapitalization of some subsidiaries which are mainly Technicolor USA Inc.(€294 million), Technicolor Trademark Management SAS (€124 million), Technicolor Delivery Technologies SAS (€105 million) and Technicolor Entertainment Services Spain SA (€66 million).
(3) The gross value of Technicolor International SAS shares in Technicolor SA was €3,514 million, depreciated for €2,413 million.
(4) Following Technicolor International SAS merger, Technicolor SA has received a gross value of €4,873 million of different shares depreciated for €2,088 million.
In 2014, depreciation of shares in subsidiaries concern mainly the subsidiaries Technicolor USA Inc.(€294 million), Technicolor Entertainment Services Spain SA (€66 million) and Technicolor Delivery Technologies SAS (€48 million).
(5) In 2014, reversal of depreciation on financial investments concern mainly the subsidiaries Technicolor Trademark Management SAS (€79 million), Gallo 8 SAS (€59 million) and Technicolor Home Entertainment Services of America LLC (€20 million).

Accumulated depreciation of Technicolor's treasury shares amounted to €54 million as of December 31, 2014.

Accumulated depreciation of current accounts and loans to subsidiaries amounted to €272 million as of December 31, 2014.

b. Maturities of gross receivables included in other financial assets

(in million euros)	
2015	7
2016 and later	16
TOTAL	**23**

c. Subsidiaries and investments at December 31, 2014

(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	3,994	-	(154)	1,374	(222)	695
Thomson Licensing SAS (1)	100.00%	2,800,000	2,200	2,200	2,539	473	302	-
Gallo 8 SAS (1)	100.00%	32,516,195	1,089	357	318	691	58	-
Sté Fr.d'Invest.et d'Arbitrage – Sofia SA (1)	100.00%	8,883,491	542	87	87	151	(4)	-
Technicolor Trademark Management SAS (1)	100.00%	13,616,129	214	214	266	19	130	-
Thomson Sales Europe (1)	100.00%	10,890,085	468	-	(4)	-	7	-
Technicolor Delivery Technologies SAS (1) (2)	73.38%	1,761,120	467	132	179	539	(35)	-
Thomson Angers SAS (3)	100.00%	4,630,001	289	-	N/A	N/A	N/A	-
Thomson Multimedia Distribution (Netherlands) BV	100.00%	500	162	-	(20)	29	(2)	24
Thomson Television España	100.00%	9,928,478	128	-	(56)	-	-	56
Technicolor Entertainment Services Spain SA	100.00%	120,000	66	-	(1)	3	(1)	1
Thomson Consumer Electronics (Bermuda) Ltd.	100.00%	1,000	56	26	26	-	(7)	-
Technicolor HES America LLC (1)	100.00%	1	51	38	38	100	14	-
Technicolor Asia Pacific Investments Pte Ltd. (1)	100.00%	495,000,000	36	36	47	54	5	-
RCA Trademark Management SAS	100.00%	1,668,025	25	25	39	23	9	-
Thomson Grass Valley Hong Kong	100.00%	5,100,000	24	-	-	-	-	-
Technicolor Entertainment Services France SAS	100.00%	853,242	22	6	6	10	(3)	-
Thomson Investment India Ltd.	51.00%	51	4	2	4	-	-	-
Thomson Multimedia Digital holding Ltd. BVI (1)	100.00%	28,000	3	2	2	-	(1)	-
Technicolor Milan S.r.l.	100.00%	6,000	2	1	1	4	-	-
Technicolor China Investment (BVI) Ltd. (1)	100.00%	50,000	3	-	(1)	-	-	-
Technicolor Brasil Midia E Entretenimento LTDA	100.00%	34,589,668	2	2	137	272	45	-
Thomson Purchasing and Liaison Company N.V. Korea Branch	100.00%	1,000	2	-	-	-	-	-
Total affiliates	**N/A**	**N/A**	**9,849**	**3,128**	**N/A**	**N/A**	**N/A**	**776**
Investments (between 10% and 50% holding percentage)								
TechFund Capital Europe FCPR	19.80%	2,500	-	-	2	-	-	N/A
Other	N/A	N/A	19	-	N/A	N/A	N/A	N/A
Total investments	**N/A**	**N/A**	**19**	**-**	**N/A**	**N/A**	**N/A**	**N/A**
TOTAL	**N/A**	**N/A**	**9,868**	**3,128**	**N/A**	**N/A**	**N/A**	**N/A**

(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) The 26.62% other shares are held by Sofia SA.
(3) Thomson Angers is in the process of being liquidated.
N/A Not Applicable

NOTE 9 CURRENT ASSETS

TRADE RECEIVABLES AND OTHER OPERATING ASSETS

Trade receivables and other current operating assets are valued at historical cost. An 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 €981 million as of December 31, 2014 (€4,012 million as of December 31, 2013).

Current assets are mainly related to current accounts of Group's subsidiaries.

The strong decrease in 2014 is due to the settlement in a cashless operation of all on-loans that have been performed following the repricing transactions (see note 1.2).

NOTE 10 PREPAYMENTS AND DEFERRED CHARGES

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, 2014 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 €71 million as of December 2014) 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)	2014	2013
Loans	3	2
Accounts receivable (primarily with related entities)	5	5
Other operating receivables	27	29
TOTAL	**35**	**36**

NOTE 12 SHAREHOLDERS' EQUITY AND EQUITY INSTRUMENTS

a. Capital and additional paid-in capital

On December 31, 2014, the capital of Technicolor SA was €335,907,670 (335,907,670 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, 2012	**335,543,841**	**1**	**335,543,841**	**1,161,111,975**	**1,496,655,816**
Year 2013					
Share capital increased by issuance of new shares for LTIP purpose (1)	165,551	1	165,551	(165,551)	-
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**

(1) On February 28, 2011 and June 8, 2011, the Board of Directors approved the principles of a Long-Term Incentive Plan (LTIP) that led the issuance of 165,551 new shares on June 17, 2013 and of 198,278 new shares on March 31, 2014 (see note 12 c).

b. 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)".

	2014	2013
Carrying amount (in euros) (1)	**2,890,560**	**1,782,211**
Number of treasury shares	**644,331**	**485,603**
Of which allocated / sold in the year (2)	(114,034)	(120,084)
Of which purchased in the year (3)	272,762	-

(1) The gross value of treasury shares held at December 31, 2014 was €56,672,120 (€76,492,566 as of December 31, 2013), depreciated for €53,781,560 (€74,710,355 as of December 2013).
(2) Vested shares of MIP 2010 delivered to employees.
(3) The Combined Shareholder's Meeting on May 23, 2013 authorized an implementation of a share repurchase program. Accordingly 272,762 shares were repurchased 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.

c. Stock option plan

- On May 23, 2013, the Board of Directors approved the principles of a Management Incentive Plan (MIP 2015). As part of this plan, stock options have been awarded to around 90 key senior executives subject to presence conditions and to the achievement of performance targets that relate to the Group consolidated Free Cash Flow in 2014, 2015 and 2016.

  On June 20, 2014, the Board of Directors approved in continuity of the MIP approved on May 2013 (MIP 2015), the grant of additional stock options (the "MIP 2016"). As part of this plan, options have been granted to around 60 key senior executives subject to presence conditions and to the achievement of performance targets that relate to the Group consolidated Free Cash Flow in 2015, 2016 and 2017.

  The Board authorized a potential stock options plan of 26,843,987 options, of which a total of 21,933,000 options have been granted as of December 31, 2014 (17,188,000 options and 4,745,000 options related respectively to MIP 2015 and MIP 2016).

- On October 24, 2013, the Board of Directors of the Group decided to launch a Free Share Plan. According to this plan, Technicolor will grant its eligible employees 125 Technicolor newly issued shares for free. The vesting period is 4 years. The grant of free shares is subject to the presence in the Group at the end of the vesting period. The compensation expense related to the Free Share Plan has been estimated with a pricing model similar to the one used for the other option plans. As of December 31, 2014, 1,604,000 free shares have been granted to employees.

- In February 2011, the Board of Directors approved the principles of a Long-Term Incentive Plan (LTIP) that has been implemented during the first semester of 2011. As part of this plan, free performance shares may be awarded in 2012, 2013 and 2014 to some senior executives subject to and proportionally to fulfillment of specified performance conditions based both on market performance criteria and on Technicolor performance achieved respectively on December 31, 2011, 2012 and 2013 as approved by the Board of Directors. For free performance shares that would be awarded based on 2011, 2012 and 2013 performance, final vesting is still conditional to senior executives staying in the Company.

- On June 17, 2010, the Board approved a Mid-term Incentive Plan (MIP) granting non-market performance units made up of a combination of cash and, depending on Management level, either stock options or free shares. Subject to the presence condition at vesting dates and fulfillment of specified non-market performance conditions on December 31, 2012 as approved by the Board of Directors, the rights under the plan shall vest either partially or in full for each beneficiary in the proportions set by the Board of Directors.

  For non-french tax domiciled beneficiaries, free shares will be acquired and exercisable on June 17, 2014. Beneficiaries need to be continuously employed for the plan's entire vesting period.

As of December 31, 2014 the total number of outstanding stock options amounted to a maximum of 21,013,061 options and 2,007,152 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	Initial number of beneficiaries	Vesting date	Contractual option life	Exercise price [2]	Estimated fair values of the options granted
Plan 4	Purchase options	April 19, 2005	71,940	32,684	93	50% as of April 19, 2008 50% as of April 19, 2009	10 years	€170.99	€73.2
Plan 5	Purchase options	Dec. 8, 2005	199,317	47,136	390	50% as of Dec. 8, 2008 50% as of Dec. 8, 2009	10 years	€145.60	€62.5
Plan 7	Subscription options	Dec. 14, 2007	130,710	50,269	482	50% as of Dec. 14, 2009 50% as of Dec. 14, 2010	8 years	€85.64	€20.8
MIP * options	Subscription options	June 17, 2010	1,216,700 [1]	887,972	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.52	€2.32
LTI free share	Free Shares (existing or to be issued)	April 28, 2011 and June 30, 2011	1,637,152 [1]	742,027	63	June 2013 (50%) and March 2014 (50%)	-	-	€5.2 on average
**MIP 2015 options ** **	Subscription options	May 23, 2013 and June 17, 2013	16,398,000	14,490,000	94	May 2015 (50%), May 2016 (25%) May 2017 (25%)	8 years	€3.31	€1.10
**MIP 2015 options ** **	Subscription options	October 24, 2013	200,000	200,000	1	May 2015 (50%), May 2016 (25%) May 2017 (25%)	8 years	€4.07	€1.45
**MIP 2015 options ** **	Subscription options	December 18, 2013 [3]	375,000	375,000	1	May 2015 (50%), May 2016 (25%) May 2017 (25%)	8 years	€3.81	€1.21
**MIP 2015 options ** **	Subscription options	Mars 26, 2014	215,000	215,000	2	May 2015 (50%), May 2016 (25%) May 2017 (25%)	8 years	€4.70	€1.79
Free share plan	Free shares (to be issued)	November 12, 2013	1,604,000	1,265,125	12,832	November 2017	-	-	€3.87
MIP 2016 options * **	Subscription options	June 20, 2014	2,830,000	2,800,000	40	June 2016 (50%),June 2017 (25%)June 2018 (25%)	8 years	€6.00	€1.89
MIP 2016 options * **	Subscription options	October 21, 2014	1,915,000	1,915,000	24	October 2016 (50%), October 2017 (25%) October 2019 (25%)	8 years	€5.10	€1.51

* *Mid-Term Incentive Plan (MIP) (see description above).*
** *Management Incentive Plan (MIP 2015) (see description above).*
*** *Management Incentive Plan (MIP 2016) (see description above).*
(1) Maximum potential number.
(2) Exercise prices and number of options were modified following the 2012 capital increases.
(3) Beneficiaries were informed on February 2014.

The exercise prices of the various plans were set without the application of a discount.

In accordance with Article L. 225-184 of the French Commercial Code, no option has been exercised at December 31, 2014.

d. Other Equity

Deeply subordinated perpetual notes - TSS (*Titres Super Subordonnés*)

Further to the restructuring of the Group's 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.

e. Dividends and other distributions

The Board of Directors has decided to propose the payment of a dividend of €0.05.

NOTE 13 FINANCIAL DEBTS

Technicolor entered into several transactions in 2014 under which Reinstated Debt was partially exchanged into Term Loan Debt and the rest completely repaid, the interest rate on the Term Loan Debt was renegotiated and the on-loans and borrowings between Technicolor SA, Tech Finance, Thomson Licensing SAS, and Technicolor International SAS repaid through cashless transactions and replaced by a single borrowing by Technicolor S.A. from Tech Finance. This latter borrowing is a mirror of Tech Finance's Term Loan Debt, issued in 2013 and subsequently amended in 2014 (see note 1.2 for a more detailed description of these operations).

a. Summary of the debt

(in million euros)	December 31, 2014	December 31, 2013
Current debt (due less than one year)		
Fixed-term borrowing and bonds		
Financial debts covered by the refinancing transaction		
■ Reinstated Debt not refinanced	-	23
■ Reinstated Debt refinanced (1)	-	70
■ Debt with Thomson Licensing (1)	-	792
■ Term loan Debt with Tech Finance	49	-
Financial debts covered by the refinancing transaction	**49**	**885**
Other external debts	-	1
Other debt to subsidiaries (2)	1,277	1,100
Other debt to third parties	11	12
Current debt	**1,337**	**1,998**
Non-current debt (due more than one year)		
Fixed-term borrowing and bonds		
Financial debts covered by the refinancing transaction		
■ Reinstated Debt not refinanced	-	243
■ Reinstated Debt refinanced (1)	-	772
■ Term loan Debt with Tech Finance	905	-
Financial debt covered by the refinancing transactions	**905**	**1,015**
Other debt to subsidiaries (2)	160	170
Other debt to third parties	-	1
Non-current debt	**1,065**	**1,186**
TOTAL DEBT	**2,402**	**3,184**

(1) Amounts repaid and balanced during 2014 through a cashless settlement of all borrowings and on-loans (of which the loan of €842 million granted to Technicolor International SAS at end of 2013) and through the merger of Technicolor International SAS into Technicolor SA.
(2) Relate to current accounts of Group subsidiaries.

b. Main features of Technicolor SA's debt

At December 31, 2014, 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	783	USD	645	LIBOR [2]+450bp	2020
Term loan	309	EUR	309	EURIBOR [2] +450bp	2020
			954		
Of which current debt			*49*		
Of which non-current debt			*905*		

(1) Exchange rate as of December 31, 2014.
(2) LIBOR and EURIBOR are subject to a 1.00% floor.

c. Analysis by maturity of financial debt covered by the refinancing transaction

	2014	2013	
(in million euros)	**Term Loan Debt**	**Reinstated Debt**	**Term Loan Debt**
Within one year	49	93	792 [1]
1 to 2 years	49	101	-
2 to 3 years	49	51	-
3 to 4 years	49	863	-
4 to 5 years	49	-	-
More than 5 years	709	-	-
TOTAL DEBT	**954**	**1,108**	**792**
Of which current debt	*49*	*93*	*792*
Of which non-current debt	*905*	*1,015*	-

(1) Term loan debt with Thomson Licensing SAS.

d. Analysis by currency of financial debt covered by the refinancing transaction

(in million euros)	2014	2013
Euro	309	728
U.S. dollar	645	1,156
Other currencies	-	16
TOTAL	**954**	**1,900**

e. 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 3.50 times EBITDA on trailing twelve month basis (ratio contractually defined which includes a certain number of adjustments), as defined in the contracts.

At December 31, 2014, Technicolor SA respected all of these covenants.

f. Interest rate caps

In April 2010, in anticipation of the restructuring of its debt, Technicolor SA purchased interest rate caps with a nominal value of U.S. $480 million and €270 million to protect the Group if 3-month LIBOR or EURIBOR exceeds 3%. If the reference rates exceed this cap rate, the bank counterparty will pay Technicolor SA the difference between the market interest rate and exercise rate of 3%. The caps matured in 2014.

NOTE 14 PROVISIONS FOR LOSSES AND CONTINGENCIES

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: 1.9%;*
- *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, 2013	Increases	Usage during the period	Reversals and reclassifications	As of December 31, 2014
Provisions for retirement benefit and jubilee	**5**	**-**	**-**	**(1)**	**4**
Subsidiaries and other risks (1)	-	92	-	(74)	18
Restructuring measures relating to employees	16	10	(7)	-	19
Related to activities disposed of (2)	22	1	(3)	-	20
Other (3)	10	120	(4)	(43)	83
Other provisions for contingencies	**48**	**223**	**(14)**	**(117)**	**140**
TOTAL PROVISIONS FOR LOSSES AND CONTINGENCIES	**53**	**223**	**(14)**	**(118)**	**144**

(1) The increase comes from Technicolor International SAS merger and relates to provision of some affiliate negative net equity. The most important one for €65 million concerned Technicolor Entertainment Services Spain SA has been reversed during 2014 following the recapitalization of this affiliate.
(2) Provision relating to the disposal of businesses, especially the Tubes activity.
(3) €48 million provisions are coming from Technicolor International SAS merger and are mainly related to a €31 million foreign exchange risk which has been reversed during 2014. Includes as well a €71 million provision to cover an unrealized foreign exchange loss (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, 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.

In 2014, the average number of days for the payment of suppliers is 69 days.

As of December 31, 2013 *(in million euros)*	Not falling due	Overdue 0 to 30 days	Overdue 30 to 60 days	Overdue 60 to 90 days	Overdue Above 90 days	Total
Invoices (including accruals)						
Of which French suppliers	8	2	1	-	1	12
Of which Foreign suppliers	2	-	-	-	-	2
TOTAL (1)	**10**	**2**	**1**	**-**	**1**	**14**

(1) Excluding fixed assets payables.

NOTE 16 ACCRUED CHARGES

Amount accrued for are in the following captions of the balance sheet:

(in million euros)	2014	2013
Bond loans and loans from private institutions	9	2
Trade payables	5	10
Tax and social security liabilities	18	25
Other debts	40	32
TOTAL	**72**	**69**

NOTE 17 INFORMATION ON AVERAGE NUMBER OF EMPLOYEES

	2014	2013
Engineers and managers	205	254
Employees and supervisory staff	54	62
TOTAL	**259**	**316**

NOTE 18 CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE COMMITMENTS

a. Off balance-sheet contractual obligations and commercial commitments

(in million euros)	December 31, 2014	December 31, 2013
Unconditional future payments		
Operating Leases	38	49
Other unconditional future payments	-	-
TOTAL UNCONDITIONAL FUTURE PAYMENTS	**38**	**49**
Conditional future payments		
Guarantees given regarding undertakings by related entities	200	165
Other conditional future payments	-	1
TOTAL CONDITIONAL FUTURE PAYMENTS	**200**	**166**

As part of its business activities, Technicolor SA may issue performance guarantees for its subsidiaries as well as comfort letters. The main performance guarantees have been made to Warner, Verizon group, BSkyB, AstroGroup, Buena Vista Pictures Distribution and ITV (that one is covered by the indemnity undertaking by the purchaser of Broadcast business).

Technicolor SA has provided a parental guarantee to secure the section 75 pension debt of an affiliate in the United Kingdom. The guarantee amounts £41 million as of December 31, 2014.

Technicolor's liabilities to its employees relating to Individual Training Rights were considered as non-significant on December 31, 2014.

b. Commitments relating to financial instruments

(in million euros)	December 31, 2014	December 31, 2013
Caps [1]	-	618
Currency futures (banks and subsidiaries)	1,413	735
TOTAL UNDERTAKINGS GIVEN	**1,413**	**1,353**
Caps [1]	-	618
Currency futures (banks and subsidiaries)	1,411	738
TOTAL UNDERTAKINGS RECEIVED	**1,411**	**1,356**

(1) See note 13 on interest rate caps.

c. 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, 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, 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 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).

The Company is challenging the remaining assessments.

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).

Cathode Ray Tubes ("CRT") Investigations and Lawsuits

Class action lawsuits asserting private antitrust claims alleging anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses) were filed in early 2008 in the United States (one group brought by indirect purchasers and one group brought by direct purchasers) that originally named Technicolor SA and others as defendants, although Technicolor SA was dropped as a named defendant when amended complaints were filed in the spring of 2009. The Group sold the CPT business in 2005 and never had activity in the CDT business. In November 2011, Technicolor USA and Technicolor SA executed tolling agreements with the indirect purchaser plaintiffs and the direct purchaser plaintiffs. In August 2012, the indirect purchaser plaintiffs moved the Court to join Technicolor SA and Technicolor USA to the pending class action. In October 2012, Technicolor SA, Technicolor USA, and the indirect purchaser plaintiffs executed an amendment to the tolling agreement which extended the original tolling agreement, prohibited indirect purchaser plaintiffs from bringing Technicolor into the present class action, and required Technicolor to provide certain sales documents.

In March 2013, Sharp Electronics filed suit against Technicolor SA and Technicolor USA alleging anticompetitive behaviour in the CRT industry. Technicolor USA and Technicolor SA timely filed motions to dismiss. In September 2013, the Court issued an order dismissing Sharp's claims without prejudice for failure to plead facts in support of its claims with the requisite particularity, but granted Sharp leave to amend its complaint. In October 2013, Sharp filed an amended complaint against Technicolor SA and Technicolor USA and Technicolor SA and Technicolor USA, timely filed motions to dismiss Sharp's amended complaint. In March 2014, the Court denied in part and granted in part Technicolor USA's and Technicolor SA's motions to dismiss, allowing Sharp to proceed against Technicolor USA and Technicolor SA on Sharp's federal antitrust claims and New York state claims.

In September 2013, Tech Data filed suit against Technicolor SA and Technicolor USA alleging anticompetitive behaviour in the CRT industry, and, in response to Technicolor USA and Technicolor SA's motions to dismiss, similar with Sharp, the Court denied in part and granted in part Technicolor USA's and Technicolor SA's motions to dismiss, allowing Tech Data to proceed against Technicolor USA and Technicolor SA on some of Tech Data's claims.

In November 2011, several direct purchaser plaintiff class opt outs filed individual complaints against other CRT-industry defendants and, in March 2013, sought leave to amend those complaints to add claims against Technicolor SA and Technicolor USA; the Court denied the direct purchaser plaintiffs leave in September 2013. In November and December 2013, several new suits alleging the same anticompetitive behaviour were filed against Technicolor SA and Technicolor USA by some of those same plaintiffs, including: BestBuy Co., Inc.; Costco Wholesale Corp.; Office Depot, Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; creditors of Tweeter Opco, LLC, and Tweeter Newco, LLC; Electrograph Systems, Inc.; P.C. Richard & Son Long Island Corp.; MARTA Coop. of Am., Inc.; ABC Appliance, Inc.; Target Corporation; and Interbond Corporation of America. Also, in May 2014, ViewSonic filed a complaint against Technicolor USA and Technicolor SA.

Technicolor USA and Technicolor SA moved to dismiss the lawsuits brought by these plaintiffs and, similar to the motions with respect to Sharp, the Court denied in part and granted in part Technicolor USA's and Technicolor SA's motions to dismiss, allowing these plaintiffs to proceed against Technicolor USA and Technicolor SA on some of their antitrust claims. Technicolor SA and Technicolor USA have executed settlement agreements with Target and ViewSonic.

In May 2014, the direct plaintiff purchaser class filed suit against Technicolor SA and Technicolor USA alleging anticompetitive behaviour in the CRT industry. Technicolor SA and Technicolor USA have executed a settlement agreement with the direct plaintiff purchaser class and the parties are submitting the settlement to the court for approval.

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 filed responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian Ministry of Justice indicating Brazilian authorities are initiating an investigation of possible cartel activity within the CRT industry in Brazil. Technicolor SA timely filed its response as well as evidence responding to the allegations.

On September 10, 2012, Technicolor SA received notice from the Mexican Federal Competition Commission indicating Mexican authorities had completed an investigation of possible cartel activity within the CRT industry in Mexico and on December 3, 2012, Technicolor SA timely filed its response as well as evidence responding to the allegations.

Taoyuan County Form RCA Employees' Solicitude Association (the "Association")

In April 2004, the Plaintiff, 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 claims damages of NTD 2.7 billion (approximately €70 million at the December 31, 2014 exchange rate) to compensate the members of the Association for the alleged injury

suffered by the former plant employees who worked and lived at the Facility from its inception until its closure in 1992.

In March 2005, the Association's complaint was dismissed by the Taipei District Court based on the Association's failure to comply with certain procedural aspects of Taiwan's class action statutes. Shortly thereafter, the Association appealed the dismissal, which was reversed by the Taiwan Supreme Court. In 2006, the case was remanded to the Taipei District Court for further proceedings as to procedural compliance by the Association. The parties have filed a number of briefs addressing procedural and substantive issues and the court has held several hearings. The Association has also attempted to add Thomson Consumer Electronics (Bermuda), Ltd., Technicolor USA, Technicolor SA, and General Electric company ("GE") as defendants and Technicolor disputes those entities have been added to the litigation. Defendants are vigorously defending the case and it is Technicolor's position that GE has indemnity obligations to Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric. GE denies the existence of any such obligations to Technicolor. The trial court held its final hearing for December 12, 2014 and the trial court is expected to announce its ruling in April 2015.

NOTE 20 MANAGEMENT COMPENSATION

Total compensation paid to Board Members of the Company for the 2014 financial year amounted to €619,500. 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 2014 amounts to €1.059 million.

The CEO was a beneficiary of a long-term incentive plan (LTIP 2011) approved by the Board of Directors on June 8, 2011. The plan, which was based on a three-year period, provided for the award of performance units comprised for one-third of a cash bonus and for two-thirds of free ("performance") shares. The Board of Directors, at its meeting of March 26, 2014, noted that, for fiscal year 2013, the CEO has acquired a cash bonus of €126,992.59 gross and 101,594 free shares which will be delivered in June 2015.

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 follow:

(in million euros)	2014	2013
Shares in subsidiaries net of provisions	3,353	1,145
Loans	1	
Trade receivables	45	36
Other receivables	750	3,900
Financial debt	1,437	2,062
Other debts	2	3
Financial income	356	303
Financial expense	437	90

NOTE 22 FEES PAID TO STATUTORY AUDITORS

	Mazars		Deloitte	
(in million euros)	2014	2013	2014	2013
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)*	**2010**	**2011**	**2012**	**2013**	**2014**
I - FINANCIAL POSITION AT YEAR END					
a. Share capital	174,846,625	223,759,083	335,543,841	335,709,392	335,907,670
b. Number of shares issued	174,846,625	223,759,083	335,543,841	335,709,392	335,907,670
c. Maximum number of shares to issue in the future					
Share-based payment	1,911,757 (1)	1,494,156 (1)	1,485,337	16,963,000	20,933,241
Free share	431,100 (1)	1,494,270 (1)	1,211,241	2,246,302	2,007,152
Notes Redeemable in Shares (NRS)	51,523,126	2,604,511	-	-	-
II - STATEMENTS OF OPERATIONS					
a. Revenues (excluding VAT)	97,952,182	82,909,048	82,552,216	86,121,912	65,947,358
b. Profit (Loss) before tax, amortization and provisions	(265,247,149)	(51,715,268)	2,260,395,919	(50,618,068)	177,502,850
c. Income tax profit	65,607,960	67,522,616	56,308,844	69,353,850	54,721,037
d. Profit (Loss) after tax, amortization and provisions	(499,508,008)	(337,613,744)	2,103,924,138	(69,113,120)	(173,415,412)
e. Dividend paid and distributions	-	-	-	-	-
III - EARNING (LOSS) PER SHARE *(2)					
a. Profit (Loss) after tax, but before amortization and provisions	(0.79)	0.09	8.60	0.06	0.69
b. Profit (Loss) after tax, amortization and provisions	(1.97)	(1.93)	7.81	(0.21)	(0.52)
c. Dividend paid and distributions	-	-	-	-	0.05
IV - EMPLOYEES					
a. Average number of employees	483	421	388	316	259
b. Wages and salaries	51,546,233	40,775,327	39,302,807	36,490,993	26,354,389
c. Social security costs	22,557,161	16,884,477	18,926,946	18,727,317	9,898,102
* Changes in the number of shares in capital:					
■ As of January 01, 2014	335,709,392 capital shares				
■ Increase in capital on March 31, 2014 (by issuance of new shares)	198,278 capital shares				
■ As of December 31, 2014	335,907,670 capital shares				

(1) Previous years statements showed a line named "Retention Plan " which has been incorporated into two lines "Share-based payment" and "Free Share" in 2012 presentation.
The line "Retention Plan" for the year 2010 showed a number of shared to issue of 1,560,890 split on line "Share-based payment" for 1,144,490 and "Free share" for 416,400.
The line "Retention Plan" for the year 2011 showed a number of shared to issue of 2,499,000 split on line "Share-based payment" for 1,004,730 and "Free share" for 1,494,270.

(2) From 2012, "earning (loss) per share" are calculated per reference to the average number of share during the year.
Previous years statements before 2012 showed an "earning (loss) per share" calculated per reference to the number of share as of December 31.
Profit (loss) after tax, but before amortization and provisions for the years 2010 and 2011 were respectively €(1.14) and 0.07€.
Profit (loss) after tax, amortization and provisions for the years 2010 and 2011 were respectively €(2.86) and €(1.51).

8.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, on:

- the audit of the accompanying financial statements of Technicolor S.A.;
- 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.

1. 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, 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

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:

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.

3. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code ("*Code de commerce*") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

The Statutory Auditors

Neuilly-sur-Seine, March 5, 2015
Deloitte et Associés
French original signed by

Alain Pons
Partner

Ariane Bucaille
Partner

Courbevoie, March 5, 2015
Mazars
French original signed by

Guillaume Devaux
Partner

Jean-Louis Simon
Partner

8.8 STATUTORY AUDITORS'S SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS AS OF DECEMBER 31, 2014

This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments that is issued in the French language and provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided for by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on the regulated agreements and commitments.

We are required to inform you, based on information provided to us, on the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness nor ascertaining whether any other agreements and commitments exist. It is your responsibility, pursuant to article R. 225-31 of the French Commercial Code ("*Code de commerce*"), to assess the benefits resulting from the conclusion of these agreements and commitments prior to their approval.

Moreover, it is our responsibility, if any, to give you the information specified in article R. 225-31 of the French Commercial Code ("*Code de commerce*") relating to the implementation, during the past years, of agreements and commitments that have already been approved by previous shareholders' meetings.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

We have been informed of no agreements and commitments authorized during the last year and requiring the approval of the Shareholders' Meeting by virtue of article L. 225-38 of the French commercial code.

AGREEMENTS AND COMMITMENTS ALREADY AUTHORIZED IN PREVIOUS FISCAL YEARS

Pursuant to article R 225-30 of the French Commercial Code, we have been informed of the following agreement approved in prior years and which remained current during the last year.

An amendment to the governance agreement that was concluded on July 10, 2012 between your Company and Vector Capital IV L.P., Vector Entrepreneur Fund III L.P., and Vector Capital Corporation (hereafter "Vector Capital") was authorized by your Board of Directors on December 19th, 2012. This amendment, which was signed on December 20, 2012 allows for the appointment of a new member of the audit committee on the proposal of Vector Capital. This amendment also stipulates the consequences on the composition of the Board of director's committees of a reduction of the participation of Vector Capital in your Company's share capital.

This agreement did not have any impact on the Company's financial statements for the year ended December 31, 2013. It has been approved by your Board of Directors as Vector Capital holds more than 10% of your Company's shares through the investment vehicle Vector TCH (Lux) 1 S.à.r.l (formerly Petalite Investments S.à r.l.).

A preliminary agreement dated March 2, 2015 has been signed between your company and Vector capital and its affiliates to terminate this agreement. The final agreement will be later submitted to your Board of Directors.

The Statutory Auditors

Neuilly-sur-Seine, March 5, 2015
Deloitte et Associés
French original signed by
Alain Pons
Partner

Ariane Bucaille
Partner

Courbevoie, March 5, 2015
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 282

Annual Financial Report cross-reference table 286

Cross-reference table referring to the elements of the management report 287

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 288

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 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 consolidated financial statements of the year 2012 and the Statutory Auditors' reports on the consolidated financial statements are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2012 (pages 138 to 222); and
- the 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); and
- the annual accounts of the Company for the year 2012 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2012 (pages 223 to 247).

The Registration Document of the year 2013 was filed with the Autorité des marchés financiers on March 27, 2014 under No. D.14-0213.

The Registration Document of the year 2012 was filed with the Autorité des marchés financier on April 16, 2013 under No. D.13-0361.

To facilitate the reading of the Annual Report, the cross reference tables below refer to the main headings required by Annex 1 of European Commission Regulation 809/2004 implementing the "Prospectus" Directive as well as the elements of the management report adopted by the Board of Directors.

CROSS-REFERENCE TABLE REFERRING TO THE MAIN HEADINGS REQUIRED BY ANNEX 1 OF EUROPEAN COMMISSION REGULATION 809/2004

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Annual Report	Page No.
1. PERSON RESPONSIBLE			
1.1	Names and positions of the persons responsible for the information	Chapter 7, section 7.9.2	164
1.2	Declaration by the persons responsible	Chapter 7, section 7.9.1	164
2. STATUTORY AUDITORS			
2.1	Name and address	Chapter 7, sections 7.7.1 and 7.7.2	162; 163
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**	**47**
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	180; 195; 197; 236
5.2.2	Major investments in progress, including the geographic distribution of these investments and their financing method	N/A	
5.2.3	Major investments planned by the issuer and for which the management bodies have already taken a firm commitment	N/A	
6. BUSINESS OVERVIEW			
6.1	Principal activities		
6.1.1	Nature of transactions made by the Company and its principal activities	Chapter 1, sections 1.2.3 and 1.3	10, 14
6.1.2	New products/services launched on the market	Chapter 1, section 1.3	14

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Annual Report	Page No.
6.2	Principal markets	Chapter 1, section 1.3 and Chapter 2, section 2.2	14; 28
6.3	Exceptional events	N/A	
6.4	Dependency from certain contracts	Chapter 2, section 2.10.3, and Chapter 3, section 3.3	44; 51
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	159; 161
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	161; 246
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	154; 195
8.2	Environmental issues potentially affecting the use of the tangible fixed assets	Chapter 6, section 6.2	134
9. OPERATING AND FINANCIAL REVIEW			
9.1	Financial position	Chapter 2, sections 2.3, 2.9, 2.10.2 and Chapter 8	30; 34; 42; 165
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	28; 30; 31; 34
9.2.2	Reasons for material changes in net sales or revenues	Chapter 2, section 2.9	34
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	206; 264
10.2	Sources, amounts and description of cash flows	Chapter 2, section 2.10 and Chapter 8, section 8.1.4	42; 170
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	44; 213; 214
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	44; 48
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; 37; 187**
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	28; 46
13. PROFIT FORECASTS OR ESTIMATES		**N/A**	
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	64; 68
14.2	Conflicts of interest in administrative and management bodies	Chapter 4, section 4.1.3.3	72
15. REMUNERATION AND BENEFITS			
15.1	Remuneration paid and benefits in kind	Chapter 4, sections 4.4 and 4.5.2	89; 102

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Annual Report	Page No.
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	102
16. BOARD PRACTICES			
16.1	Expiry date of current terms of office	Chapter 4, section 4.1.2	64
16.2	Service contracts with Members of administrative bodies	Chapter 4, section 4.1.3.6	74
16.3	Information about the Audit Committee and the Remuneration Committee	Chapter 4, section 4.2.1.4	78
16.4	Declaration – Corporate governance applicable in the home country of the issuer	Chapter 4, section 4.2.1.1	74
17. EMPLOYEES			
17.1	Number of employees	Chapter 6, section 6.1.1 and Chapter 8, section 82 note 30	118; 236
17.2	Profit sharing and stock options	Chapter 6, sections 6.1.3 and 6.1.4	119; 120
		Chapter 8, section 8.2 note 27 to the consolidated financial statements	230
17.3	Agreements for employees' equity stake in the capital of the issuer	Chapter 6, section 6.1.2	119
18. MAJOR SHAREHOLDERS			
18.1	Shareholders owning more than 5% of the share capital or voting rights	Chapter 5, section 5.1.1	106
18.2	Existence of specific voting rights	Chapter 7, section 7.2.3	156
18.3	Control of the Company	Chapter 5, section 5.1.3	109
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**	**244**
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	166; 172; 250; 253
20.2	*Pro forma* financial information	N/A	
20.3	Financial statement	Chapter 8	165
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	164; 248; 277
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	166
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	113
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	113
20.8	Legal and arbitration proceedings	Chapter 3, sections 3.4, Chapter 8, section 8.2 note 33 to the consolidated financial statements	57; 240
20.9	Significant change in the financial or business situation	N/A	
21. ADDITIONAL INFORMATION		**Chapter 7**	**153**
21.1	Share capital		
21.1.1	Amount of issued capital	Chapter 5, section 5.1	106
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	107; 264

Information required under Appendix 1 of regulation (EC) 809/2004		Corresponding sections and Chapters of the Annual Report	Page No.
21.1.4	Convertible securities, exchangeable securities or securities with warrants	Chapter 5, section 5.1.7	111
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	110; 111
21.2	Articles of incorporation and bylaws		
21.2.1	Issuer's objects and purposes	Chapter 7, section 7.2.1	156
21.2.2	Administrative, management and supervisory bodies	Chapter 4, section 4.1.1	64
21.2.3	Rights, privileges and restrictions attached to shares	Chapter 7, section 7.2.3	156
21.2.4	Actions necessary to change the rights of shareholders	Chapter 7, section 7.2.4	157
21.2.5	Calling-up of Annual General Meetings and Extraordinary General Meetings of shareholders	Chapter 7, section 7.2.5	157
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	157
21.2.8	Changes in the shares capital	N/A	
22. MATERIAL CONTRACTS		**Chapter 7, section 7.3**	**158**
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**	**162**
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 Annual Report	Page No.
STATEMENT OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT	**Chapter 7, section 7.9.1**	**164**
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	34; 42 47; 112
■ 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	113
■ Information about share buybacks (Article L. 225-211, paragraph 2, of the French Commercial Code)	Chapter 5, section 5.1.2	107
FINANCIAL STATEMENT		
■ Statutory financial statements	Chapter 8, sections 8.4 and 8.5	250; 253
■ Statutory Auditors' report on the statutory financial statements	Chapter 8, section 8.7	277
■ Consolidated financial statements	Chapter 8, sections 8.1 and 8.2	166; 172
■ Statutory Auditors' report on the consolidated financial statements	Chapter 8, section 8.3	248

CROSS-REFERENCE TABLE REFERRING TO THE ELEMENTS OF THE MANAGEMENT REPORT

Information in the management report	Corresponding sections and Chapters of the Annual Report	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	34
Report on the subsidiaries' activity and results (Article L. 233-6 al. 2 of the French Commercial Code)	Chapter 2, section 2.9	34
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	34; 42
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 Chapter 2, section 2.6 Chapter 4, section 4.1.3.2	12; 33; 71
Activities in research and development (Article L. 233-26 and L. 232-1-II of the French Commercial Code)	Chapter 1, section 1.3.1 Chapter 2, section 2.9.3	14; 37
Non financial key performance indicators (environmental information) (Articles L. 225-100, al. 3; L. 225-102-1, al. 5 and R. 225-105 of the French Commercial Code)	Chapter 6, section 6.2	134
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	118
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	74
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	47
Information on the risks in the event of interest rate fluctuation, exchange rate fluctuation and market price fluctuation	Chapter 3, section 3.2	50
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	112
List of Directorships or functions performed by each Director during the last fiscal year (Article L. 225-102-1, al.4 of the French Commercial Code)	Chapter 4, section 4.1.3.1	68
Directors' compensation and benefits in kind (Article L. 225-102-1 of the French Commercial Code)	Chapter 4, section 4.4	89
Transactions executed by the Executive Officers on the shares of the Company (Article L. 621-18-2 of the Monetary and Financial Code)	Chapter 4, section 4.1.3.4	72
Retention requirement by the Executive Directors of free shares and/or stock options which were awarded (Article L. 225-197-1-II al. 4 and L. 225-185 al.4 of the French Commercial Code)	Chapter 4, section 4.1.3.4	72
Stock Options awarded to employees and Executive Officers (Article L. 225-197-1 and L. 225-185 of the French Commercial Code)	Chapter 4, sections 4.1.3.4 and 4.4 and Chapter 6, section 6.1.4	72; 89; 120
Shares held by employees (Article L. 225-102 of the French Commercial Code)	Chapter 6, section 6.1.3	119
Distribution of share capital and information on the crossing thresholds declared to the Company (Article L. 233-13 of the French Commercial Code)	Chapter 5, section 5.1.1	106
Amount of dividends and distribution for the last three fiscal years (Tax Code Article 243 *bis*)	Chapter 5, section 5.1.9	113
Parent company's results over the last five fiscal year (Article R. 225-102 of the French Commercial Code) and comments on the results	Chapter 8, section 8.6 Chapter 7, section 7.5.2	276; 161
Information on payment terms with suppliers (Article L. 441-6-1 of the French Commercial Code)	Chapter 8, section 8.5 note 15 to the consolidated financial statements	270
Information on the number of treasury shares on transactions executed during the fiscal year (Article L. 225-211, al.2 of the French Commercial Code)	Chapter 5, section 5.1.2	107
Elements likely to have any influence in case of a public offer (Article L. 225-100-3 of the French Commercial Code)	Chapter 5, section 5.1.10	113
Information on participations acquired in the share capital of French companies (Article L. 233-6 of the French Commercial Code)	Chapter 2, sections 2.7 and 2.8	33; 33
List of main consolidated subsidiaries	Chapter 8, section 8.2 note 36 to the statutory financial statements	246
Items of calculation and results of adjustment in case of an issuance of securities giving access to capital	Chapter 5, sections 5.1.5 and 5.1.7	110; 111
Additional tax information (Article 34-9 and 223 *quater* and *quinquies* of the Tax Code)	Chapter 7, section 7.4	158

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

	Corresponding sections and Chapters of the Annual Report	Page No.
SOCIAL INFORMATION		
■ **Employment**		
Total workforce and breakdown of employees by gender, age and geographical region	Chapter 6, section 6.1.1	118
Hirings and terminations	Chapter 6, section 6.1.1	118
Compensation and its evolution	Chapter 6, section 6.1.8	129
■ **Work organisation**		
Worktime organisation	Chapter 6, section 6.1.10	130
Absenteeism	Chapter 6, section 6.1.10	130
■ **Labour relations**		
Organisation of concertation, notably information and consultation procedures for personnel and negotiation with the latter	Chapter 6, section 6.1.9	130
Summary of collective bargaining agreements	Chapter 6, section 6.1.9	130
■ **Health and safety**		
Health and safety conditions	Chapter 6, section 6.1.12	132
Summary of collective bargaining agreements signed with trade unions or workers' representatives regarding occupational health and safety	Chapter 6, section 6.1.12	132
Work accidents (including frequency and severity rates) and occupational illnesses	Chapter 6, section 6.1.12	132
■ **Training**		
Specific employee training programs	Chapter 6, sections 6.1.6 and 6.1.7	125; 128
Total number of training hours	Chapter 6, section 6.1.7	128
■ **Equal opportunities**		
Measures regarding gender equality	Chapter 6, section 6.1.6	125
Measures regarding employment and integration of disabled people	Chapter 6, section 6.1.6	125
Combating-discrimination policy	Chapter 6, section 6.1.6	125
■ **Promotion and respect with the provisions of the ILO's fundamental conventions:**		
Regarding the freedom of association and the right to collective bargaining	Chapter 6, sections 6.1.11 and 6.1.9	131; 130
Regarding elimination of discrimination in respect of employment and occupation	Chapter 6, sections 6.1.6 and 6.1.11	125; 131
Regarding elimination of all forms of forced or compulsory labour	Chapter 6, section 6.1.11	131
Regarding effective abolition of child labour	Chapter 6, section 6.1.11	131
ENVIRONMENTAL INFORMATION		
■ **General policy regarding environmental matters**		
Organisation of the Company to take into account environmental matters, and, when appropriate, assessment and certification policies regarding environment	Chapter 6, section 6.2.1	134
Training and information for employees on environmental protection	Chapter 6, sections 6.1.12 and 6.2.2	132; 135
Means devoted to the prevention of environmental risks and pollution	Chapter 6, section 6.2.2	135
Amount of provisions and guarantees for environment-related risks, provided that this information would not be likely to cause the Company serious damage within the framework of ongoing litigation	Chapter 6, section 6.2.2	135
■ **Pollution and waste management**		
Preventive or corrective actions with regard to discharges into the atmosphere, water and soil with significant negative impact on the surrounding environment	Chapter 6, sections 6.2.2 and 6.2.3	135; 139
Measures relative to waste prevention, recycling and disposal	Chapter 6, sections 6.2.3	139
Consideration of noise pollution and of any other activity-specific pollution	Chapter 6, section 6.2.3	139
■ **Sustainable usage of resources**		
Water consumption and supply adapted to local constraints	Chapter 6, section 6.2.3	139
Consumption of raw materials and measures implemented for more efficient use	Chapter 6, section 6.2.3	139
Energy consumption and measures implemented to improve energy efficiency and the use of renewable energy	Chapter 6, sections 6.2.2 and 6.2.3	135; 139

	Corresponding sections and Chapters of the Annual Report	Page No.
Land use	N/A Chapter 6, section 6.2.3	139
■ **Climate changes**		
Greenhouse gas emissions	Chapter 6, section 6.2.3	139
Adaptation to consequence s of climate change	Chapter 6, section 6.2.3	139
■ **Biodiversity protection**		
Measures implemented to protect or develop biodiversity	N/A - Chapter 6.2.3	139
SOCIETAL COMMITMENTS REGARDING SUSTAINABLE DEVELOPMENT		
■ **Territorial, economic and social impact of the Company's activity**		
Regarding regional employment and development	Chapter 6, section 6.3	145
On local and neighbouring communities	Chapter 6, section 6.3	145
■ **Relations with** stakeholders **including associations for the promotion of social integration, educational institutes, environmental protection associations, consumer associations and neighbouring populations**		
Conditions surrounding dialogue with stakeholders	Chapter 6, section 6.3	145
Partnership or sponsorship activities	Chapter 6, sections 6.3 and 6.5	145; 148
■ **Subcontracting and suppliers**		
Integration of social and environmental stakes in the purchasing policy	Chapter 6, section 6.4	146
Extend of subcontracting and integration of CSR in the relationships with suppliers and subcontractors	Chapter 6, section 6.4	146
■ **Fair operating practices**		
Actions implemented to prevent any kind of corruption	Chapter 4, section 4.2.2.2 and Chapter 6, section 6.1.11	82
Measures implemented to promote consumer health and safety	Chapter 6, section 6.2.2	131; 135
■ **Others actions implemented to promote human rights**		
Others actions implemented to promote human rights	Chapter 6, section 6.1.11	131

This document is printed in compliance with ISO 14001.2004 for an environment management system.

Corporate Headquarters :
1-5, rue Jeanne d'Arc
92130 Issy-les-Moulineaux – France
E-mail : webmaster@technicolor.com
Tel. : +33 (0)1 41 86 50 00 – Fax : +33 (0)1 41 86 58 59

Technicolor Inc.
6040 Sunset Blvd
Hollywood, CA 90 028
USA
Tel. : +1 (323) 817 6600

www.technicolor.com

Technicolor S.A. with a share capital of €335,907,670 – 333 773 174 R.C.S. Nanterre

LABRADOR +33 (0)1 53 06 30 80