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2014 FIRST HALF FINANCIAL REPORT

This is a free translation into English of the French "rapport financier semestriel" and is provided solely for the convenience of English speaking users.

This is the report on the group for the first half 2014 condensed consolidated accounts which are prepared in compliance with *articles L 451-1-2 III* of the *Code monétaire et financier 222-4 et suivants* of the *Règlement Général de l'Autorité des Marchés Financiers.*

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I. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT

I - 1 Person responsible for the half-yearly financial report

Mr. Frederic Rose, Chief Executive Officer, Technicolor.

I - 2 Attestation

« I certify that, to the best of my knowledge, the financial statements presented in the half-yearly financial report, 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 half-yearly report on the activity, fairly presents an accurate picture of the important events which occurred during the first six months of the fiscal year, their effects on the financial statements and describe the main risks and uncertainties for the remaining six months».

Issy-les-Moulineaux, July 24th, 2014

Frederic Rose
Chief Executive Officer, Technicolor

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II. GROUP MANAGEMENT REPORT THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

II.1 Presentation on financial results for the first half of 2014 published on July 25th, 2014

Technicolor announced in a press release dated July 25th, 2014 its financial results for the first half of 2014. Earnings before interests and taxes (EBIT) amounted to €122 million compared to €87 million in the first half of 2013. Revenues amounted to €1,505 million compared to €1,589 million in the first half of 2013. Net finance expenses totaled €74 million in the first half of 2013 compared to €72 million the first half of 2013. The income tax charge for the six months ended June 30, 2014 amounts to €22 million (€20 million in the first half of 2013). Net result amounted to a profit of €27 million in the first half of 2014 compared to a profit of €6 million in the first half of 2013.

Revenues and financial results of continued operations released by the Group are presented under 3 main business segments: Technology, Connected Home and Entertainment Services. All the remaining activities (including unallocated Corporate functions) are grouped in a segment "Other" as a reconciling item.

Highlights of financial results for the first half of 2014

H1 2014 results: improved profitability and strong cash generation

- Revenues excl. legacy: €1,495 million, +1.7% at constant rate and scope[1]
- Adjusted EBITDA: €213 million, +6.3% at constant rate and scope
- Group free cash flow: €129 million, up €105 million versus H1 2013
- Strong deleveraging: net nominal debt at €671 million, down €166 million versus H1 2013

Key points

- Improved profitability: Adjusted EBITDA margin at 14.2% (up 1.2 point) and Adjusted EBIT at 8.4% (up 1.4 point).
- Strong cash generation with Group free cash flow of €129 million, driven by improvement profitability and financial charges and a particularly strong working capital performance.
- Positive net income of €27 million, despite €19 million negative impact related to accelerated debt repayments.
- Progress in innovation, in particular around immersive technologies across the Group.
- Strengthening market positions by sustained organic growth in Connected Home and Production Services. Connected Home expanded again much faster than the market and Visual Effects activities grew double-digit across facilities.
- Seizing selected external growth opportunities with the announced acquisition of Mr. X, expected to be completed in the third quarter, following the acquisition of Thales display IP portfolio in February 2014.

[1] Excluding the Cirpack softswitch operations, sold in 2013.

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2014 guidance

- Technicolor confirms its objective to reach an Adjusted EBITDA between €550 million and €575 million;
- Expects to exceed the upper range of its free cash flow objective of €180 million to €200 million, despite the impact of higher cash restructuring charges compared with 2013;
- Expects a positive net income;
- Confirms its objective to reach a Net Debt to Adjusted EBITDA ratio below 1.2x at end December 2014.

Innovation

In the first half of 2014, Technicolor reinforced its IP portfolio both organically and through selected IP acquisitions. The Group continued to expand its offering of patents related to standards, specifically in Blu-ray™ and HDMI standards. Technicolor participates in patent pools for both of these standards and in the first half 2014 added 52 essential patents to the Premier BD patent pool and 4 essential patents to the HDMI pool. To complement its organic development efforts, Technicolor also completed the acquisition of more than 120 patents and applications relevant to the LTE standard, which further reinforced the added value for the industry of its mobile devices licensing programs.

Technicolor continued to be active around immersive technologies including those designed to upscale images and to help create an immersive Hollywood grade experience at home, through the development and deployment of the latest advancements in HDR, 4K and Wide Color Gamut, across its businesses. With an eye on providing the best image quality to consumers, the Technology segment embedded its research algorithms in content producing the best viewing experience regardless of hardware limitations. Technicolor signed with HP a Color Certification program to offer by the third quarter of 2014 HP Envy and HP Pavilion monitors ensuring that consumers are getting color accuracy online. Operating businesses also reached important milestones in immersive technologies. The 4K streaming service offered by M-GO in partnership with Samsung will be available in the third quarter of 2014. Production Services started work on a number of Ultra HD TV shows to be delivered by the end of 2014 and the Connected Home segment has been selected to deliver 4K set-top boxes in volume to Tata Sky from early 2015.

The Connected Home segment had a particularly strong pace of innovation that resulted in several contract wins in Europe, Middle East & Africa with Telecom and Cable operators. It is also developing additional software features on top of Qeo and its own middleware, and is rolling out its roadmap to ensure the widespread use of Qeo on connected devices.

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Summary of consolidated results for the first half of 2014 (unaudited)

Key financial indicators and analysis at constant scope[2]

In € million	First Half 2013	First Half 2014	Change YoY Reported	Change YoY At constant rate
Group revenues	1,589	**1,505**	(5.3)%	(0.9)%
Group revenues (excl. legacy activities)	1,537	**1,495**	(2.7)%	+1.7%
Adjusted EBITDA	207	**213**	+3.1%	+6.3%
As a % of revenues	13.0%	14.2%	+1.2pt	
Adjusted EBIT	111	**127**	+14.2%	+17.3%
As a % of revenues	7.0%	8.4%	+1.4pt	
EBIT from continuing operations	89	**122**	+35.8%	+38.5%
Financial result	(72)	**(74)**	(2)	
Share of profit/(loss) from associates	(5)	**1**	+6	
Income tax	(20)	**(22)**	(2)	
Profit/(loss) from continuing operations	(10)	**27**	+37	
Profit (loss) from discontinued operations	16	**0**	(16)	
Net income	6	**27**	+21	
Net income excl. costs due to debt prepayments	6	**46**	+40	
Group Free cash flow	24	**129**	+105	
Net financial debt at nominal value (non IFRS)	837	**671**	(166)	

Revenues from continuing operations amounted to €1,505 million in first half of 2014, including a negative forex impact of €69 million. Revenue growth was 1.7% at constant rate and scope (excl. legacy activities), reflecting solid performances in Production Services, particularly Visual Effects, and in the Connected Home segment, which reinforced its market leadership and benefited from a number of customer wins and new awards, as well as continued resiliency in DVD Services, despite a challenging year-on-year comparison. In the Technology segment, the revenue decrease reflected weaker contribution from MPEG LA, due to a one-off adjustment in the first quarter and ongoing softness in optical disc drive demand from PC makers, partly offset by double-digit growth in revenues generated by direct licensing programs, driven by a good level of new contracts and renewals, with notably the contribution of an LG smartphone licensing agreement and successful renewals with two major US digital TV providers during the period.

[2] H1 2013 figures have been restated to exclude the impact on key business indicators (from Revenues to EBIT) of the Cirpack softswitch operations, sold in 2013. Other key indicators for H1 2013 are presented as reported. Perimeter impacts for H1 2013 are as follows: not material on revenues, Adjusted EBITDA and Adjusted EBIT, and €2 million on EBIT due to write-offs on the sold activities. The perimeter impact for H1 2014 is not material.

Adjusted EBITDA from continuing operations amounted to €213 million in the first half of 2014, including a negative forex impact of €7 million compared to the first half of 2013. Adjusted EBITDA margin was 14.2%, up by 1.2 points year-on-year, reflecting significant margin improvement in Connected Home, driven by higher shipments and better mix, stable margin in Entertainment Services, due to strong performance in Production Services and continued operating efficiencies in DVD Services, and lower corporate costs, mostly related to transversal functions.

Technicolor remained focused during the first half on optimizing its cost base and generating efficiencies across its businesses and at corporate level. Total operating expenses decreased year-on-year, driven by a sharp reduction in the Entertainment Services segment, with operating expenses down 17% at constant rate, and material declines for the Connected Home segment and at corporate level.

Adjusted EBIT from continuing operations amounted to €127 million in the first half of 2014, up 17.3% at constant currency compared to the first half of 2013, with margin of 8.4%, up by 1.4 points year-on-year, resulting from the growth in Adjusted EBITDA and lower D&A expenses.

EBIT from continuing operations totaled €122 million in the first half of 2014, up 42% at constant currency compared to the first half of 2013, with margin of 8.1%, up by 2.6 points year-on-year, due to the increase in Adjusted EBIT, lower restructuring costs and a gain on disposal of available-for-sale financial assets.

The Group’s financial result amounted to €(74) million, broadly stable year-on-year, reflecting the following:

- Net interest costs amounted to €39 million in the first half of 2014, a significant reduction compared to €63 million in the first half of 2013, reflecting reduced borrowing costs stemming from the refinancing and repricing transactions and from the material decrease in gross debt during the period.
- Other financial charges amounted to €35 million in the first half of 2014, including costs related to the refinancing and repricing transactions for €25 million, including an IFRS reversal recognized as a non-cash charge for €19 million due to the debt prepayments done in 2014 and repricing transaction costs.

Net income was a profit of €27 million in the first half of 2014, increasing from a profit of €6 million in the first half of 2013. Restated from refinancing and repricing charges, net income was a profit of €46 million.

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Statement of financial position and cash position

In € million	First Half 2013	First Half 2014	Change YoY Reported
Operating cash flow from continuing operations	125	**141**	+16
Group free cash flow	24	**129**	+105
Nominal gross debt	1,207	**927**	(280)
Cash position	370	**256**	(114)
Net financial debt at nominal value (non IFRS)	837	**671**	(166)

Operating cash flow from continuing operations, which is defined as the Adjusted EBITDA less net capital expenditures and restructuring cash out, totaled €141 million in the first half of 2014, up 12.5% compared to the first half of 2013. Operating cash flow represented 9.3% of total revenues, up by 1.4 points year-on-year, due to the increase in Adjusted EBITDA and a reduction in capital expenditures and cash outflow for restructuring. Capital expenditures totaled €47 million, down €5 million compared to the first half of 2013, as the Group continued to carefully manage spending. Cash outflow for restructuring amounted to €26 million, down €5 million compared to the first half of 2013. While the Group pursued its cost optimization across its businesses and at corporate level in the first half, some measures were delayed to the second half.

Group free cash flow reached €129 million in the first half of 2014, up €105 million year-over-year. Cash financial charges were €41 million down from €51 million in the first half of 2013, a decrease of more than 20%, driven by the positive impact of the refinancing and repricing transactions on borrowing costs and the reduction of €280 million in gross debt compared to end of June 2013, through normal, mandatory and voluntary prepayments. Working capital variation was positive €72 million, mainly related to a favorable phasing of Licensing programs and further working capital reductions in the Connected Home segment, due to improved procurement efficiencies and tighter inventory management. Other cash charges, mainly related to tax and pensions, totaled €42 million.

Nominal gross debt amounted to €927 million at end June 2014, a reduction of €164 million compared to €1,091 million at end December 2013. In order to pursue further deleveraging, the Group reimbursed the remainder of its senior secured debt maturing in 2016 and 2014 for €81 million as part of the completion of the refinancing and made a voluntary prepayment of €50 million of senior secured term loans maturing in 2020 as part of the repricing transaction. Other impacts included mandatory senior debt repayments of €27 million and a positive currency impact, resulting from the depreciation of the US dollar versus euro.

The Group's cash position was €256 million at end June 2014, down from €307 million at end December 2013, resulting from the decision to use cash to reduce gross debt in connection with the refinancing and repricing transactions, partially offset by sustained free cash flow generation and positive forex impact.

Net debt at nominal value amounted to €671 million at end June 2014 compared to €784 million at end December 2013, a reduction of €113 million.

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Segment review – H1 2014 result highlights

Technology

	H1 2013		H1 2014		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenue	227		**216**		(4.8)%	(4.7)%
Adjusted EBITDA	163	71.7%	**149**	69.0%	(8.3)%	
Adjusted EBIT	158	69.6%	**141**	65.4%	(10.5)%	
EBIT	157	69.1%	**140**	65.0%	(10.4)%	

Revenues amounted to €216 million, down €11 million compared to the first half of 2013, entirely due to a weaker contribution of MPEG LA, after a one-off adjustment in the first quarter and overall weakness in optical disc drive demand from PC manufacturers during the period, partly offset by double-digit growth in revenues generated by direct licensing programs.

This strong performance in direct licensing programs was driven by several new contracts and renewals signed in the course of the first half. The Group signed a licensing agreement with LG for mobile devices in the first quarter, renewed digital TV programs with two major manufacturers in the second quarter and has signed since January several renewals in its other programs. Technicolor has also initiated two legal actions seeking to recover unpaid royalties pursuant to existing licensing agreements. The two lawsuits are Thomson Licensing LLC vs. TPV Technology Ltd., and Thomson Licensing LLC vs. Westinghouse Digital LLC, filed in the federal and state courts of New Jersey, respectively. The Group is committed to enforcing its license agreements.

M-GO entered into a new agreement with Samsung, which turned to M-GO for its video and media hub. M-GO is now the default movie and TV service on Samsung smart TVs. As part of this agreement, consumers have the option of viewing their content bought on Samsung's media Hub on M-GO's service. M-GO and Samsung are also already partnering on a video streaming service to deliver movies and TV shows in the new Ultra HD format, which is expected to debut in the third quarter.

Adjusted EBITDA totaled €149 million compared to €163 million in the first half of 2013. Adjusted EBITDA margin stood at 69%, reflecting lower Licensing revenues and startup costs for Virdata, Technicolor's cloud-based monitoring, management and analytics services for the IoT (Internet of Things).

Entertainment Services

	H1 2013		H1 2014		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenue (excl. Legacy)	680		**624**		(8.3)%	(4.4)%
Legacy	52		**10**		(80.9)%	(79.9)%
Adjusted EBITDA	84	11.5%	**72**	11.3%	(14.6%)	
Adjusted EBIT	14	2.0%	**18**	2.8%	+21.2%	
EBIT	(1)	(0.1)%	**9**	1.4%	ns	

Revenues (excl. legacy activities) amounted to €624 million, down 4.4% at constant currency compared to the first half of 2013, as a result of lower revenues in DVD Services, partly offset by significant revenue growth in Production Services.

- **Production Services** revenues increased significantly year-on-year driven by a record level of activity in Visual Effects ("VFX"), in particular in VFX for feature films and a solid pipeline in US postproduction Services. This strong performance was partially offset by market weakness in Media Services and competitive pressure in Digital Cinema.

  Technicolor further confirmed in the first half of 2014 its key contribution to tent pole movies providing services on feature films including *The Amazing Spiderma*n (Sony), *Godzilla* (Warner), *Maleficent* (Disney) and X-*Men: Days of Future Past* (Fox), which all ranked number one at the US box office the week of their release. The Group further demonstrated its commitment to the growing VFX market with the agreement signed in June to acquire Mr. X, a leading North American provider of Visual Effects to premier television and international film clients. This transaction expands Technicolor's VFX services globally to high-end television and international film markets.

  Technicolor was honored with several awards in this first half. Postproduction teams received two Primetime Emmy® Award nominations for their work on the TV show *American Horror Story: Coven* (FX Networks). Animation and Games teams were nominated for a Daytime Emmy® Award for their work on the television series *Superbook* (CBN). The VFX for commercials teams won the only gold lion for VFX at Cannes Lions 2014 for *Assassin's Creed IV Black Flag, Defy*.

- **DVD Services** demonstrated again its significant resiliency in the first half of 2014, with total volumes declining by only 6% versus a challenging year-on-year comparison. In the prior year, the slate of new releases was particularly strong across the Group's studio customers and led to a very strong performance, with volume growth of almost 8% driven by stable volumes for Standard Definition DVD, and growth of over 80% in Blu-ray™, which benefited not only from a strong release slate, but also from share gains across selected key customers. Despite this challenging comparison, Blu-ray™ volumes were up more than 8% in the first half, while Standard Definition DVD volumes limited their decline to below 9%.

Adjusted EBITDA amounted to €72 million, down 14.6% compared to the first half of 2013, while margin remained stable at 11.3%. The Adjusted EBITDA decline was entirely due to legacy activities while the improvement in Production Services performance helped to offset the lower contribution of DVD Services.

- In Production Services, adjusted EBITDA increased year-over-year, reflecting the high level of activity in VFX and US Postproduction Services, optimized utilization across facilities and cost and operating efficiency initiatives implemented in Digital Distribution Services.
- In DVD Services, while adjusted EBITDA was down year-over-year in terms of absolute value, due to lower volumes, the margin remained broadly stable, as a result of solid operational delivery and cost savings initiatives.

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Connected Home

	H1 2013		H1 2014		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenue	630		**655**		+4.1%	+10.8%
Adjusted EBITDA	3	0.5%	**30**	4.5%	ns	
Adjusted EBIT	(17)	(2.6)%	**9**	1.4%	ns	
EBIT	(19)	(3.0)%	**6**	1.0%	ns	

Revenues amounted to €655 million, up 10.8% at constant currency compared to the first half of 2013, as a result of a strong level of activity across most regions, with total product volumes of 16.5 million units in the period (+5%), and market share gains, especially in North America and Europe, Middle-East & Africa. Connected Home performance also benefited from a significant improvement in product mix across Latin America, despite a more difficult macro environment in some parts of the region.

Revenue growth was particularly strong across developed markets in the first half of 2014, benefiting from significantly increased product deliveries in the period, in particular to Cable and Satellite customers. The level of activity in emerging markets was however lower year-on-year, reflecting the timing of new product introduction in India that affected first quarter volumes and stricter inventory management at several large Latin American customers in the first half, partly offset by improved product mix.

Adjusted EBITDA amounted to €30 million, representing an increase of €27 million compared to the first half of 2013, driven by sustained revenue performance and improved gross margin. Gross margin increased 36.3% at constant currency and represented 14.3% of revenues, up by 2.6 points year-on-year, reflecting continued solid operating execution in the period and a better product mix in North America. Adjusted EBITDA margin significantly increased to 4.5%, up by 4.0 points year-on-year. Adjusted EBITDA margin further improved in the course of the first half and outreached the 5% level in the second quarter. Gross margin and Adjusted EBITDA progressed strongly in the period, as a result of continued solid operating execution, supply chain efficiency and further product cost improvement process.

The Connected Home segment generated a material free cash flow in the first half of 2014, resulting from a solid increase in operating cash flow and improved working capital resulting from procurement efficiencies and tighter inventory management.

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Segment review – Q2 2014 revenue highlights

Group revenues by segment

In € million	Second Quarter 2013	2014	Change YoY Reported	At constant Rate
Technology	101	**103**	+1.8%	(1.2)%
Entertainment Services (excl. legacy activities)	328	**289**	(11.8)%	(8.3)%
Connected Home	356	**364**	+2.3%	+7.4%
Group revenues (excl. legacy activities)	786	**757**	(3.7)%	(0.3)%
Legacy activities	28	**5**	(83.1)%	(82.2)%
Group revenues	814	**762**	(6.4)%	(3.1)%

Technology revenues reached €103 million, up 1.8% at current currency compared to the second quarter of 2013. Licensing revenues were broadly stable year-on-year due to the continued strong performance of direct licensing programs and a progressive recovery in MPEG LA revenues despite the persistent softness in optical disc drive demand from PC manufacturers. The strong performance of direct licensing programs reflected a good level of new contracts and renewals, including the contribution of the LG smartphone licensing agreement, successful renewals with two major digital TV manufacturers and further renewals in the mp3 program.

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Entertainment Services revenues (excl. legacy activities) reached €289 million, down 8.3% at constant currency compared to the second quarter of 2013, resulting from a weaker performance in DVD Services, partially offset by significant revenue growth in Production Services, in particular in Visual Effects ("VFX").

- **Production Services** revenues were up year-on-year, with another quarter of double-digit growth in VFX and a solid performance in US Postproduction Services, partially offset by lower performances in selected markets in Postproduction and tougher market conditions in digital distribution services. Activity in VFX for feature films reached an all-time high, with significant workload across all facilities, while VFX for commercials remained strong.

  In the second quarter of 2014, VFX teams completed work on *X-Men: Days of Future Past* (Fox), *Guardians of the Galaxy* (Disney/Marvel), while continuing work on *Cinderella* (Disney), *Exodus: Gods and Kings* and *Night at the Museum 3* (Fox). Postproduction activities were very strong in Theatrical in the US, where teams completed work on *Transformers: Age of Extinction* (Paramount) and *Godzilla* (Warner). Technicolor also confirmed its leadership in premium Broadcast series with Postproduction teams completing work on the Emmy-nominated *The Normal Heart* and *True Blood Season 7* (HBO).

- **DVD Services** revenues decreased year-on-year, mainly driven by the decline by 6.7% in combined Standard Definition DVD and Blu-ray volumes compared with the second quarter of 2013. Volumes in the quarter were impacted by an overall weaker slate of new release titles compared with the second quarter of 2013, further impacted by the delay of a key new release title into the third quarter of 2014. These trends had a significant impact on Blu-ray™ volumes, which are primarily driven by new release activity. The growth trend in Games volumes continued in the period, expanding by 8.5% as compared to the second quarter of 2013.

  Selected titles produced in the second quarter of 2014 included *Muppets Most Wanted* (Disney), *The Lego Movie* (Warner), *Lone Survivor* (Universal) and *Noah* (Paramount).

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Volume Data for DVD Services

In million units		Second Quarter 2013	Second Quarter 2014	Second Quarter Change	First Half 2013	First Half 2014	First Half Change
Total Combined Volumes		279.2	**260.5**	(6.7)%	601.2	**564.9**	(6.0)%
By Format	SD-DVD	234.3	**218.7**	(6.6)%	502.2	**457.9**	(8.8)%
	Blu-ray™	44.9	**41.8**	(6.9)%	99.0	**107.0**	+8.1%
By Segment	Studio / Video	266.3	**246.2**	(7.5)%	569.0	**526.7**	(7.4)%
	Games	8.0	**8.6**	+8.5%	20.0	**21.0**	+4.9%
	Software & Kiosk	4.9	**5.7**	+15.1%	12.2	**17.2**	+41.0%

- ***Legacy activities*** declined around 82% at constant currency in the second quarter of 2014 and continued to impact Entertainment Services segment top-line. By the end of the year, the contribution of legacy activities to the Group's revenues will be below €20 million and the Group will have finalized their phase out.

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Connected Home revenues reached €364 million, up 7.4% at constant currency compared to the second quarter of 2013, highlighting solid revenue growth across most regions, including North America, Europe, Middle-East & Africa and Asia-Pacific, while revenues in Latin America fell significantly from a record level last year. The Connected Home segment continued to expand strongly and faster than the market, which was globally up only in the low single-digit range year-over-year, supported by solid growth in product deliveries in the period, with the Group reinforcing its market leadership and benefiting from a number of customer wins and new awards.

Gross margin and Adjusted EBITDA progressed strongly in the second quarter, as a result of continued solid operating execution, supply chain efficiency and product cost improvement.

While the Connected Home segment remains focused on increasing its gross margin quarter after quarter, it pursued its strategic priorities to innovate and add value during the quarter by developing new products and applications, in particular around immersive technologies such as 4K and HDR and highly differentiating software applications that will support the overall product mix improvement.

- In **North America**, revenues increased strongly in the second quarter, as a doubling in unit shipments helped to largely offset a less favorable product mix. This strong growth in volumes principally resulted from increased shipments of set top boxes during the period, reflecting sustained deliveries in Satellite and ongoing product deployments in Cable, including high-end devices.
- In **Latin America**, revenues decreased significantly in the second quarter, as a strong improvement in product mix was not enough to fully offset a drop in unit volumes. Product shipments fell double-digits in the period, with declines across all product lines, affected by continued strict inventory management at several large customers associated with more difficult macro conditions across the region.
- In **Europe, Middle East and Africa**, revenues posted solid growth in the second quarter, as a double-digit expansion in unit shipments more than offset by a less favorable product mix. This strong growth in volumes reflected significantly larger deliveries of set top boxes in the period and, to a lesser extent, higher shipments of Telecom broadband gateways.
- In **Asia-Pacific**, revenues increased significantly in the second quarter, as a rebound in unit volumes helped to more than offset a less favorable product mix. This strong growth in volumes mainly reflected the phasing of new Satellite set top box product introductions at Satellite customers in India, as well as larger deliveries of Cable modems, supported by new customer wins across the region.

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Volume Data for Connected Home

In million units		Second Quarter 2013	2014	Change	First Half 2013	2014	Change
Total Combined Volumes*		8.8	**9.5**	+7.9%	15.8	**16.5**	+4.8%
By Region	North America	1.3	**2.6**	+99.8%	1.9	**4.0**	+105.5%
	Latin America	4.5	**2.7**	(39.7)%	8.2	**5.5**	(32.5)%
	Europe, Middle-East and Africa	1.6	**2.1**	+29.7%	2.9	**4.1**	+39.2%
	Asia-Pacific	1.3	**2.0**	+51.8%	2.7	**3.0**	+7.7%

** Including tablets and other connected devices.*

Reconciliation of adjusted indicators (unaudited)

Technicolor is presenting, in addition to published results and with the aim to provide a more comparable view of the evolution of its operating performance in the first half of 2014 compared to the first half of 2013 a set of adjusted indicators which exclude the following items as per the statement of operations of the Group's consolidated financial statements:

- Restructuring costs, net;
- Net impairment charges;
- Other income and expenses (other non-current items).

These adjustments, the reconciliation of which is detailed in the following table, amounted to an impact on Group EBIT from continuing operations of €(5) million in the first half of 2014 compared to €(24) million in the first half of 2013.

In € million	First Half 2013	2014	Change
EBIT from continuing operations	87	**122**	+35
Restructuring costs, net	(19)	**(11)**	+8
Net impairment losses on non-current operating assets	(2)	**0**	+2
Other income/(expense)	(3)	**6**	+9
Adjusted EBIT from continuing operations	111	**127**	+16
As a % of revenues	7.0%	8.4%	+1.4pt
Depreciation and amortization (D&A)*	96	**86**	(10)
Adjusted EBITDA from continuing operations	207	**213**	+6
As a % of revenues	13.0%	14.2%	+1.2pt

** Including impact of provisions for risks, litigations and warranties.*

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Financial situation, balance sheet and indebtedness

Total assets decreased by €196 million in the first half of 2014 compared to December 2013 as a result of:

- a €59 million decrease of trade accounts payables due to the economic activity in the first half of 2014 and to the seasonal nature of the group's activity,
- a €51 million decrease of cash and cash equivalents mainly driven by the voluntary reimbursement of debt of €131 million in connection with the refinancing and repricing transactions, the cash used by investing activities of €42 million partially compensated by a positive net cash from operating activities (€176 million).

Total liabilities decreased by €220 million in the first half of 2014 compared to December 2013 mainly as a result of the decrease of IFRS gross debt by €158 million and lower accrued employees expenses (€20 million) primarily due to the seasonal nature of the group's activity.

IFRS gross debt amounted to €864 million at end June 2014 (€927million at nominal value) compared to €1,022 million at end December 2013. This decrease in the first half 2014 is mainly explained by the reimbursement of the remainder of the reinstated debt of €81 million, by the voluntary payment of the New Debt of €50 million and by the payment of a €27 million installment of the New Debt.

Subsequent events since June 30, 2014

Significant subsequent events since June 30, 2014 are presented in note 21 to the interim condensed financial statements included in part III of this report. They are related to the on-going acquisition of Mr. X.

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II.2. Main risks and uncertainties for 2014 second half

Main risks and uncertainties for 2014 second half are detailed:

- in chapter « Risks factors » of the 2013 Annual Report registered with the *Autorité des Marchés Financiers* on March 27th, 2014 and available on Group Web site www.technicolor.com ;

- and in note 19 to the interim condensed financial statements included in part III of this report.

II.3. Related party transactions

Changes in related parties in the first half of 2014 are detailed in note 20 to the interim condensed financial statements included in part III of this report.

Moreover, Group transactions with related parties did not have a significant impact on the financial position and statement of operations of the 2014 interim condensed financial statements.

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III. GROUP UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in million euros)	Note	Six months ended June 30, 2014 Unaudited	Six months ended June 30, 2013 Unaudited
Continuing operations			
Revenues		1,505	1,589
Cost of sales		(1,160)	(1,243)
Gross margin		**345**	**346**
Selling and administrative expenses	(5)	(150)	(164)
Research and development expenses		(68)	(71)
Restructuring costs	(14.2)	(11)	(19)
Other income (expense)	(5)	6	(5)
Profit (loss) from continuing operations before tax and net finance income (expense)		**122**	**87**
Interest income		4	2
Interest expense		(43)	(65)
Other financial income (expense)		(35)	(9)
Net finance income (expense)	(6)	**(74)**	**(72)**
Share of loss from associates		1	(5)
Income tax	(7)	(22)	(20)
Profit (loss) from continuing operations		**27**	**(10)**
Discontinued operations			
Net gain (loss) from discontinued operations	(8)	-	16
Net income (loss)		**27**	**6**
Attributable to:			
- Equity holders		*29*	*8*
- Non-controlling interest		*(2)*	*(2)*

(in euro, except number of shares)	Note	Six months ended June 30, 2014 Unaudited	Six months ended June 30, 2013 Unaudited
Weighted average number of shares outstanding (basic net of treasury shares held)	(16)	335,309,125	334,962,901
Earnings (loss) per share from continuing operations			
- basic		0.09	(0.02)
- diluted		0.09	(0.02)
Earnings (loss) per share from discontinued operations			
- basic		-	0.04
- diluted		-	0.04
Total earnings (loss) per share			
- basic		0.09	0.02
- diluted		0.09	0.02

The accompanying notes on pages 24 to 44 are an integral part of these unaudited interim condensed consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in million euros)	*Note*	Six months ended June 30, 2014 Unaudited	Six months ended June 30, 2013 Unaudited
Net income (loss) for the period		*27*	*6*
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligation [(1)]	*(14.1)*	(29)	12
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		-	-
- fair value adjustment of the period		2	-
Fair value gains / (losses), gross of tax on cash flow hedges :			
- reclassification adjustments when the hedged forecast transactions affect profit or loss		-	-
- on cash flow hedges before the hedged transactions affect profit or loss	*(11)*	-	1
Currency translation adjustments:			
- currency translation adjustments of the period		21	(21)
- reclassification adjustments on disposal or liquidation of a foreign operation [(1)]			
Total other comprehensive income [(2)]		(6)	(8)
Total comprehensive income for the period		**21**	**(2)**
Attributable to:			
- Equity holders of the parent		*23*	*-*
- Non-controlling interest		*(2)*	*(2)*

(1) Impact related to held for sale businesses is nil as of June 30, 2014 and as of June 30, 2013.

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

The accompanying notes on pages 24 to 44 are an integral part of these unaudited interim condensed consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million euros)	*Note*	**June 30, 2014 Unaudited**	**December 31, 2013 Audited**
ASSETS			
Non-current assets			
Property, plant and equipment		275	293
Goodwill	*(9)*	458	450
Other intangible assets	*(9)*	384	375
Investments in associates and joint ventures		5	13
Investments and available-for-sale financial assets		3	6
Contract advances and up-front prepaid discount		53	54
Deferred tax assets		367	364
Income tax receivable		11	19
Other non-current assets		33	35
Cash collateral and security deposits	*(10)*	15	15
Total non-current assets		**1,604**	**1,624**
Current assets			
Inventories		102	104
Trade accounts and notes receivable		486	545
Income tax receivable		27	16
Other current assets		260	341
Cash collateral and security deposits	*(10)*	22	25
Cash and cash equivalents	*(10)*	256	307
Assets classified as held for sale	*(8)*	9	-
Total current assets		**1,162**	**1,338**
Total assets		**2,766**	**2,962**

The accompanying notes on pages 24 to 44 are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million euros)	*Note*	**June 30, 2014 Unaudited**	**December 31, 2013 Audited**
EQUITY AND LIABILITIES			
Shareholders' equity	*(11)*		
Common stock *(335,907,670 shares at June 30, 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		(8)	15
Retained earnings (accumulated deficit)		(1,199)	(1,228)
Cumulative translation adjustment		(266)	(287)
Shareholders' equity		**145**	**119**
Non-controlling interest		(2)	-
Total equity		**143**	**119**
Non-current liabilities			
Borrowings	*(13)*	807	936
Retirement benefits obligations	*(14.1)*	345	322
Other provisions	*(14.3)*	61	82
Deferred tax liabilities		130	130
Other non-current liabilities		141	136
Total non-current liabilities		**1,484**	**1,606**
Current liabilities			
Borrowings	*(13)*	57	86
Retirement benefits obligations	*(14.1)*	32	34
Restructuring provisions	*(14.2)*	39	59
Other provisions	*(14.3)*	53	51
Trade accounts and notes payable		442	450
Accrued employee expenses		115	135
Income tax payable		19	10
Other current liabilities		382	412
Liabilities classified as held for sale		-	-
Total current liabilities		**1,139**	**1,237**
Total liabilities		**2,623**	**2,843**
Total equity and liabilities		**2,766**	**2,962**

The accompanying notes on pages 24 to 44 are an integral part of these unaudited interim condensed consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in million euros)	*Note*	Six months ended June 30, 2014 Unaudited	2013 Unaudited
Net income (loss)		**27**	**6**
Income (loss) from discontinued activities		**-**	**16**
Profit (loss) from continuing activities		**27**	**(10)**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		83	94
Impairment of assets		1	2
Net changes in provisions		(22)	(11)
Gain (loss) on asset disposals		(7)	2
Interest (income) and expense		39	63
Other non-cash items (including tax)		40	17
Changes in working capital and other assets and liabilities		80	27
Cash generated from continuing activities		**241**	**184**
Interest paid		(39)	(50)
Interest received		4	2
Income tax paid		(21)	(22)
Net operating cash generated from continuing activities		**185**	**114**
Net operating cash used in discontinued activities		(9)	(38)
Net cash from operating activities (I)		**176**	**76**
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(17.2)*	(3)	(5)
Proceeds from sale of investments, net of cash	*(17.2)*	8	(1)
Purchases of property, plant and equipment (PPE)		(21)	(26)
Proceeds from sale of PPE and intangible assets		3	1
Purchases of intangible assets including capitalization of development costs		(29)	(27)
Cash collateral and security deposits granted to third parties		(2)	(2)
Cash collateral and security deposits reimbursed by third parties		4	2
Loans (granted to) / reimbursed by third parties		-	-
Net investing cash used in continuing activities		**(40)**	**(58)**
Net investing cash used in discontinued activities		(2)	(1)
Net cash used in investing activities (II)		**(42)**	**(59)**
Proceeds from borrowings		1	4
Repayments of borrowings	*(13)*	(169)	(38)
Fees paid linked to the debt and capital restructuring	*(17.1)*	(25)	(2)
Net financing cash generated used in continuing activities		**(193)**	**(36)**
Net financing cash used in discontinued activities		-	-
Net cash used in financing activities (III)		**(193)**	**(36)**
Net increase in cash and cash equivalents (I+II+III)		**(59)**	**(19)**
Cash and cash equivalents at beginning of period		**307**	**397**
Exchange gains/(losses) and scope variation impacts on cash and cash equivalents		8	(8)
Cash and cash equivalents at end of period		**256**	**370**

The accompanying notes on pages 24 to 44 are an integral part of these unaudited interim condensed consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in million euros)	Attributable to equity holders of the Group								Non-controlling interest	Total equity (deficit)
	Share capital	Treasury shares	Additional paid-in capital	Perpetual Notes (TSS)	Other reserves	Retained earnings	Cumulative translation adjustment	**Total Group equity (deficit)**		
Balance at December 31, 2012	**335**	**(156)**	**940**	**500**	**-**	**(1,142)**	**(240)**	**237**	**4**	**241**
Variation for the period ended June 30, 2013										
Total other comprehensive income (*)	-	-	-	-	*13*	-	*(21)*	*(8)*	-	*(8)*
Net income (loss) for the period	-	-	-	-	-	8	-	8	(2)	6
Total comprehensive income for the period	**-**	**-**	**-**	**-**	***13***	***8***	***(21)***	**-**	***(2)***	***(2)***
Impact of IAS 19 Revised	-	-	-	-		1	-	1	-	1
Share-based payment to employees	-	-	-	-	2	-	-	2	-	2
Balance at June 30, 2013	**335**	**(156)**	**940**	**500**	**15**	**(1,133)**	**(261)**	**240**	**2**	**242**
Variation for the semester ended December 31, 2013										
Total other comprehensive income (*)	-	-	-	-	(3)	-	(26)	(29)	-	(29)
Net income (loss) for the period	-	-	-	-	-	(95)	-	(95)	(3)	(98)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(3)**	**(95)**	**(26)**	**(124)**	**(3)**	**(127)**
Share-based payment to employees	-	-	-	-	4	-	-	4	-	4
Capital increase of non-controlling interest	-	-	-	-	(1)	-		(1)	1	-
Balance at December 31, 2013	**335**	**(156)**	**940**	**500**	**15**	**(1,228)**	**(287)**	**119**	**-**	**119**
Variation for the period ended June 30, 2014										
Total other comprehensive income (*)	-	-	-	-	(27)	-	21	(6)	-	(6)
Net income (loss) for the period	-	-	-	-	-	29	-	29	(2)	27
Total comprehensive income for the period	**-**	**-**	**-**	**-**	***(27)***	***29***	***21***	***23***	*(2)*	***21***
Capital Increase	1	-	(1)	-	-	-	-	-	-	-
Treasury shares purchased and sold (net amount)	-	(1)	-	-	-	-	-	(1)	-	(1)
Share-based payment to employees	-	-	-	-	4	-	-	4	-	4
Balance at June 30, 2014	**336**	**(157)**	**939**	**500**	**(8)**	**(1,199)**	**(266)**	**145**	**(2)**	**143**

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

The accompanying notes on pages 24 to 44 are an integral part of these unaudited interim condensed consolidated financial statements.

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1 Main events of the period

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 “New Debt).

On April 30, 2014 Technicolor closed a repricing transaction under which the interest rate on the New 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 $69 million (€50 million) of the New 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 before transactions**	Cashless exchange in February	Prepayment of New Debt in April	Repayments at maturity date	Other (1)	Currency Translation Adjustment	Reinstated Debt prepayment in May	**Debt after transactions**
Reinstated Debt maturing 2016/2017	**266**	(181)	-	(5)	-	1	(81)	**-**
New Debt maturing 2020	**792**	181	(50)	(22)	-	6	**-**	**907**
Other Debt	**33**	-	-	-	(13)	-	**-**	**20**
Debt (nominal amount)	**1,091**	-	(50)	(27)	(13)	7	(81)	**927**
IFRS adjustment deducted from Debt accounted for at fair value (*)	**(69)**	-	(7)	6	-	-	7	**(63)**
Debt (under IFRS)	**1,022**	-	(57)	(21)	(13)	7	(74)	**864**
(*) Of which non cash items		-	*13*	*6*	-	-	*7*	
Of which cash items (2)		-	*(20)*	-	-	-	-	

(1) Includes mainly the repayment of the borrowing to Finantia for €(10) 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 June 30 2014, the carrying amount of borrowings in the balance sheet is detailed between short-term maturity (€ 57 million compared to € 86 million as of December 31, 2013) and long-term maturity (€ 807 million compared to € 936 million as of December 31, 2013).

2 Summary of significant accounting policies

2.1 Basis of preparation of the financial statements

In these interim condensed 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.

Technicolor's revenues and EBITDA have historically tended to be higher in the second half of the year than in the first half, with customers' activity being greater in the second half, especially for Entertainment Services.

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as of July 24, 2014, which include IAS 34 "Interim Financial Reporting". The standards approved by the EU are available on the following web site: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

These interim condensed consolidated financial statements should be read in conjunction with the 2013 annual consolidated financial statements.

The accounting policies applied by the Group are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2013 and described in note 2 to the 2013 annual consolidated financial statements, which are an integral part of the 2013 Group's Annual Report except for the following standards, amendments and interpretations which have been applied for the first time (see note 2.4).

These condensed consolidated financial statements are presented in euro.

The interim condensed consolidated financial statements and notes were approved by the Board of Directors of Technicolor SA and authorized for issuance on July 24, 2014.

2.2 Use of estimates and judgment

The preparation of interim condensed consolidated financial statements 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 principal accounting policies requiring the use of estimates are:

- Determination of expected useful lives of tangible and intangible assets ;
- Impairment of goodwill and intangible assets with indefinite useful lives ;
- Deferred tax assets recognition ;
- Assessment of actuarial assumptions used to determine provisions for employee retirement benefit obligations;
- Measurement of provisions and contingencies.

The underlying assumptions used for the main estimates are similar to those described as of December 31, 2013. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2014 may subsequently be changed. The Group also uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

2.3 Translation of foreign currency transactions

The main exchange rates used for translation are summarized in the following table:

	Closing Rate		Average Rate	
	June 2014	December 2013	June 2014	June 2013
U.S. dollar (U.S.$)	0.73303	0.72516	0.72922	0.76510
Pound sterling (GBP)	1.24813	1.19503	1.22249	1.17341
Canadian dollar (CAD)	0.68648	0.68069	0.66354	0.74822

2.4 *New standards and interpretations*

(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 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 Special Purpose Entity (note 3).
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 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 with a focus on explicitly incorporating the principles of IFRS 3 for the purposes of transaction in which the interest in a joint operation which is acquired meets the definition of a business in IFRS 3.

3 Scope of consolidation

There is no significant change in the scope of consolidation compared to December 2013.

In accordance with IFRS 12, the following information is disclosed:

- Significant judgment in determining control on entity even though Technicolor does not hold voting rights in this entity:

Since June 2013 Tech Finance & Co. SCA ("Tech Finance") an independent standalone special purpose vehicle which was incorporated in Luxembourg to organize the refinancing of Technicolor debt 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.

- Interest in subsidiaries:

There has been no change during 2014 first half in non-controlling interest.

- Interest in joint arrangements and associates:

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.

On May 5, 2014, National Cinemedia, Inc. (Nasdaq ticker: NCMI) announced that it had entered into a definitive merger agreement with Screenvision for $375 million of cash and stock on a debt-free, cash-free basis. Technicolor holds 17% of Screenvision (SV Holdco, LLC) and the transaction is subject to customary administrative authorization. Consequently, SV Holdco, LLC has been classified as held for sale in June 2014 consolidated statement of financial position (see details in note 8).

4 Information by segments

(in million euros)	Technology	Connected Home	Entertainment Services	Other	Consolidation Adjustments	Total
	Six months ended June 30, 2014					
Statement of operations items						
Revenues	216	655	634	-	-	1,505
Intersegment sales	2	1	-	-	(3)	-
EBITDA adjusted	**149**	**30**	**72**	**(38)**	**-**	**213**
Profit (loss) from continuing operations before tax and net finance income (expense)	**140**	**6**	**9**	**(33)**	**-**	**122**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(5)	-	-	(5)
Amortization of contract advances and up-front prepaid discounts	-	-	(10)	-	-	(10)
Other depreciation and amortization	(7)	(21)	(39)	(1)	-	(68)
Other non-cash income (expense)	(1)	(9)	(11)	-	-	(21)
Statement of financial position items						
Assets						
Operating segment assets	132	417	690	10	-	1,249
Goodwill	-	50	408	-	-	458
Other segment assets	144	60	104	16	-	324
Total segment assets	**276**	**527**	**1,202**	**26**	**-**	**2,031**
Investments in associates	-	2	-	*3*	-	5
Unallocated assets						730
Total consolidated assets						**2,766**
Liabilities						
Segment liabilities	238	508	405	460	-	1,611
Unallocated liabilities						1,012
Total consolidated liabilities (without equity)						**2,623**
Other information						
Capital expenditures	(3)	(18)	(17)	-	-	(38)
Capital employed	55	33	466	(38)	-	516

(in million euros)	Technology	Connected Home	Entertainment Services	Other	Consolidation Adjustments	Total
	Six months ended June 30, 2013					
Statement of operations items						
Revenues with external customers	227	630	732	-	-	1,589
Intersegment sales	1	1	2	-	(4)	-
EBITDA adjusted	**163**	**3**	**84**	**(43)**	**-**	**207**
Profit (loss) from continuing operations before tax and net finance income (expense)	**157**	**(21)**	**(1)**	**(48)**	**-**	**87**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(7)	-	-	(7)
Amortization of contract advances and up-front prepaid discounts	-	-	(13)	-	-	(13)
Other depreciation and amortization	(4)	(19)	(50)	(1)	-	(74)
Other non-cash income (expense)	(2)	(7)	(20)	(7)	-	(36)
Statement of financial position items						
Assets						
Operating segment assets	103	447	802	13	-	1,365
Goodwill	-	50	434	-	-	484
Other segment assets	196	99	91	22	-	408
Total segment assets	**299**	**596**	**1,327**	**35**	**-**	**2,257**
Investments in associates	-	2	2	11	-	15
Unallocated assets						895
Total consolidated assets						**3,167**
Liabilities						
Segment liabilities	216	506	467	468	-	1,657
Unallocated liabilities						1,268
Total consolidated liabilities (without equity)						**2,925**
Other information						
Capital expenditures	(7)	(19)	(22)	(1)	-	(49)
Capital employed	102	102	535	(53)	-	686

5 Selling and administrative expenses and other income (expense)

(in million euros)	Six months ended June 30, 2014	Six months ended June 30, 2013
Selling and marketing expenses	(48)	(54)
General and administrative expenses	(102)	(110)
Selling and administrative expenses	**(150)**	**(164)**
Other income (expense) [(1)]	**6**	**(5)**

(1) In 2014, the line "Other income (expense)" includes mainly a gain on disposal of available-for-sale financial assets.

6 Net finance income (expense)

(in million euros)	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest income	4	2
Interest expense	(43)	(65)
Interest expense, net [(1)]	**(39)**	**(63)**
Financial component of pension plan expense	(6)	(6)
Exchange gain (loss)	(1)	2
Acceleration of amortization of the effective interest rate on the debt [(2)]	(19)	-
Change in fair value on financial instrument (loss)	-	-
Other [(3)]	(9)	(5)
Other financial income (expense), net	**(35)**	**(9)**
Net finance income (expense)	**(74)**	**(72)**

(1) In 2014 interest expense includes €6 million (€15 million in 2013) due to the difference between the effective interest rate and the nominal rate of the debt.

(2) In 2014 the debt prepayments (April 30 and May 30) triggered a reversal of the IFRS adjustment (gain resulting from the debt restructuring on May 26, 2010) and additional positive adjustment from the New Debt issuance in 2013. At June 30, 2014, the IFRS adjustment is only related to the New Debt maturing in 2020.

(3) In 2014 related mainly to call premium paid as part of the repricing transaction to creditors which did not accept the roll-over. In 2013 related mainly to advisory fees related to refinancing of the debt in progress at the time of the interim financial statements.

7 Income tax

The income tax expense for the six months ended June 30, 2014 is determined using the year-end 2014 forecasted effective tax rate. This rate is computed on a country-by-country basis.

The income tax charge for the six months ended June 30, 2014 is summarized below:

(in million euros)	Six months ended June 30, 2014	Six months ended June 30, 2013
France	(10)	(14)
Foreign	(12)	(6)
Total income tax	**(22)**	**(20)**

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8 Discontinued operations and held for sale operations

8.1 Discontinued operations

In 2014, there has been no change in the discontinued operations perimeter compared to June 2013.

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

8.2 Assets and liabilities held for sale

As of June 30, 2014, €9 million were classified as assets held for sale, mainly composed of SV Holdco, LLC (for more detail, see note 3).

As of December 31, 2013, there was no activity classified as held for sale.

9 Goodwill and other intangible assets

(in million euros)	**Patents and trademarks**	**Customer relationships**	**Other intangibles** [(1)]	**Total intangible assets**	**Goodwill**
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	3	1	1	5	8
Additions	23	-	18	41	1
Amortization charge	(11)	(5)	(21)	(37)	-
Other	3	-	(3)	-	(1)
Period-ended June 30, 2014, net	**256**	**51**	**77**	**384**	**458**
At June 30, 2014					
Cost	588	287	283	1,158	
Accumulated amortization and impairment	(332)	(236)	(206)	(774)	
Period-ended June 30, 2014, net	**256**	**51**	**77**	**384**	**458**

(1) Includes capitalized development projects, acquired or internally developed software and acquired technologies on a standalone basis or as part of a business combination.

10 Cash, cash equivalents, cash collateral and security deposits

(in million euros)	June 30, 2014	December 31, 2013
Cash	85	187
Cash equivalents	171	120
Total	**256**	**307**
Cash collateral and security deposits [(1)]	**37**	**40**

(1) Cash to secure credit facilities and other obligations of the Group, out of which the current portion amounts to €22 million as of June 30, 2014 (€25 million as of December 31, 2013) and the non-current portion amounts to €15 million (same amount 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.

The average interest rate on short-term bank deposits was 2.54% in 2014 (1.50% in 2013); these deposits generally have a maturity of less than 1 month.

11 Shareholders' equity

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.

As of June 30, 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 € 1.00.

Vector Capital directly or indirectly held, on its behalf or on behalf of its clients, 12.95% of the share capital and voting rights of the Company at June 30, 2014 (against 20.7% at December 31, 2013), following the sale of 26 million Technicolor shares on March 11, 2014. After completion of the transaction, Vector Capital remains the main shareholder of the Group, holding approximately 43.5 million shares in Technicolor.

Net equity hedging reserve
As of June 30, 2014, gain on hedging instruments is not significant (compared to a gain of €1 million recognized in OCI at June 30, 2013).

12 Derivative financial instruments

12.1 Foreign exchange risk

The Group executes operations on the over the counter derivatives markets on a short-term basis.

The fair value of all derivative financial instruments is shown in the table below.

(in million euros)	June 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow and fair value hedges	0.2	0.2	0.3	0.4
Total current	**0.2**	**0.2**	**0.3**	**0.4**
Total	**0.2**	**0.2**	**0.3**	**0.4**

Credit risk on these transactions is minimized by the foreign exchange policy of trading short term operations. The marked-to-market carrying values shown in the table above, that is, €0.2 million at June 30, 2014 and €0.3 million at December 31, 2013, are therefore a good proxy of the maximum credit risk.

12.2 *Interest rate risk*

(a) Interest rate derivatives

At June 30, 2014, the Group had no outstanding interest rate hedging derivatives.

(b) Effective average interest rates (6 months)

	First half 2014	First half 2013
Average interest rate on borrowings	8.44%	11.65%
Average interest rate after interest rate hedging	8.44%	11.65%
Average interest rate after currency swaps and interest rate hedging	8.44%	11.65%

13 Borrowings

See note 1 Main events of the period, which describes the refinancing and repricing transactions that occurred in the first half of 2014.

13.1 *Analysis by nature*

(in million euros)	June 30, 2014	December 31, 2013
Debt due to financial institutions	843	1,000
Bank overdrafts	1	1
Other financial debt	11	10
Accrued interest	9	11
Debt under IFRS	**864**	**1,022**
Total non-current	*807*	*936*
Total current	*57*	*86*

13.2 *Summary of the debt*

Debt (under IFRS) as of June 30, 2014 is consisted principally of the New Debt in an amount of €843 million. The details 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	803	755	Floating (3)	5.50%	6.92%	Amortizing	July 10, 2020
Term Loans	EUR	317	290	Floating (4)	5.50%	7.58%	Amortizing	July 10, 2020
Total New Debt (in million euros)		**906**	**843**		**5.50%**	**7.15%**		
Total Other Debts (in million euros)		**21**	**21**		6.66%	6.66%		
TOTAL	**EUR**	**927**	**864**		**5.53%**	**7.13%**		

(1) In the interim condensed consolidated statement of financial position the New Debt was initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.
(2) Rates as of June 30, 2014.
(3) 3 month Libor with a floor of 1.00% + 450bp
(4) 3 month Euribor with a floor of 1.00%+ 450bp

13.3 Main features

(a) Maturity

The table below gives the contractual maturity schedule of the Group's debt.

(in million euros)	June 30, 2014	December 31, 2013
Less than 1 month	33	32
Between 1 and 6 months	12	22
Between 6 months and less than 1 year	12	32
Total current debt	**57**	**86**
Between 1 and 2 years	49	66
Between 2 and 3 years	43	53
Between 3 and 4 years	48	247
Between 4 and 5 years	48	42
Over 5 years	682	597
Total non-current debt	**870**	**1,005**
Total nominal debt	**927**	**1,091**
IFRS Adjustment (1)	**(63)**	**(69)**
Debt under IFRS	**864**	**1,022**

1) In the interim condensed consolidated statement of financial position the New Debt and the Reinstated Debt were initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.

(b) Interest rate characteristics

The table below shows the periods for which the interest rate on the Group's debt is fixed.

(in million euros)	Amounts at June 30, 2014 with interest rate fixed for the following periods			
	Floating rate debt (interest fixed for less than 1 year)	1 year to 5 years	Greater than 5 years	Total
Total nominal debt	920	5	2	**927**
IFRS Adjustment (1)				**(63)**
Debt under IFRS				**864**

(1) In the interim condensed consolidated statement of financial position the New Debt was initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.

(c) Analysis of borrowing by currency

(in million euros)	June 30, 2014	December 31, 2013
Euro	308	382
U.S. Dollar	556	640
Other currencies	-	-
Debt under IFRS	**864**	**1,022**

(d) Undrawn credit lines

(in million euros)	June 30, 2014	December 31, 2013
Undrawn, committed lines expiring in more than one year	192	241

The Group has a receivables-backed committed credit facility in an amount of €92 million which matures in 2016 and a €100 million revolving credit facility (the "RCF") maturing in 2018. Neither was drawn at June 30, 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. For a detailed discussion of the limitations of the New Debt please refer to note 22.3 (g) to the Group's 2013 consolidated financial statements.

Covenants

The New Debt contains a single affirmative financial covenant which requires that the total gross nominal debt be not more than 3.50 times EBITDA on a trailing twelve month basis ("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.

Leverage covenant

Total gross debt of the Group at June 30, 2014 must be no more than 3.50 times the EBITDA of the Group for the twelve months ending June 30, 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 June 30, 2014.

Gross Debt	€927 million
EBITDA	€542 million
Gross Ratio Debt / EBITDA	1.71:1.00

Since 1.71 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 June 30, 2014 this covenant does not apply.

(f) Carrying amount of Reinstated Debt and New 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 New 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 New 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 New Debt

The IFRS value of the New Debt was determined to be the nominal amount of the New Debt reduced by transaction costs as adjusted by the effective interest rate (EIR) method.

These costs including €45 million at issuance of the New Debt in 2013 amounts to €63 million on June 30, 2014 as detailed below:

(in million euros)	
Initial IFRS discount at December, 31 2013	(45)
Second half 2013 EIR effect	3
IFRS discount of the New Debt as of December 31, 2013	**(42)**
Transfer of the exchanged Reinstated Debt IFRS discount	(17)
Transaction costs related to 2014 repricing	(20)
April 2014 Early repayment	13
First half 2014 EIR effect	3
IFRS discount of the New debt as of June 30, 2014	**(63)**

This IFRS discount of €63 million will be charged to interest over the remaining life of the New Debt using the effective interest rate method. The current weighted average effective interest rate of the New Debt is 7.15%.

14 Provisions

14.1 Retirement benefit obligations

(in million euros)	Pension plan Benefits	Medical post-retirement benefits	Total
As of January 1, 2014	**350**	**6**	**356**
Net Periodic Pension Cost	6	-	6
Benefits paid and contributions	(13)	-	(13)
Actuarial losses [1]	29	-	29
Currency translation adjustments and other	(1)	-	(1)
As of June 30, 2014	**371**	**6**	**377**
Of which current	*31*	*1*	*32*
Of which non-current	*340*	*5*	*345*

(1) Actuarial losses mainly arise from decrease in discount rates in all significant geographical areas (U.K, United States and Europe). The effect of change in discount rate is mostly related to Germany (€23 million out of a total of €29 million) since it represents a provision of €293 million.

As of June 30, 2014, the present value of the obligation amounted to €558 million, the fair value of plan assets amounted to €181 million.

14.2 Restructuring provisions

(in million euros)	Total
As of January 1, 2014	**59**
Current period expense [1]	14
Release [1]	(3)
Usage during the period	(26)
Currency translation adjustment and other movements [2]	(5)
As of June 30, 2014	**39**
Of which current	*39*
Of which non-current	-

(1) Restructuring expenses, net of release are mainly composed of termination costs related to employees and facilities.

(2) Other movements are mainly due to the deconsolidation of Italian entities.

14.3 Other provisions

(in million euros)	Warranty	Risk and litigation related to businesses disposed of	Other provisions related to continuing businesses [1]	Total
As of January 1, 2014	**16**	**55**	**62**	**133**
Current period expense	3	3	8	14
Release	(2)	(2)	(2)	(6)
Usage during the period	(1)	(11)	(3)	(15)
Currency translation adjustments and other [2]	-	-	(12)	(12)
As of June 30, 2014	**16**	**45**	**53**	**114**
Of which current	*16*	*-*	*37*	*53*
Of which non-current	*-*	*45*	*16*	*61*

(1) Include mainly provision for risk and litigation.
(2) Related mainly to deconsolidation of Italian entities.

As of June 30, 2014, total provisions related to litigation amount to €19 million (€26 million as of December 31, 2013).

15 Share-based compensation plans

As of June 30, 2014, the number of stocks options and free shares is analyzed as follows:

(In million of stock options)	Total (*)
Number of stock options and free shares as of December 31, 2013	**19.7**
- Granted during 2014 first half	0.6
- Forfeited or delivered during 2014 first half	(0.9)
Total as of June 30, 2014	**19.4**

(*) of which 0.2 million of options that are out of IFRS 2 scope

The compensation expenses charged to income for the services received during the period amount to €4 million and €2 million for the six months ended June 30, 2014 and June 30, 2013, respectively. The counterpart of this expense has been credited fully to equity in 2014 and 2013.

16 Earnings (Loss) per share

	Six months ended June 30, 2014	Six months ended June 30, 2013
Numerator: Adjusted profit (loss) "Group share" from continuing operations attributable to ordinary shareholders *(€ in millions)*	**29**	**8**
Denominator [(*)]: Weighted shares *(in thousands)*	**339,742**	**335,686**
Of which		
Stock options	*4,433*	*733*

(*) Weighted average number of share for basic earnings is 335,309 thousands shares in June 2014.

Due to Technicolor share price, some stock option plans have no dilution impact. Some of these plans could have dilution impact in the future depending on the stock price evolution (see details of these plans in note 27 of 2013 consolidated financial statements).

17 Specific operations impacting the interim condensed consolidated statement of cash flows

17.1 Cash impact of debt restructuring

(in million euros)	*note*	**Six months ended June 30, 2014**	**Six months ended June 30, 2013**
Fees paid for debt and capital restructuring [(1)]	*(6)*	(25)	(2)
Reimbursement of borrowings to bank holders	*(13)*	(158)	(36)
Total cash impact of debt restructuring		**(183)**	**(38)**

(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 €24 million related to 2014 repricing transaction).

17.2 Acquisition and disposal of subsidiaries, associates and investments

As of June 30, 2014, acquisition of available-for-sale investments amounted to €3 million. Net cash impact from disposal of available-for-sale investments amounted to €8 million.

As of June 30, 2013, acquisition of investments, net of cash position of companies acquired amounted to €5 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.

17.3 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 in the first half of 2014. This sale occurred at the end of June 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.

18 Contractual obligations and other commitments

18.1 Commitments related to operating leases

As of June 30, 2014, commitments related to future minimum and non-cancellable lease payments are detailed below:

(in million euros)	**June 30, 2014** [(1)]
Minimum future lease payments	**268**
Future lease payments commitments received [(2)]	(8)
Net value of future lease commitments	**260**

(1) Minimum operating lease payments shown are not discounted.

(2) Includes mainly operating lease payments to be made by:
- Assystem, INC. Research, CCA International, OuiDo and Cirpack for the subleasing of a part of the headquarter in France.
- Proservia for the subleasing of a part of the Rennes building in France.

18.2 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 for their related cash inflow and outflow amounts.

(in million euros)	**June 30, 2014**
Currency swaps	84
Forward exchange contracts	98
Total commitments given	**182**
Currency swaps	(84)
Forward exchange contracts	(98)
Total commitments received	**(182)**

18.3 Security interests granted to secure the New Debt

The security package consisting notably of guarantees and security interests granted by the Company and subsidiaries to secure the Reinstated Debt described under note 32 to the 2013 consolidated financial statements was released when the Reinstated Debt was repaid on May 30, 2014.

On May 30, 2014, as provided for under the New 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 New 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 New 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, euro and British pounds).

Intragroup loans pledged

Pursuant to an Intragroup Loans Receivables Pledge Agreement, on May 30 2014, Technicolor SA pledged Intragroup loans receivables from Technicolor Trademark Management, Technicolor Europe Ltd., Technicolor Videocassette Holdings (U.K.) 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.

19 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. 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 assessment. 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.

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. 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 will challenge this preliminary assessment.

Technicolor Polska continues to contest the assessments and considers them to be invalid.

France VAT audit

The French tax authorities audited the Company for 2009 tax year and issued at the end of 2012, a VAT assessment amounting to €5.6 million in principal and €0.8 million of interest.

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.

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 that they were exposed to various contaminants while living and working at the facility, which allegedly caused them to suffer various diseases, including cancer, or caused them emotional distress from fear that living and working at the facility increased their risk of contracting diseases. The Association claims damages of NTD 2.7 billion (approximately €66 million at the June 30, 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, Inc., Technicolor SA, and General Electric Company ("GE") as defendants. Technicolor is defending the case, and it is unclear how the addition of defendants will impact the progress of the case. It is Technicolor's position that GE has indemnity obligations to Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric. GE denies the existence of any such obligations to Technicolor.

Cathode Ray Tubes Investigations and Lawsuits
Class action lawsuits asserting private antitrust claims alleging anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses) were filed in early 2008 in the United States (one group brought by indirect purchasers and one group brought by direct purchasers) that originally named Technicolor SA and others as defendants, although Technicolor SA was dropped as a named defendant when amended complaints were filed in the spring of 2009. The Group sold the CPT business in 2005 and never had activity in the CDT business. In November 2011, Technicolor USA, Inc and Technicolor SA executed tolling agreements with the indirect purchaser plaintiffs and the direct purchaser plaintiffs tolling the statute of limitations to bring actions against Technicolor. In August 2012, the indirect purchaser plaintiffs moved the Court to join Technicolor SA and Technicolor USA, Inc to the pending class action. In October 2012, Technicolor SA, Technicolor USA, Inc, and the indirect purchaser plaintiffs executed an amendment to the tolling agreement which extended the original tolling agreement, prohibited indirect purchaser plaintiffs from bringing Technicolor into the present class action, and required Technicolor to provide certain sales documents.

In March 2013, Sharp Electronics filed suit against Technicolor SA and Technicolor USA, Inc alleging anticompetitive behaviour in the CRT industry. Technicolor USA, Inc and Technicolor SA have timely filed motions to dismiss. In September 2013, the Court issued an order dismissing Sharp's claims without prejudice for failure to plead facts in support of its claims with the requisite particularity, but granted Sharp leave to amend its complaint. In October 2013, Sharp filed an amended complaint against Technicolor SA and Technicolor USA, Inc and Technicolor SA and Technicolor USA, Inc timely filed motions to dismiss Sharp's amended complaint. In March 2014, the Court denied in part and granted in part Technicolor USA, Inc's and Technicolor SA's motions to dismiss, allowing Sharp to proceed against Technicolor USA, Inc 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, Inc alleging anticompetitive behaviour in the CRT industry, and, in response to Technicolor USA, Inc and Technicolor SA Inc's motions to dismiss, similar with Sharp, the Court denied in part and granted in part Technicolor USA, Inc's and Technicolor SA's motions to dismiss, allowing Tech Data to proceed against Technicolor USA, Inc and Technicolor SA on some of Tech Data's claims.

In November 2011, several direct purchaser plaintiffs filed complaints against other CRT-industry defendants and, in March 2013, sought leave to amend those complaints to add claims against Technicolor SA and Technicolor USA, Inc; the Court denied the direct purchaser plaintiffs leave in September 2013. In November and December 2013, several new suits alleging the same anticompetitive behaviour were filed against Technicolor SA and Technicolor USA, Inc by some of those same plaintiffs, including: BestBuy Co., Inc.; Costco Wholesale Corp.; Office Depot, Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; creditors of Tweeter Opco, LLC, and Tweeter Newco, LLC; Electrograph Systems, Inc.; P.C. Richard & Son Long Island Corp.; MARTA Coop. of Am., Inc.; ABC Appliance, Inc.; Target Corporation; and Interbound Corporation of America. Technicolor USA, Inc and Technicolor SA moved to dismiss and, similar to the motions with respect to Sharp, the Court denied in part and granted in part Technicolor USA, Inc's and Technicolor SA's motions to dismiss, allowing these plaintiffs to proceed against Technicolor USA, Inc and Technicolor SA on some of their claims.

In May 2014, the direct purchaser class plaintiffs filed suit against Technicolor SA and Technicolor USA, Inc alleging anticompetitive behaviour in the CRT industry. Technicolor USA, Inc and Technicolor SA have until July 30, 2014 to answer or otherwise respond to the complaint.

Also in May 2014, ViewSonic Corporation, another alleged opt-out plaintiff, filed suit against Technicolor SA and Technicolor USA. A schedule is being negotiated and discussed with the Court for this complaint, but it likely also will go to trial in March 2015.

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 and the investigation is ongoing.

On September 10, 2012, Technicolor SA received notice from the Mexican Federal Competition Commission indicating Mexican authorities had completed an investigation of possible cartel activity within the CRT industry in Mexico and on December 3, 2012, Technicolor SA has provided a response and evidence responding to the allegations.

On June 29, 2009, Technicolor SA received notice from the Hungary Competition Authority indicating Hungarian authorities are investigating possible cartel activity within the CRT industry in Hungary. Technicolor SA timely filed its response and the investigation is ongoing. A decision is expected in 2014 second half.

Environmental matters
Some of Technicolor's current and previously-owned manufacturing sites have a history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Soil and groundwater contamination was detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired from GE in 1987, and TCETVT, as an affiliate of Technicolor SA, owned the facility from approximately 1988-1992 when it was sold to an entity outside the Technicolor Group. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. It is the Company's position that GE has a contractual obligation to indemnify Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric.
In addition to soil and groundwater contamination, the Group sells or has sold in the past products which are subject to recycling requirements and is exposed to changes in environmental legislation affecting these requirements in various jurisdictions.

The Group believes that the amounts reserved and the contractual guaranties provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be precisely adequate.

20 Related party transactions

Following the shut-down of Indoor Direct, LLC during the 2014 first semester (see note 3), the entity is not a related party of Technicolor Group from May 1, 2014.

21 Subsequent events

On June 10, 2014 Technicolor announced it has reached an agreement to acquire Mr. X, a leading North American provider of visual effects to premier television and international film clients. There is no impact of this transaction in June 2014 consolidated interim condensed financial accounts as the acquisition remains subject to approval by the Government of Canada's Department of Canadian Heritage and is expected to be completed in the third quarter of 2014.

IV STATUTORY AUDITORS REPORT ON THE INTERIM FINANCIAL STATEMENTS

Interim condensed consolidated financial statements
Statutory auditors report on the interim financial statements
For the six-month period ended June 30, 2014

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information presented in the Group's interim management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your general shareholders' meetings and in accordance with the requirements of article L. 451-1-2 of the French Monetary and Financial Code (*"Code monétaire et financier"*), we hereby report to you on:

- the review of the accompanying interim condensed consolidated financial statements of Technicolor S.A, for the six-month period ended June 30, 2014,
- the verification of the information contained in the interim management report.

These interim condensed consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information provided in the interim management report commenting the interim condensed consolidated financial statements that were subject to our review. We have no matters to report as to its fair presentation consistency with the interim condensed consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, July 25, 2014

The Statutory Auditors

Deloitte & Associés		Mazars	
Alain Pons	Ariane Bucaille	Jean-Louis Simon	Guillaume Devaux
Partner	*Partner*	*Partner*	*Partner*