

technicolor



TECHNICOLOR 2019 CONSOLIDATED FINANCIAL STATEMENTS

Audited consolidated financial statements as of December 31, 2019



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CONSOLIDATED STATEMENT OF OPERATIONS

(€ in million)	Note	Year ended December 31,	
		2019	2018
CONTINUING OPERATIONS			
Revenues		3,800	3,988
Cost of sales		(3,375)	(3,521)
Gross margin		425	467
Selling and administrative expenses	(3.3)	(323)	(292)
Research and development expenses	(3.3)	(114)	(127)
Restructuring costs	(10.1)	(31)	(62)
Net impairment gains (losses) on non-current operating assets	(4.5)	(63)	(81)
Other income (expense)	(3.3.3)	(15)	(24)
Earning before Interest & Tax (EBIT) from continuing operations		(121)	(119)
Interest income		1	3
Interest expense		(70)	(43)
Other financial income (expense)		(15)	(11)
Net financial income (expense)	(8.5)	(84)	(51)
Share of gain (loss) from associates		(1)	-
Income tax	(6)	(3)	(54)
Profit (loss) from continuing operations		(208)	(224)
DISCONTINUED OPERATIONS			
Net gain (loss) from discontinued operations	(12)	(22)	157
Net income (loss)		(230)	(67)
Attributable to :			
- Equity holders		(230)	(68)
- Non-controlling interest		0	1
EARNINGS PER SHARE			
(in euro, except number of shares)		Year ended December 31,	
		2019	2018
Weighted average number of shares outstanding (basic net of treasury shares held)	(7.3)	413,660,087	413,440,227
Earnings (losses) per share from continuing operations			
- basic		(0.50)	(0.54)
- diluted		(0.50)	(0.54)
Earnings (losses) per share from discontinued operations			
- basic		(0.05)	0.38
- diluted		(0.05)	0.38
Total earnings (losses) per share			
- basic		(0.56)	(0.16)
- diluted		(0.56)	(0.16)

The accompanying notes on pages 9 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ in million)	Note	Year ended,	
		December 31, 2019	December 31, 2018
Net income (loss) for the year		(230)	(67)
Items that will not be reclassified to profit and loss			
Remeasurement of the defined benefit obligations	(9.2)	(44)	14
Deferred tax relating to these items		(1)	-
Items that may be reclassified subsequently to profit or loss			
Fair value gains / (losses), gross of tax on cash flow hedges:			
- reclassification adjustments when the hedged forecast transactions affect profit or loss	(8.5)	3	(1)
Deferred tax relating to these items		1	-
Currency translation adjustments			
- currency translation adjustments of the year		23	13
- reclassification adjustments on disposal or liquidation of a foreign operation		10	-
Total other comprehensive income		(8)	26
Total other comprehensive income of the period		(238)	(41)
<i>Attributable to :</i>			
- Equity holders of the parents		(238)	(42)
- Non-controlling interest		-	1

The accompanying notes on pages 9 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	Note	December 31, 2019	December 31, 2018
ASSETS			
Goodwill	(4.1)	851	886
Intangible assets	(4.2)	632	705
Property, plant and equipment	(4.3)	191	233
Right-of-use assets	(4.4)	285	-
Other operating non-current assets	(5.1)	32	41
TOTAL OPERATING NON-CURRENT ASSETS		1,991	1,865
Non-consolidated investments	(8.1)	17	14
Other non-current financial assets	(8.1)	22	10
TOTAL FINANCIAL NON-CURRENT ASSETS		39	24
Investments in associates and joint-ventures	(2.4)	1	2
Deferred tax assets	(6.2)	52	210
TOTAL NON-CURRENT ASSETS		2,082	2,101
Inventories	(5.1)	243	268
Trade accounts and notes receivable	(5.1)	507	677
Contract assets		79	77
Other operating current assets	(5.1)	184	264
TOTAL OPERATING CURRENT ASSETS		1,013	1,286
Income tax receivable		36	40
Other financial current assets	(8.1)	13	14
Cash and cash equivalents	(8.1)	65	291
Assets classified as held for sale	(12)	-	28
TOTAL CURRENT ASSETS		1,127	1,658
TOTAL ASSETS		3,210	3,759

The accompanying notes on pages 9 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	Note	December 31, 2019	December 31, 2018
EQUITY AND LIABILITIES			
Common stock (414,461,178 shares at June 30, 2019 with nominal value of 1 euro per share)	(7.1)	414	414
Treasury shares	(7.2)	-	(158)
Subordinated Perpetual Notes		500	500
Additional paid-in capital & reserves		(540)	(113)
Cumulative translation adjustment		(339)	(372)
Shareholders equity attributable to owners of the parent		36	271
Non-controlling interests		0	1
TOTAL EQUITY		36	272
Retirement benefits obligations	(9.2)	342	320
Provisions	(10.1)	30	19
Contract liabilities		3	4
Other operating non-current liabilities	(5.1)	25	38
TOTAL OPERATING NON-CURRENT LIABILITIES		400	382
Borrowings	(8.3)	979	1,004
Lease liabilities	(1.2)	224	-
Other non-current liabilities	(8.1)	1	-
Deferred tax liabilities	(6.2)	27	193
TOTAL NON-CURRENT LIABILITIES		1,631	1,579
Retirement benefits obligations	(9.2)	33	26
Provisions	(10.1)	70	113
Trade accounts and notes payable		825	1,135
Accrued employee expenses		134	116
Contract liabilities		40	100
Other current operating liabilities	(5.1)	302	310
TOTAL OPERATING CURRENT LIABILITIES		1,404	1,799
Borrowings	(8.3)	8	20
Lease liabilities	(1.2)	87	-
Income tax payable		41	34
Other current financial liabilities	(8.1)	2	4
Liabilities classified as held for sale	(12)	-	51
TOTAL CURRENT LIABILITIES		1,542	1,908
TOTAL LIABILITIES		3,173	3,487
TOTAL EQUITY & LIABILITIES		3,210	3,759

The accompanying notes on pages 9 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ in million)	Note	December 31,	
		2019	2018
Net income (loss)		(230)	(67)
Income (loss) from discontinuing activities		(22)	157
Profit (loss) from continuing activities		(208)	(224)
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>			
Depreciation and amortization *		322	234
Impairment of assets		63	91
Net changes in provisions		(48)	(14)
Gain (loss) on asset disposals		17	(8)
Interest (income) and expense	(8.5)	69	40
Other non-cash items (including tax)		0	50
Changes in working capital and other assets and liabilities *		(69)	2
Cash generated from continuing activities		146	171
Interest paid on lease debt		(21)	(2)
Interest paid		(44)	(40)
Interest received		1	3
Income tax paid		(12)	(14)
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)		70	118
Acquisition of subsidiaries, associates and investments, net of cash acquired	(11.1)	(3)	1
Proceeds from sale of investments, net of cash	(11.1)	1	5
Purchases of property, plant and equipment (PPE)		(70)	(68)
Proceeds from sale of PPE and intangible assets		0	-
Purchases of intangible assets including capitalization of development costs		(99)	(94)
Cash collateral and security deposits granted to third parties		(6)	(3)
Cash collateral and security deposits reimbursed by third parties		5	3
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)		(171)	(156)
Disposal of treasury shares	(11.2)	1	-
Proceeds from borrowings	(11.2)	1	-
Repayments of lease debt	(11.2)	(91)	(23)
Repayments of borrowings	(11.2)	(5)	(93)
Fees paid linked to the debt and capital operations	(11.2)	(1)	(3)
Other		4	23
NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)		(91)	(96)
NET CASH FROM DISCONTINUED ACTIVITIES (IV)	(12.1)	(33)	105
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		291	319
Net decrease in cash and cash equivalents (I+II+III+IV)		(226)	(29)
Exchange gains / (losses) on cash and cash equivalents		(0)	1
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		65	291

(*) In the segment reporting information prepared according IFRS 8, the Free cash flow and the adjusted EBITDA are restated from the IT capacity use for rendering in Production Services. If such restatement was considered for the Cash flow statement, depreciation and amortization would amount to €356 million, and changes in working capital and other assets and liabilities would amount to €(96) million.

The accompanying notes on pages 9 to 74 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ in million)	Share Capital	Treasury shares	Additional paid-in capital	Perpetual Notes	Other reserves	Retained earnings	Cumulative translation	Equity attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance as of December 31, 2017	414	(158)	1,211	500	(78)	(1,171)	(385)	333	3	336
Net income (loss)	-	-	-	-	-	(68)	-	(68)	1	(67)
Other comprehensive income	-	-	-	-	13	-	13	26	-	26
Total comprehensive income for the period	-	-	-	-	13	(68)	13	(42)	1	(41)
Reclassification of retained earnings in additional paid in capital as of April 26, 2018	-	-	(1,211)	-	-	1,211	-	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-
Change in Non-controlling interests	-	-	-	-	-	-	-	-	(3)	(3)
Variation of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees ⁽¹⁾	-	-	-	-	(9)	-	-	(9)	-	(9)
Tax impact on equity ⁽²⁾	-	-	-	-	-	(1)	-	(1)	-	(1)
IFRS 9 - AR Depreciation	-	-	-	-	-	(10)	-	(10)	-	(10)
IFRS 9 - AFS Opening restatement	-	-	-	-	(1)	1	-	-	-	-
Balance as of December 31, 2018	414	(158)	-	500	(75)	(38)	(372)	271	1	272
Net income (loss)	-	-	-	-	-	(230)	-	(230)	0	(230)
Other comprehensive income	-	-	-	-	(41)	-	33	(8)	(0)	(8)
Total comprehensive income for the period	-	-	-	-	(41)	(230)	33	(238)	(0)	(239)
Capital increases	-	-	-	-	-	-	-	-	-	-
Change in Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Variation of treasury shares	-	158	-	-	-	(157)	-	1	-	1
Dividend paid	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees ⁽¹⁾	-	-	-	-	2	-	-	2	-	2
Tax impact on equity	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2019	414	-	0	500	(114)	(426)	(339)	36	0	36

(1) Fair value of Share Based Compensation plans.

(2) Depreciation of French deferred tax assets allocated to equity.

The accompanying notes on pages 9 to 74 are an integral part of these consolidated financial statements.

1. General information

Technicolor is a leader in Media & Entertainment Services, developing, creating and delivering immersive augmented digital life experiences. Please refer to Note 3.1 for details on Group's operating segments.

In these consolidated financial statements, the terms "Technicolor group", "the Group" and "Technicolor" mean Technicolor SA together with its consolidated subsidiaries. Technicolor SA or the "Company" refers to the Technicolor group parent company.

1.1. Main events of the year

Appointment of Richard Moat as Chief Executive officer of the Group

At its meeting of November 5, 2019, the Board of Directors of Technicolor has appointed Richard Moat as Chief Executive Officer in replacement of Frédéric Rose.

Richard Moat has successfully led business transformations in the telecoms and media industries. Mr. Moat has also been appointed by the Board of Directors as Director of Technicolor in replacement of Mr. Rose, who resigned from his position as Board member.

Richard Moat is based in Paris.

Patent Licensing and Research & Innovation businesses

On July 30, 2018, the Group concluded the sale to InterDigital of its Patent Licensing business excluding some mobile patents, a small number of patents for nascent technologies and some patents associated with patents pools, for a total price of €188 million (see note 2.3).

On May 31, 2019, the Group concluded the transfer of its Research & Innovation activity to InterDigital (see note 2.2).

1.2. Accounting policies

1.2.1. Basis for preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2019 and adopted by the European Union as of February 18, 2020.

The standards approved by the European Union are available on the following web site: https://ec.europa.eu/info/publications/eu-accounting-rules_en

Technicolor financial statements are presented in euro and has been rounded to the nearest million. This may in certain circumstances lead to non-material differences so that the sum of the figures equals the sub-totals that appear in the tables.

The consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 18, 2020. According to French law, the consolidated financial statements will be considered as definitive when approved by the Company's shareholders at the Ordinary Shareholders' Meeting, which should take place in April 30th, 2020.

The accounting policies applied by the Group are consistent with those followed last year except for standards, amendments and interpretations which have been applied for the first time in 2019 (see Note 1.2.2.1. hereunder).

1.2.2. IFRS transition & new standards

1.2.2.1 Main standards, amendments and interpretations effective and applied as of January 1, 2019

New standard and interpretation	Main provisions
IFRS 16 – Leases	IFRS 16 specifies how to measure, present and disclose leases. The standard provides a single lease accounting model, requiring the lessee to recognize assets and liabilities for all leases unless the term lease is 12 months or less or the underlying asset has low value. Lessors continue to classify leases as operating or finance leases, applying substantially a comparable methodology from its predecessor, IAS 17. Method choice and impacts are detailed in the below note.
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	These amendments clarify the classification of particular prepayable financial assets and the accounting for financial liabilities following a modification. The adoption of this amendment had no significant impact on the Group's accounts.
Amendments to IAS19 – Plan Amendments, Curtailment or Settlement	The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. In that circumstances, IAS19 already required to update actuarial assumptions to remeasure the net defined benefit liability (asset). These amendments clarify that an entity is required to use these updated actuarial assumptions to determine the current service cost and the net interest for the remainder of the period after the plan amendment, curtailment or settlement.
IFRIC 23 – Uncertainty over Income Tax Treatments	IAS 12 – Income Taxes contains dispositions related to the recognition of current or deferred tax assets and liabilities particularly in the case of uncertain tax positions. The consequences for the Group are not significant Tax risks and litigations are now shown as tax.
Amendments to IAS 28 – Long-term interests in associates and Joint Ventures	In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.
Improvements to IFRS 2015-2017	These amendments are related to IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs. The consequences of these amendments for the Group are not significant.

The Group has adopted IFRS 16 – Leases and IFRIC 23 - Uncertainty over Income Tax Treatments – on their effective date as of January 1, 2019. The impacts of the adoption on the Group's financial statements and accounting policies are described below. In accordance with the transitional provision of IFRS 16, the Group has not restated prior year comparatives.

The following table shows the adjustments recognized for each line item in the Statement of financial position. Line items that were not impacted by the changes have not been included, and as a result, the sub-totals and totals cannot be calculated from the numbers provided.

(€ in million)	December 31, 2018	IFRS 16	IFRIC 23	January 1, 2019
ASSETS				
Tangible assets	233	(42)	-	191
Right-of-use assets	-	327	-	327
Other non-current financial assets	10	11	-	21
TOTAL NON-CURRENT ASSETS	2,101	296	-	2,396
TOTAL CURRENT ASSETS	1,658	-	-	1,658
TOTAL ASSETS	3,759	296	-	4,055
EQUITY & LIABILITIES				
TOTAL EQUITY	272			272
Borrowings	1,004	(27)	-	978
Lease debt	-	268	-	268
Deferred tax liabilities	193	-	10	203
TOTAL NON-CURRENT LIABILITIES	1,579	241	10	1,829
Provisions	113	(8)	(10)	96
Borrowings	20	(14)	-	6
Lease debt	-	77	-	77
TOTAL CURRENT LIABILITIES	1,908	56	(10)	1,954
TOTAL EQUITY & LIABILITIES	3,759	296	-	4,055

IFRS 16 – Leases

IFRS 16 provides a single lease accounting model requiring the lessee to recognize a right-of-use on the assets and a lease debt on the liabilities. On the income statement, lessee recognizes a depreciation and an interest cost.

IFRS 16 adoption is mainly impacting the Group accounts through leases for real estate which represents 96% of off-balance sheet items on December 31, 2018. The remaining balance is mainly composed of Group IT equipment leases.

The Group has adopted the modified retrospective approach and therefore the comparative information has not been restated. On January 1, 2019 the Group has accounted for lease liabilities that equal total net present value of rents, and rights-of-use assets for corresponding value (before impairment).

January 1st, 2019	Before adoption	January 1st, 2019	After adoption
Assets - Rights-of-use	42	Assets - Rights-of-use	327
Liabilities	41	Liabilities	345

Main assumptions:

The analysis of rent period, mainly for buildings, consider the non-cancellable contract period, cancellable contract period and extension options, when the Group is reasonably certain to exercise these extension options. The Group reassesses whether it is reasonably certain through appreciation of the following information:

- The depreciation period of the fittings
- The rent evolution compared to market prices
- Visibility regarding business activity for each site

For buildings, the marginal borrowing rate has been determined for each lease based on the remaining duration of the lease and for each country by the addition of *swap* rate, gap rate due to rating of the Group at December 31, 2018.

Transition options and exemptions applied by the Group:

- **Scope:** The Group has elected to keep unchanged past measurement applying to leases previously identified in accordance with IAS 17. Consequently, conclusion made in accordance with IAS 17 et IFRIC 4 – Determining whether an Arrangement contains a Lease – are still valid. No change has been made to finance leases previously accounted for.
- **Exemptions:** The Group applied the exemption not to recognize leases that have a lease term of 12 months or less and leases of low-value assets (less than 5,000 US dollars), on a straight-line cost basis.
- **Right-of-use:** The Group has elected to measure the right-of-use asset at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. Initial direct costs incurred before January 1, 2019 has been excluded from measuring.
- **Impairment:** The Group has elected to use the option to adjust the right-of-use assets by the amount of the onerous lease provision previously booked according to IAS 37.

Lease liabilities reconciliation as of January 1st, 2019 based on Off Balance sheet commitments as of December 31, 2018.

<i>(€ in million)</i>	December 31, 2018
Off-balance sheet commitment on continuing operations	306
Off-balance sheet commitment on discontinued operations	26
Differences on contract estimate terms	83
Other effects	5
Commitment before discounted	420
Discounting effect	(116)
Operating lease liabilities as of January 1, 2019	304
Capital lease liabilities as of January 1, 2019	41
Total lease liabilities as of January 1, 2019	345

IFRS 16 impacts on financial statements as of December 31, 2019

The weighted average marginal borrowing rate is 6,6% at December 31, 2019.

The weighted average maturity of the rental debt repayment is 3,9 years.

Profit & Loss comparative table as of December 31, 2019, with and without IFRS16 application

	December 2019	December 2019 excluding IFRS16	IFRS16
CONTINUING OPERATIONS			
Revenues	3,800	3,800	-
Cost of sales	(3,375)	(3,381)	6
Gross margin	425	419	6
Selling and administrative expenses	(323)	(323)	0
Research and development expenses	(114)	(114)	(0)
Restructuring costs	(31)	(31)	(1)
Net impairment gains (losses) on non-current operating assets	(63)	(61)	(1)
Other income (expense)	(15)	(17)	2
Earning before Interest & Tax (EBIT) from continuing operations	(121)	(127)	6
Interest income	1	1	0
Interest expense	(70)	(50)	(20)
Other financial income (expense)	(15)	(15)	-
Net financial income (expense)	(84)	(64)	(20)
Share of gain (loss) from associates	(1)	(1)	-
Income tax	(3)	(4)	0
Profit (loss) from continuing operations	(208)	(195)	(13)
DISCONTINUED OPERATIONS			
Net gain (loss) from discontinued operations	(22)	(21)	(0)
Net income (loss)	(230)	(217)	(13)
Attributable to :			
- <i>Equity holders</i>	(230)	(217)	(13)
- <i>Non-controlling interest</i>	(0)	(0)	-

Cash flow statement comparative table as of December 31, 2019, with and without IFRS16 application

(€ in million)	December 31, 2019	December 31, 2019 Excluding IFRS16	IFRS16 impact
Net income (loss)	(230)	(217)	(13)
Income (loss) from discontinuing activities	(22)	(21)	(0)
Profit (loss) from continuing activities	(208)	(195)	(13)
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>			
Depreciation and amortization	322	249	73
Impairment of assets	63	62	1
Net changes in provisions	(48)	(51)	3
Gain (loss) on asset disposals	17	17	-
Interest (income) and expense	69	49	20
Other non-cash items (including tax)	0	0	-
Changes in working capital and other assets and liabilities	(69)	(69)	-
Cash generated from continuing activities	146	62	84
Interest paid on lease debt	(21)	(1)	(20)
Interest paid	(44)	(44)	-
Interest received	1	1	0
Income tax paid	(12)	(12)	-
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)	70	6	64
Acquisition of subsidiaries, associates and investments, net of cash acquired	(3)	(3)	-
Proceeds from sale of investments, net of cash	1	1	-
Purchases of property, plant and equipment (PPE)	(70)	(70)	-
Proceeds from sale of PPE and intangible assets	0	0	-
Purchases of intangible assets including capitalization of development costs	(99)	(99)	-
Cash collateral and security deposits granted to third parties	(6)	(6)	-
Cash collateral and security deposits reimbursed by third parties	5	4	1
Loans (granted to) / reimbursed by third parties	0	0	-
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)	(171)	(172)	1
Disposal of treasury shares	1	1	-
Proceeds from borrowings	1	1	-
Repayments of lease debt	(91)	(26)	(66)
Repayments of borrowings	(5)	(5)	-
Fees paid linked to the debt and capital operations	(1)	(1)	-
Dividends and distributions paid to Group's shareholders	0	0	-
Other	4	4	-
NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)	(91)	(26)	(66)
NET CASH FROM DISCONTINUED ACTIVITIES (IV)	(33)	(33)	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	291	291	
Net decrease in cash and cash equivalents (I+II+III+IV)	(226)	(226)	
Exchange gains / (losses) on cash and cash equivalents	(0)	(0)	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	65	65	

1.2.2.2 Main standards, amendments and interpretations that are not yet effective and have not been early adopted by Technicolor

New standards and interpretation	Effective Date	Main provisions
Amendments to references to Conceptual Framework in IFRS Standards	January 1 st , 2020	Following the revision of the Conceptual Framework published in March 2018, the IASB had revised several standards to refer to this new framework. The Group reviews these amendments and does not expect significant impacts.
Amendment to IFRS 3 – “Definition of a business”	January 1 st , 2020	These amendments seek to clarify the distinction between a company and a group of assets under IFRS 3 application. The amended definition emphasizes that the purpose of a business is to provide goods and services to customers while the previous one refers to the economic benefits for investors and third parties.
Amendments to IAS1 & IAS8 – Definition of “material”	January 1 st , 2020	Former definition: “Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements” New definition: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”
Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures	January 1 st , 2020	These amendments have been added to clarify that an entity applies IFRS 9 to long-term interest in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. They are not adopted by the European Union yet.

1.2.3. Basis of measurement & estimates

The financial information has been prepared using the historical cost convention with some exceptions regarding various assets and liabilities, for which specific provisions recommended by the IFRS have been applied.

- Non-financial assets are initially recognized at acquisition costs or manufacturing costs including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group’s management. Long term assets are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.
- Financial assets & liabilities are initially recognized at fair value or at amortized cost (see Note 8.1).

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period of the consolidated financial statements. These assumptions and estimates inherently contain some degree of uncertainty.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable and relevant. Actual results may differ from these estimates, while different assumptions or conditions may yield different results.

Management regularly reviews its valuations and estimates based on its past experience and various other factors considered reasonable and relevant for the determination of the fair estimates of the assets and liabilities’ carrying value and of the revenues and expenses.

Technicolor’s management believes the following to be the critical accounting policies and related judgments and estimates used in the preparation of its consolidated financial statements:

- Impairment of goodwill and intangible assets with indefinite useful lives (see notes 4.1, 4.2);
- Determination of expected useful lives of tangible and intangible assets (see notes 4.2 & 4.3);
- Determination of the term of the rents for the estimation of the right of use (see note 4.4);
- Presentation in other income (expense) (see note 3.3.3);
- Determination of inventories net realizable value (see note 5.1.2);
- Deferred tax assets recognition (see note 6.2);

- Assessment of actuarial assumptions used to determine provisions for employee post-employment benefits (see note 9.2);
- Measurement of provisions and contingencies (see note 10);
- Determination of royalties payables (see note 5.1.4).

1.2.4. Translation

Translation of foreign subsidiaries

For the financial statements of all the Group's entities for which the functional currency is different from that of the Group, the following methods are applied:

- The assets and liabilities are translated into euro at the rate effective at the end of the period;
- The revenues and costs are translated into euro at the average exchange rate of the period.

The translation adjustments arising are directly recorded in Other Comprehensive Income.

Translation of foreign currency transactions

Transactions in foreign currency are translated at the exchange rate effective at the trade date. Monetary assets and liabilities in foreign currency are translated at the rate of exchange prevailing at the consolidated statement of financial position date. The differences arising on the translation of foreign currency operations are recorded in the consolidated statement of operations as a foreign exchange gain and loss.

The non-monetary assets and liabilities are translated at the historical rate of exchange effective at the trade date.

The main exchange rates used for translation (one unit of euro converted to each foreign currency) are summarized in the following table:

	Closing rate		Average rate	
	2019	2018	2019	2018
US Dollar (US\$)	1.1234	1.1427	1.1206	1.1805
Pound sterling (GBP)	0.8508	0.9011	0.8776	0.8869
Canadian Dollar (CAD)	1.4598	1.5571	1.4878	1.5338

The average rate is determined by taking the average of the month-end closing rates for the year, unless such method results in a material distortion.

2. Scope of consolidation

2.1. Scope and consolidation method

Subsidiaries

All the entities that are controlled by the Group (including special purpose entities) i.e. in which the Group has the power to govern the financial and operating policies in order to obtain benefits from the activities, are subsidiaries of the Group and are consolidated. Control is presumed to exist when the Group directly or indirectly owns more than half of the voting rights of an entity (the voting rights taken into account are the actual and potential voting rights which are immediately exercisable or convertible) and when no other shareholder holds a significant right allowing veto or the blocking of ordinary financial and operating decisions made by the Group. Consolidation is also applied to special purpose entities that met the criteria of IFRS 10, whatever their legal forms are, even where the Group holds no shares in their capital.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policies decisions of the investee without having either control or joint control over those policies. Investments in associates are accounted for under the equity method in accordance with IFRS 11. The goodwill arising on these entities is included in the carrying value of the investment.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Investments in joint ventures are consolidated under the equity method in accordance with IFRS 11 since January 1st, 2012.

For the years ended December 31, 2019 and 2018, Technicolor's consolidated financial statements include the accounts of all investments in subsidiaries, jointly controlled entities and associates. Their location is summarized below and main entities are listed in Note 15.

Number of companies as of December 31, 2019	FRANCE	EUROPE (exc. France)	U.S.	OTHER	TOTAL
Parent company and consolidated subsidiaries	15	39	19	30	103
Companies accounted for under the equity method	1	0	1	3	5
TOTAL	16	39	20	33	108

Number of companies as of December 31, 2018	FRANCE	EUROPE (exc. France)	U.S.	OTHER	TOTAL
Parent company and consolidated subsidiaries	17	41	23	29	110
Companies accounted for under the equity method	1	0	1	3	5
TOTAL	18	41	24	32	115

2.2. Change in the scope of consolidation of 2019

Research and Innovation activity

On May 31, 2019, the Group concluded the sale to Interdigital of its Research & Innovation business. Compensation received amounted to one euro; in addition to assets and liabilities transferred, the transaction ends the research agreement by which Interdigital benefited from R&I research. As a part of the transaction, Technicolor also renounces to part of the potential cash-flows from the earn-out clause of the Patent Licensing disposal. Finally, Technicolor commits to funding part of the research led by Interdigital until 2022. As patentable innovation ownership will be kept by Interdigital, this contract will be considered as negative compensation. Research and Innovation activity is presented in discontinued activities.

(€ in million)

Total compensation	(21)
Net liabilities transferred	29
Capital gain in discontinued activities	8

No other significant acquisition or divestiture occurred during 2019.

2.3. Change in the scope of consolidation 2018

Patent Licensing division

On July 30, 2018, the Group concluded the sale to InterDigital of its Patent Licensing division excluding some mobile patents, some patents for nascent technologies and some patents associated with patents pools, and a Research Cooperation Agreement.

The consideration received for this sole transaction is composed of 4 items:

- (a) \$150 million (€129 million) cash paid up-front;
- (b) an earn-out consisting in a variable contingent consideration equal to 42.5% of all future cash receipts from InterDigital's licensing activities in the Consumer Electronics field beyond operating expenses over 20 years;
- (c) a perpetual grant-back licensing agreement, which gives Technicolor freedom to run its operating businesses and benefit from existing and future patents, over their remaining life, whilst providing Technicolor with an adequate level of intellectual property protection. This grant-back is a non-cash consideration received in the sale transaction;
- (d) a funded research cooperation agreement, under which InterDigital Labs and Technicolor R&I Labs will collaborate in the development of research programs in the areas of video coding, connected home and immersive technologies until December 31st, 2021.

The Research Cooperation Agreement cannot be considered as a separate transaction to the sale. The research projects developed under this Agreement extensively use the patents-portfolio, which has been sold to InterDigital. By allocating 50 searchers on a full-time basis on projects which can become patentable under the sole ownership of Interdigital, the Group is providing services, at a price, which, as defined in the contract, is not a market price.

The total value of the transaction is then based on the addition of the fair value of each of above-identified item.

As a result, the accounting treatment of the sale transaction is resulting in a net gain of €210 million presented in the Net profit from discontinued operations in the consolidated statement of operations (see note 12.1) and detailed as follows:

(€ in million)	December 31, 2018
(a) Up-front payment (\$150m)	129
(b) Earn-out	-
(c) Grant back	92
(d) Net commitment under research cooperation agreement	(33)
Consideration price	188
Assets and liabilities transferred net of transaction costs	22
Capital gain before tax	210

(a) the up-front payment is recognized at spot rate

(b) earn-out: the contingent variable consideration will be recognized when earned by analogy to the principles of IFRS 15 – Revenue recognition on variable consideration. As the Group does not control InterDigital licensing activities, the contingent variable consideration will be recognized only when it becomes highly probable.

(c) the perpetual grant-back licensing agreement is an intangible asset evaluated € 92 million on the basis of royalty rates used by other licensors for similar license programs applied to the forecasted volumes over 11 years. This intangible asset is amortized over the average remaining life of the patents according to the method described in 4.2.2 by the 2 operating segments using the asset.

(d) the cooperation agreement generates a deferred income, recorded at transaction date as a decrease of the transaction consideration and recognized over time as the services are rendered. Its fair value is the difference between the contractual price to be paid by InterDigital (US\$ 5 million per year, ie € 15 million in total) and the fair value of the services to be rendered over 3 years and 5 months (€ 48 million)

The net impact on the cash flows statement amounts to €116 million and is presented in the line Net cash from discontinued operations.

2.4. Investments in associates & joint-ventures

The Group has less than €1 million investments accounted for using the equity method or joint-ventures (see main entities in Note 15).

All investments are private companies; therefore, no quoted market prices are available for its shares. Neither associate nor joint venture is individually material to the Group.

The consolidated financial statements include transactions made by the Group with associates and joint-ventures. These transactions are performed in normal market conditions.

In 2019 and 2018, there is no significant transaction with the Group associates and joint-ventures.

3. Information on operations

3.1. Information by business segments

Technicolor has three continuing businesses and reportable operating segments under IFRS 8: Production services, DVD services and Connected Home.

The Group's Executive Committee makes its operating decisions and assesses performances based on three operating businesses. All remaining activities, including unallocated corporate functions, are grouped in a segment "Corporate & Other". Therefore, Technicolor activities are disclosed as follows:

Production Services

Technicolor provides high-end services to content creators, including Visual Effects/Animation and video Post Production Services.

DVD Services

The DVD Services segment replicates, packages and distributes video, game and music CD, DVD and Blu-ray™ discs.

Connected Home

Connected Home segment offers a complete portfolio of Broadband and Video Customer Premise Equipment (“CPE”) to Pay-Tv operators and Network Service Providers (“NSPs”), including broadband modems and gateways, digital set top boxes, and Internet of Things (“IoT”) connected devices.

Corporate & Other

This segment includes:

- Trademark Licensing business, which monetizes valuable brands such RCA© and Thomson© which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business;
- Patent Licences, which have not been sold to InterDigital and which monetizes valuable patents
- Post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs.
- Unallocated Corporate functions, which comprise the operation and management of the Group’s Head Office, together with various Group functions centrally performed, such as Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and that cannot be strictly assigned to a particular business within the three operating segments.

	Production Services	DVD Services	Connected Home	Corporate & Other	TOTAL
(€ in million)	Year ended December 31, 2019				
Statement of operations items					
Revenues	893	882	1,983	43	3,800
Intersegment sales	(0)	0	(0)	(0)	(0)
Earning before Interest & Tax (EBIT) from continuing operations	3	(94)	(24)	(6)	(121)
<i>Of which:</i>					
Amortization of purchase accounting items	(8)	(10)	(36)	-	(54)
Net impairment losses on non-current operating assets	(2)	(60)	(1)	-	(63)
Restructuring costs	(12)	(7)	(10)	(2)	(31)
Other income (expenses)	(2)	(10)	(1)	(1)	(15)
Recurring EBITA	28	(6)	23	(2)	42
<i>Of which:</i>					
Depreciation & amortization (excl PPA items)	(105)	(87)	(72)	(3)	(267)
IT capacity use for rendering in Production Services	(31)				(31)
Other non-cash items ⁽¹⁾	0	(0)	16	(0)	16
Adjusted EBITDA	164	81	79	1	324
Statements of financial position items					
Segment assets	685	710	1,327	277	2,999
Unallocated assets					211
Total consolidated assets					3,210
Segment liabilities	232	253	904	415	1,804
Unallocated liabilities					1,370
Total consolidated liabilities					3,173
Other information					
Net capital expenditures	(62)	(36)	(68)	(3)	(169)
Capital employed	411	187	43	212	853

(1) Mainly variation of provisions for risks, litigations and warranties.

	Production Services	DVD Services	Connected Home	Corporate & Other ⁽²⁾	TOTAL
(€ in million)	Year ended December 31, 2018				
Statement of operations items					
Revenues	785	942	2,218	44	3,988
Intersegment sales	0	(0)	(0)	0	0
Earning before Interest & Tax (EBIT) from continuing operations	16	(88)	(39)	(8)	(119)
<i>Of which:</i>					
Amortization of purchase accounting items	(8)	(9)	(32)	-	(50)
Net impairment losses on non-current operating assets	(1)	(78)	(2)	(0)	(81)
Restructuring costs	(17)	(10)	(34)	(2)	(62)
Other income (expenses)	(9)	(5)	(3)	(7)	(24)
Adjusted EBITA	51	14	33	0	98
<i>Of which:</i>					
Depreciation & amortization	(61)	(55)	(65)	(3)	(184)
Other non-cash items ⁽¹⁾	2	1	11	2	16
Adjusted EBITDA	110	68	87	2	266
Statements of financial position items					
Segment assets ⁽³⁾	575	771	1,530	269	3,145
Unallocated assets					614
Total consolidated assets					3,759
Segment liabilities	277	322	1,190	392	2,181
Unallocated liabilities					1,306
Total consolidated liabilities					3,487
Other information					
Net capital expenditures	(50)	(31)	(79)	(2)	(162)
Capital employed ⁽³⁾	271	142	13	190	617

(1) Mainly variation of provisions for risks, litigations and warranties.

(2) For comparison purpose, we have reclassified Technicolor trademark from Entertainment Services to Corporate & Other

The following comments are applicable to the two tables above:

- The caption "Adjusted EBITDA" corresponds to the profit (loss) from continuing operations before tax and net financial income (expense), net of other income (expense), depreciation and amortization (including impact of provision for risks, litigation and warranties); "Adjusted EBITDA" at budget rate (EUR= 1.15 USD) and without IFRS16 impact amounts to €244 million.
- The caption "Adjusted EBITA" corresponds to the profit (loss) from continuing operations before tax and net financial income (expense), net of other income (expense) and amortization of purchase accounting items.
- The captions "Total segment assets" and "Total segment liabilities" include all operating assets and liabilities used by a segment.
- The caption "Unallocated assets" includes mainly financial assets, deferred and income tax assets, cash and cash equivalents and assets classified as held for sale;
- The caption "Unallocated liabilities" includes mainly the financial debt, deferred and income tax liabilities and liabilities classified as held for sale;

- The caption "Net capital expenditures" includes cash used related to tangible and intangible capital expenditures, net of cash received from tangible and intangible asset disposals; The caption "Capital employed" is defined as being the aggregate of both net tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (except for provisions including those related to employee benefits, income tax, payables on acquisition of companies and payables to suppliers of PPE and intangible assets).

3.2. Revenue & geographical information

Under IFRS 15 revenue is recognized to reflect the transfer of promised goods and services to customers for amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods and services

When either the Group or the customer as party to a contract has performed, the contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the goods delivered or services rendered and the customer's payment. Any unconditional rights to consideration is presented separately as a receivable.

Connected Home segment

Connected Home segment offers a complete portfolio of Broadband and Video Customer Premise Equipment ("CPE") and develops software solutions. The contracts signed have no multiple performance obligations and there is no variable consideration over time. Software inside modems or digital set top boxes are specific to each customer and are not marketed separately. Revenue is then recognized over at goods delivery

DVD Services segment

Our DVD Services division provides turnkey integrated supply-chain solutions including mastering, replication, packaging, direct-to-retail distribution through two separate contracts (a replication contract and a distribution contract). In case of variable price over the contract term, the revenue is already adjusted to anticipate the probable discount.

In case of a contract advance paid to the customer, the consideration payable to the customer is already accounted for as a reduction of the transaction price and amortized based on the units of production.

Revenues is recognized upon the rendering of services.

Production Services segment

Our Production Services division provides a full set of award-winning services around Visual Effects ("VFX"), Animation and Games activities, as well Postproduction Services. The services are generally rendered over a short period except for VFX services and Animation where services may be provided over a longer period. Our contracts stipulate that we have a right to payment for performance completed to date in case of a termination by the customer, and no milestones are used for measuring the progress. Revenue is recognized upon the rendering of services.

In respect of IFRS15 Revenue from contracts with customers, continuing revenue per method of recognition, contract assets and liabilities are disaggregated in the following way:

(€ in million)	December 31, 2019	Connected Home	Production Services	DVD Services	Corporate & Other	December 31, 2018*
Revenue recognized at delivery of goods or services	3,329	1,983	464	882	-	3,637
Revenue recognized over time ⁽¹⁾	429	-	429	-	-	307
Revenue from licenses ⁽²⁾	43	-	-	-	43	44
Revenue of continuing operations	3,800	1,983	893	882	43	3,988

* 2018 amounts are re-presented to reflect the impacts of Discontinued Operations (see Note 12)

(1) Revenue recognized over time are related to certain VFX and animation production services provided over a long period

(2) Trademark licensing and remaining patent licensing revenue are recognized based on volumes reported or cash received depending on information available

Relating to performance obligations still to be satisfied, only VFX activities included in Productions Services business divisions are part of contracts that have an original expected duration of one year or

more. For these services, the performance obligations still to be performed under contract in force at the end of the reporting period amount to € 262 million as of December 31, 2019; it will be recognized mostly in 2020.

Information on main clients

As of December 31, 2019, one external customer represents 18 % of the Group's consolidated revenues (€682 million), one external customer represents more than 10% (€391 million) and one external customer represents more than 5% (€185 million).

As of December 31, 2018, one external customer represents 15 % of the Group's consolidated revenues (€597 million) and three external customers representing more than 5% each (respectively €281million, €252 million and €207 million).

Information by geographical area

(€ in million)	France	U.K.	Rest of Europe	U.S.	Rest of Americas	Asia-Pacific	TOTAL
Revenues							
2019	749	235	163	1,718	708	227	3,800
2018	733	223	178	1,934	625	295	3,988
Segment assets							
2019	619	265	68	1,581	332	134	2,999
2018	618	229	69	1,719	357	153	3,145

Revenues are classified according to the location of the entity that invoices the customer.

3.3. Operating income & charges

3.3.1. Research & development expenses

(€ in million)	Year ended December 31,	
	2019	2018
Research and Development expenses, gross	(105)	(127)
Capitalized development projects	41	53
Amortization of capitalized projects	(53)	(57)
Subsidies ⁽¹⁾	3	4
Research and Development expenses, net	(114)	(127)

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

3.3.2. Selling & administrative expenses

(€ in million)	Year ended December 31,	
	2019	2018
Selling and marketing expenses	(111)	(111)
General and administrative expenses	(212)	(181)
Selling and administrative expenses	(323)	(292)

3.3.3 Other income (expenses)

Other operating income (expense) is defined under Recommendation 2013-03 of the French CNC relating to the format of consolidated financial statements prepared under international accounting standards, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to Technicolor's current activities. These mainly include gains and losses on disposals of fully consolidated companies, incurred or estimated costs related to major litigation, as well as items in connection with Revised IFRS3 and Revised IAS27 such as acquisition costs related to business combinations and changes in earn-outs related to business combinations.

(€ in millions)	Year ended December 31,	
	2019	2018
Capital gains and losses	(17)	1
Litigations and others	2	(25)
Other income (expense)	(15)	(24)

In 2019, the other expenses mainly include a loss on a small business disposal from the Connected Home Business

In 2018, the other expenses mainly included litigations with customers and vendors within Connected Home segment for €9 million and Production Services segment for €4 million, as well as a € 5 million provision in the DVD Services division.

4. Goodwill, intangible & tangible assets

4.1. Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- *The fair value of the consideration transferred; plus*
- *The recognized amount of any previously owned non-controlling interests in the acquiree; plus*
- *If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less*
- *The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.*

Under option, for each business combination, any non-controlling interest in the acquiree is measured either at fair value (thus increasing the goodwill) or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Once control is achieved, further acquisition of non-controlling interest or disposal of equity interest without losing control are accounted as equity transaction.

Goodwill is recognized in the currency of the acquired subsidiary/associate and measured at cost less accumulated impairment losses and translated into euros at the rate effective at the end of the period. Goodwill is not amortized but is tested annually for impairment.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, except if contingent consideration is classified in equity.

The following table provides the allocation of the significant amounts of goodwill to each Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2019 (refer to Note 4.5 for detail on impairment tests)

(€ in million)	Connected Home	Production Services	DVD Services	Total
At December 31, 2017, net	422	183	337	942
Exchange difference	8	3	10	20
Acquisitions of businesses	-	-	-	-
Disposals	-	-	-	-
Impairment loss	-	-	(77)	(77)
Other	-	-	-	-
At December 31, 2018, net	430	186	270	886
Exchange difference	7	6	5	18
Acquisitions of businesses	-	-	-	-
Disposals	-	-	-	-
Impairment loss	-	-	(53)	(53)
Other	-	-	-	-
At December 31, 2019, net	437	192	222	851

4.2. Intangible assets

Intangible assets consist mainly of trademarks, rights for use of patents, capitalized development projects and acquired customer relationships.

Intangibles acquired through a business combination are recognized at fair value at the transaction date. For material amounts, Technicolor relies on independent appraisals to determine the fair value of intangible assets. Separately acquired intangible assets are recorded at purchase cost and internally generated intangibles are recognized at production cost.

Purchase cost comprises acquisition price plus all associated costs related to the acquisition and set-up. All other costs, including those related to the development of internally generated intangible assets such as brands, customer files, etc., are recognized as expenses of the period when they are incurred.

Intangible assets considered to have a finite useful life are amortized over their estimated useful lives and their value written down in the case of any impairment loss. Depending on the nature and the use of the intangible assets, the amortization of these assets is included either in "Cost of sales", "Selling and administrative expenses", "Other income (expense)" or "Research and development expenses".

Intangible assets with indefinite useful lives are not amortized but are attached to GRU and tested for impairment annually (see Note 4.5).

Accounting estimates and judgments

Regarding intangible assets with finite useful lives, significant estimates and assumptions are required to determine (i) the expected useful life of these assets for purpose of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.

Regarding intangible assets with indefinite useful lives, significant estimates and assumptions are required to determine the recoverable amount of such assets. See Note 4.5. for detail on the accounting policy related to impairment review on such assets.

(€ in million)	Trademarks	Patents & Customer Relationships	Other intangibles	Total Intangible Assets
At December 31, 2017, net	248	254	123	625
Cost	255	642	389	1,286
Accumulated depreciation	(7)	(388)	(266)	(661)
Exchange differences	9	9	2	20
Scope Changes	-	89	-	89
Additions	-	3	90	93
Disposal	-	-	-	-
Depreciation charge	-	(54)	(82)	(136)
Impairment loss	-	(5)	(1)	(6)
Other ⁽¹⁾	-	6	15	21
At December 31, 2018, net	257	302	146	705
Cost	264	710	455	1,429
Accumulated depreciation	(7)	(408)	(309)	(724)
Exchange differences	5	5	2	12
Acquisitions of business	-	-	-	-
Additions	-	10	76	85
Disposal	-	-	-	-
Depreciation charge	-	(67)	(79)	(146)
Impairment loss	(1)	(3)	-	(3)
Other	-	3	(23)	(20)
At December 31, 2019, net	261	249	122	632
Cost	269	753	482	1,504
Accumulated depreciation	(8)	(504)	(360)	(872)

4.2.1. Trademarks

Trademarks are considered as having an indefinite useful life and are not amortized, but are tested for impairment annually, on a stand-alone basis. The main reasons retained by the Group to consider a trademark as having an indefinite useful life were mainly its positioning in its market expressed in terms of volume of activity, international presence and notoriety, and its expected long-term profitability.

As of December 31, 2019, trademarks total €261 million and consist mainly of Technicolor® trademark for €201 million, RCA® trademark for €29 million and The Mill® tradename for €22 million.

The fair market value of Technicolor Trademark is based on a methodology developed in 2014 by Sorgem, a company specialized in valuation of trademarks. Such methodology defines for each business, through a matrix of key success factors of the business and intangible assets used, the contribution of the trademark to the discounted cash flow using an excess profit method.

Except if a trigger event is changing the business environment, the matrix of contribution as defined by Sorgem in 2014 is considered permanent and only the discounted cash flows are updated internally each year to check if the fair value of the Technicolor trademark is above its net book value.

A decrease of earnings before interest and tax of each business by 1 point would not lead to an impairment of the Technicolor trademark.

The recoverable value of RCA® trademark is estimated using the discounted cash flows method based on Budget and cash flow projections on a 5-year period with a post-tax discount rate of 8%. No reasonably expected change in assumptions would result in any impairment.

Other trademarks include THOMSON® in the Corporate & Other and MPC®, Mr. X®, and MIKROS IMAGE® in the Production Services.

4.2.2. Patents, Customer relationships & other intangible assets

Patents and Patent licenses

Patents are amortized on a straight-line basis over the expected period of use. Patent licenses amortization pattern is determined by the timing of future economic benefits, generally measured on the basis of volumes benefitting from these licenses. When the economic benefits are evenly or uncertainly spread over the period of use, the asset is amortized on a straight-line basis. In the case of decreasing volumes, the asset is amortized based on volumes sold, and the amortization rate reviewed at each closing.

Customer relationships

Customer relationships that are acquired through business combinations are amortized over the expected useful life of such relationships, which range from 8 to 20 years, taking into account probable renewals of long-term customer contracts that last generally from 1 to 5 years. The initial valuation methodology is generally the excess profit method using the attributable discounted future cash flows expected to be generated. They are tested for impairment only if management identifies triggering events that may result in a loss of value of such assets.

Other intangibles

Other intangibles comprise mainly capitalized development projects, acquired or internally developed software and acquired technologies.

Research expenditures are expensed as incurred. Development costs are expensed as incurred, unless the project to which they relate meets the IAS 38 capitalization criteria. Recognized development projects correspond to projects whose objectives are to develop new processes or to improve significantly existing processes, considered as technically viable and expected to provide future economic benefits for the Group. Development projects are recorded at cost less accumulated depreciation and impairment losses, if any. The costs of the internally generated development projects include direct labor costs (including pension costs and medical retiree benefits), costs of materials, service fees necessary for the development projects and reduced of tax credits if any. They are amortized over a period ranging from one to five years starting from the beginning of the commercial production of the projects, based on units sold or based on units produced or using the straight-line method.

4.3. Property, plant & equipment

All Property, Plant and Equipment (PPE) are recognized at cost less any depreciation and impairment losses. They are essentially amortized using the straight-line method over the useful life of the asset which ranges from 20 to 40 years for buildings and from 1 to 12 years for materials and machinery. Each material component of a composite asset with different useful lives or different patterns of depreciation is accounted for separately for the purpose of depreciation and for accounting of subsequent expenditure.

Leases

Leases which transfer substantially all risks and rewards incidental to the ownership of the leased asset are classified as finance leases. This transfer is based on different indicators analyzed such as

- the transfer of ownership at the end of the lease,
- the existence of a bargain price option in the agreement,
- the fact that the lease term is for the major part of the economic life of the asset, or
- the present value of minimum lease payments amounts to substantially all of the fair value of the leased asset.

The assets held under finance leases are capitalized at the lower of the present value of future minimum payments and the fair value of the leased assets and the corresponding financial liability is accounted for by the Group. They are amortized using the straight-line method over the shorter of the estimated useful life of the asset and the duration of the lease. The costs related to the assets acquired through these contracts are included within the amortization allowances in the statement of operations.

Leases which are not classified as finance leases are operating leases. The payments related to these contracts are recorded as expenses on a straight-line basis over the lease term.

The aggregate benefits of lease incentives received from the lessor are recognized as a reduction of rental expense over the lease term, on a straight-line basis.

Accounting estimates and judgments

Significant estimates and assumptions are required to determine (i) the expected useful lives of these assets for purposes of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.

(€ in million)	Land	Buildings	Machinery & Equipment	Other Tangible Assets ⁽¹⁾	TOTAL
At December 31, 2017, net	3	21	100	118	243
<i>Cost</i>	3	63	1,132	371	1,570
<i>Accumulated depreciation</i>	-	(42)	(1,032)	(254)	(1,327)
Exchange differences	-	1	1	1	3
Additions	-	-	8	96	104
Acquisitions of businesses	-	-	-	-	-
Disposals	-	-	-	(1)	(1)
Depreciation charge	-	(3)	(48)	(38)	(89)
Impairment loss	-	-	(2)	(7)	(9)
Other ⁽²⁾	-	-	30	(48)	(18)
At December 31, 2018, net	3	19	89	122	233
<i>Cost</i>	3	62	1,110	387	1,562
<i>Accumulated depreciation</i>	-	(43)	(1,021)	(265)	(1,329)
Exchange differences	-	-	1	3	4
Additions	-	-	2	65	67
Acquisitions of businesses	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation charge	-	(3)	(39)	(28)	(69)
Impairment loss	-	-	(2)	(2)	(4)
Other ⁽³⁾	-	-	18	(58)	(40)
At December 31, 2019, net	3	16	69	103	191
<i>Cost</i>	3	60	1,075	382	1,520
<i>Accumulated depreciation</i>	-	(44)	(1,006)	(279)	(1,329)

(1) Includes assets in progress.

(2) Corresponds mainly to the transfer of tangible assets in progress to Machinery and Equipment.

(3) In 2019, includes reclassification to Right-of-Use assets.

4.4. Right-of-use assets

Further to IFRS16, a right of use is recognized on the assets with a lease debt as a counterpart on the liabilities. The analysis of rent period, mainly for buildings, consider the non-cancellable contract period, cancellable contract period and extension options, when the Group is reasonably certain to exercise these extension options. The Group reassesses whether it is reasonably certain through appreciation of the following information:

- The depreciation period of the fittings
- The rent evolution compared to market prices

(€ in million)	Real Estate	Others	Total Right-of-use assets
At December 31, 2018, net	-	-	-
IFRS16 application	277	51	327
New contracts	9	23	32
Change in contract	19	-	19
Reclassification	-	-	-
Depreciation charge	(68)	(31)	(99)
Impairment loss	(3)	-	(3)
Other	7	2	9
At December 31, 2019, net	241	44	285

4.5. Impairment on non-current operating assets

Goodwill, intangible assets having an indefinite useful life and development projects not yet available for use are tested annually for impairment during the last quarter of the year and updated at the end of December and whenever circumstances indicate that they might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash outflows that are largely independent of the cash flows of other assets or CGU. Goodwill arising from a business combination is allocated to CGUs or group of CGUs (Goodwill reporting units - GRUs) that are expected to benefit from the synergies. The Group identified 3 GRUs corresponding to its 3 operating segments.

PPE and intangible assets having a definite useful life are tested for impairment at the consolidated statement of financial position date only if events or circumstances indicate that they might be impaired. The main evidence indicating that an asset may be impaired includes the existence of significant changes in the operational environment of the assets, a significant decline in the expected economic performance of the assets, or a significant decline in the revenues or margin versus prior year and budget or in the market share of the Group.

The impairment test consists of comparing the carrying amount of the asset with its recoverable amount. The recoverable amount of the asset is the higher of its fair value (less costs to sell) and its value in use.

The fair value (less costs to sell) corresponds to the amount that could be obtained from the sale of the asset (or the CGU/GRU), in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. It can be determined using an observable market price for the asset (or the CGU/GRU) or using discounted cash flow projections, that include estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance but exclude any synergies with other CGU/GRU of the Group.

Value in use is the present value of the future cash flow expected to be derived from an asset or CGU/GRU.

For determining the recoverable value, the Group uses estimates of future pre-tax discounted cash flows generated by the asset including a terminal value when appropriate. These flows are consistent with the most recent budgets approved by the Board of Directors of the Group. Estimated cash flows are discounted using pre-tax long-term market rates, reflecting the time value of money and the specific risks of the assets.

For the purpose of the impairment test in 2019, lease expenses have been included in the estimates of future cash flows while right-of-use assets have been excluded from the asset tested.

An impairment loss corresponds to the difference between the carrying amount of the asset (or group of assets) and its recoverable amount and is recognized in "Net impairment losses on non-current operating assets" for continuing operations unless the impairment is part of restructuring plans, or related to discontinued operations in which case it is recognized in "Restructuring expenses". In accordance with IAS 36, impairment of goodwill cannot be reversed.

Accounting estimates and judgments

The Group reviews annually goodwill and other indefinite-lived intangible assets for impairment in accordance with the accounting policy.

Technicolor's management believes its policies related to such annual impairment testing are critical accounting policies the recoverable involving critical accounting estimates because determining amount of GRU requires (i) determining the appropriate discount rate to be used to discount future expected cash flows of the cash-generating unit and (ii) estimating the value of the operating cash flows including their terminal value, the growth rate of the revenues generated by the assets tested for impairment, the operating margin rates of underlying assets for related future periods and the royalty rates for trademarks.

In addition to the annual review for impairment, Technicolor evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an additional impairment test in accordance with the Group accounting policy.

Management believes the updated assumptions used concerning sales growth, terminal values and royalty rates are reasonable and in line with updated market data available for each GRU.

(€ in million)	Production services	DVD Services	Connected Home	Discontinued operations	TOTAL
2019					
Impairment loss on goodwill	-	(53)	-	-	(53)
Impairment losses on intangible assets	(1)	(3)	(0)	(1)	(4)
Impairment losses on tangible assets	(0)	(3)	0	(0)	(4)
Impairment losses on non-current operating assets	(1)	(59)	(0)	(1)	(61)
Impairment reversal on intangible assets	-	-	-	-	-
Net impairment losses on non-current operating assets	(1)	(59)	(0)	(1)	(61)
2018					
Impairment loss on goodwill	-	(77)	-	-	(77)
Impairment losses on intangible assets	(0)	(1)	(1)	(4)	(6)
Impairment losses on tangible assets	(7)	(1)	(1)	(0)	(9)
Impairment losses on non-current operating assets	(7)	(79)	(2)	(4)	(92)
Impairment reversal on intangible assets	-	-	-	-	-
Net impairment losses on non-current operating assets ⁽¹⁾	(7)	(79)	(2)	(4)	(92)

(1) Includes €(81) million in Net impairment and €(7) million in Restructuring of continuing result

The impairment tests performed in 2019 on the carrying value of the CGU related to DVD Services resulted in an impairment of €59 million of assets.

4.5.1. Main assumptions at December 31, 2019

In order to perform the annual impairment test, the Group used the following assumptions to determine the recoverable amount of the main goodwill reporting units:

	Production Services	DVD Services	Connected Home
Basis used to determine the recoverable amount	Value in use	Fair Value	Fair Value
Description of key assumptions	Budget and Business Plans		
Period for projected future cash flows	5 years	(*)	5 years
Growth rate used to extrapolate cash flow projections beyond projection period:			
- As of December 31, 2019	2.0%	(*)	0%
- As of December 31, 2018	2.0%	(*)	2.0%
Post-tax discount rate applied ⁽¹⁾ :			
- As of December 31, 2019	8.0%	8.0%	9.0%
- As of December 31, 2018	8.0%	8.0%	10.0%

(1) The corresponding pre-tax discount rates are within a range from 10.6% to 12.2%.

(*) The main activities of the DVD Services division have been considered to have a finite life. Accordingly, no terminal value has been applied for this activity.

For the DVD Services GRU, in the absence of a binding sale agreement at closing date, of an active market and of comparable recent transactions, discounted cash flow projections have been used to estimate fair value less costs to sell. Technicolor management considers that fair value less costs to sell is the most appropriate method to estimate the value of its GRU as it takes into account the future restructuring measures the Group will need to make against a rapid technological environment change. Such restructuring actions would be considered by any market participant given the economic environment of the business.

The discounted cash flow of DVD Services is computed over a finite life of circa twenty years and accordingly the goodwill will be impaired over this period depending on the evolution of the fair value as determined through the discounted cash flow.

The Group recorded an impairment charge of €(53) million on goodwill as of December 31, 2019. An impairment charge of €(77) million on goodwill was recorded in 2018.

4.5.2. Sensitivity of recoverable amounts at December 31, 2019

For Production Services:

- a decrease of 1 point in the long term growth rate assumption would decrease the enterprise value by €276 million without generating any impairment;
- a decrease of 1 point of the EBITDA margin from 2019 would decrease the enterprise value by €142 million without generating any impairment;
- an increase of 0.5 point in the WACC rate assumption would decrease the enterprise value by €138 million without generating any impairment.

For DVD Services:

- a decrease of 5% on BD volumes from 2023 would decrease the enterprise value by €6 million, generating an impairment of the same amount;
- an increase of 0.5 point in the WACC rate assumption would decrease the enterprise value by €17 million, generating an impairment of the same amount;
- a decrease of 1 point of the EBITDA margin from 2023 would decrease the enterprise value by €36 million, generating an impairment of the same amount.

For Connected Home:

- an increase of 1 point in the post-tax discount rate assumption would decrease the enterprise value by €85 million without generating any impairment;
- a decrease of 1 point of the Adjusted EBITDA margin from 2019 would decrease the enterprise value by €183 million without generating any impairment.

5. Other operating information

5.1. Operating assets & liabilities

5.1.1. Non-current operating assets & liabilities

(€ in million)	2019	2018
Customer contract advances and up-front prepaid discount	13	17
Other	19	24
Other operating non-current assets	32	41
Payable on acquisitions of business & fixed assets	(8)	(12)
Other	(17)	(26)
Other operating non-current liabilities	(24)	(38)

As part of its normal course of business, Technicolor makes cash advances and up-front prepaid discount to its customers, principally within its DVD Services segment. These are generally in the framework of a long-term relationship or contract and can take different forms. Consideration is typically paid as an advance to the customers in return for the customer's various commitments over the life of the contracts. These contracts award to the Group a customer's business within a particular territory over the specified contract period (generally from 1 to 5 years). The contracts contain provisions that establish pricing terms for services and volumes to be provided and other terms and conditions.

Such advanced payments are classified under "Non-current assets", recorded as "Contracts advances and up-front prepaid discount" and are amortized as a reduction of "Revenues" on the basis of units of production or film processed.

5.1.2. Inventories

Inventories are valued at acquisition or production cost. The production costs include the direct costs of raw materials, labor costs and a part of the overheads representative of the indirect production costs, and exclude general administrative costs. The cost of inventory sold is determined based on the weighted average method or the FIFO (first in – first out) method, depending on the nature of the inventory. When the net realizable value of inventories is lower than its carrying amount, the inventory is written down by the difference.

Accounting estimates and judgments:

The management takes into consideration all elements that could have an impact on the inventory valuation, as declining sales forecasts, expected reduction in selling prices, specific actions engaged as rework or incentive plans, and obsolescence of products or slow rotation.

(€ in million)	2019	2018
Raw Materials	83	102
Work in progress	10	14
Finished goods and purchase goods for resale	172	175
Gross Value	265	291
Less: valuation allowance	(22)	(23)
Total inventories	243	268

5.1.3. Trade accounts receivables

The trade receivables are part of the current financial assets. At the date of their initial recognition, they are measured at the fair value of the amount to be received. This generally represents their nominal value because the effect of discounting is generally immaterial between the recognition of the instrument and its realization.

Further to IFRS9 implementation, the loss allowances on trade receivables are determined from expected credit losses. The Group chose the simplified approach which allows the recognition of an allowance based on the lifetime expected credit losses at each reporting date.

The expected credit losses are determined from the trade date the following way:

- application to non-major customer segments of each division of a matrix determined on the Group's historical credit loss experience
- specific follow-up of the credit risk for major customers based on their credit rating

(€ in million)	2019	2018
Trade accounts and notes receivable	531	703
Less: valuation allowance	(24)	(26)
Total trade accounts and notes receivable	507	677

As of December 31, 2019 and 2018 trade accounts receivable include past due amounts respectively for €94 million and €91 million for which a valuation allowance was recorded for an amount of €(23) million and €(22) million.

The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets €507 million as of December 31, 2019 compared to €677 million as of December 31, 2018.

5.1.4. Other current assets & liabilities

Estimation of accrued royalty income

In the normal course of its business, the Group may use certain technology protected by patents owned by third parties. In the majority of cases, the amount of royalties payable to these third parties for the use of this technology will be defined in a formal licensing contract. In some cases, and particularly in the early years of an emerging technology when the ownership of intellectual property rights may not yet be ascertained, management's judgement is required to determine the probability of a third party asserting its rights and the likely cost of using the technology when such assertion is probable. In making its evaluation, management considers past experience with comparable technology and/or with the particular technology owner. The royalties payable are presented within the captions "Other current liabilities" and "Other non-current liabilities" in the Group's balance sheet.

Derecognition of assets

A receivable is derecognized when it is sold without recourse and when it is evidenced that the Group has transferred substantially all the significant risks and rewards of ownership of the receivable and has no more continuing involvement in the transferred asset.

(€ in million)	2019	2018
Value added tax receivable	31	46
Research tax credit and subsidies	5	1
Prepaid expenses	37	40
Other	111	177
Other current operating assets	184	264
Taxes payable	(41)	(44)
Accrued royalties expense	(44)	(42)
Payables for fixed assets	(17)	(47)
Other	(200)	(177)
Other current operating liabilities	(301)	(310)

5.2. Related party transactions

A party is related to the Group if:

- Directly or indirectly the party (i) controls, is controlled by or is under common control with the Group, (ii) has an interest in the Group that gives it significant influence over the Group;
- The party is an associate or a joint venture in which the Group is a venture;
- The party or one of its Directors is a Member of the Board of Directors or of the Executive Committee of the Group or a close Member of the family of any individual referred to above.

Related party transactions with associates & joint ventures are detailed in Note 2.4.

Remuneration of key management is detailed in Note 9.4.

In 2019 there are no related party transactions.

6. Income Tax

6.1. Income tax recognized in profit and loss

6.1.1. Income tax expense

Income tax expense comprises current and deferred tax. Deferred tax is recognized in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss (either in OCI or directly in equity). Moreover, IAS 12 does not specify whether tax benefits arising from tax losses should be allocated to the source of the loss or the source of the realization of the benefit. The Group has accounted for any tax benefits arising from tax losses from discontinued activities in continuing operations since these tax losses will be used by future benefits from continuing operations.

Further to the application of IFRIC23 Uncertainty over Income Tax Treatments, current taxes also include uncertain tax positions previously included in Provisions.

(€ in millions)	2019	2018
Current income tax		
France	(1)	2
Foreign	(9)	(1)
Total current income tax	(10)	1
Deferred income tax		
France	0	-
Foreign	7	(55)
Total deferred income tax	7	(55)
Income tax on continuing operations	(3)	(54)

In 2019, the current income tax charge is mainly attributable to current taxes due in India, Mexico and Poland.

In 2018, the deferred tax expense was mainly attributable to the depreciation of deferred tax asset in the United States, as there is no probability anymore to use the tax losses carried forward in the next five years.

Please see section 6.2.1 for more details on the variation of deferred taxes.

6.1.2. Group tax proof

The following table shows the reconciliation of the expected tax expense – using the French corporate tax rate of 34% – and the reported tax expense. The items in reconciliation are described hereafter:

(€ in millions)	2019	2018
Profit (loss) from continuing operations	(208)	(224)
Income tax	(3)	(54)
Pre-tax accounting income on continuing operations	(205)	(170)
	34%	34%
Expected tax expense	70	59
Effect of unused tax losses and tax offsets not recognized as deferred tax assets ⁽¹⁾	(46)	(84)
Effect of permanent differences	(23)	(14)
Effect of different tax rates applied ⁽²⁾	(2)	(14)
Effect of change in applicable tax rate	(1)	-
Withholding taxes not recovered	(1)	(1)
Effective tax expense on continuing operations	(3)	(54)

(1) In 2019, mainly due to the depreciation of deferred tax assets generated on the losses of the period, i.e €32 million for France and €21 million for the United States.

(2) In 2018, the amounts include mainly the impact of the tax differential rate with the United States.

6.2. Tax position in the statement of financial position

Deferred taxes result from:

- *Temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the Group consolidated balance sheets; and*
- *The carry forward of unused tax losses and tax credits.*

Deferred taxes for all temporary differences are calculated for each taxable entity (or group of entities) using the balance sheet liability method.

All deferred tax liabilities are recorded except:

- *When the deferred tax liability results from the initial recognition of goodwill, or from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and*
- *For taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the Group is able to control the timing of the reversal of the temporary differences and when it is probable that these temporary differences will not reverse in the foreseeable future.*

Deferred tax assets are recorded:

- *For all deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these temporary differences can be utilized, except when the related deferred tax asset results from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and*

- For the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

The recoverable amount of the deferred tax assets is reviewed at each balance sheet date and adjusted to take into account the level of taxable profit available to allow the benefit of part or all of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are valued using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred taxes are classified as non-current assets and liabilities.

Deferred tax assets and liabilities are set off by taxable entity for the same maturities.

Accounting estimates and judgments

Management judgment is required to determine the Group's deferred tax assets and liabilities. When a specific subsidiary has a history of recent losses, future positive taxable income is assumed improbable, unless the asset recognition can be supported for reasons such as

- the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future, and/or

- the expectation of exceptional gains or

- future income to be derived from long-term contracts.

The Group considered tax-planning in assessing whether deferred tax assets should be recognized.

6.2.1. Change in net deferred taxes

(€ in millions)	Deferred tax assets	Deferred tax liabilities	Total, net deferred tax assets
Year ended December 31, 2017	275	(193)	82
Changes impacting continuing profit or loss	(54)	(1)	(55)
Other movement	(10)	1	(9)
Year ended December 31, 2018	210	(193)	17
Changes impacting continuing profit or loss	33	(26)	7
Other movement ⁽¹⁾	(191)	192	1
Year ended December 31, 2019	52	(27)	25

(1) Mainly set off of deferred tax assets and liabilities of same maturities by taxable entity

As of December 31, 2019, the net deferred tax assets of €25 million mainly relate to the recognition of losses carried forward in Australia, Canada, India, Mexico and Poland. Net deferred tax assets amounted to €17 million as of December 31, 2018. This increase was primarily due to the changes in the projections of our activities in Australia and Mexico.

6.2.2. Source of deferred taxes

(€ in million)	2019	2018
Tax losses carried forward	1,278	1,365
Tax effect of temporary differences related to:		
Property, plant and equipment	20	21
Goodwill	10	13
Intangible assets	(86)	(101)
Investments and other non-current assets	3	(3)
Inventories	7	8
Receivables and other current assets	19	18
Borrowings	142	131
Retirement benefit obligations	59	51
Restructuring provisions	3	6
Other provisions	19	22
Other liabilities current and non-current	38	40
Total deferred tax on temporary differences	234	206
Deferred tax assets / (liabilities) before netting	1,512	1,571
Valuation allowances on deferred tax assets	(1,487)	(1,554)
Net deferred tax assets / (liabilities)	25	17

Technicolor benefits, from tax losses carried forward in countries where the Group still conducts business, amount to € 3.6 billion. These losses mainly arise from France (€1.8 billion) and the United States (€1.6 billion).

In the United States, they will expire mainly after 2024.

7. Equity & Earnings per share

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded for the proceeds received, net of direct issue costs.

Equity transaction costs

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

7.1. Change in share capital

(In euros, except number of shares)	Number of shares	Per value	Share capital in Euros
Share capital as of December 31, 2017	414,461,178	1	414,461,178
Share capital as of December 31, 2018	414,461,178	1	414,461,178
Share capital as of December 31, 2019	414,461,178	1	414,461,178

Plans described in Note 9.3.

In 2019, the Group did not declare any change in its share capital.

As of December 31, 2019, and to the Company's knowledge, the following entities held more than 5% of the Company's share capital:

- RWC Asset Management LLP held, 42,000,000 shares which represent 10.13% of the share capital and 10.13% of the voting rights of the Company;
- J O Hambro Capital Management Ltd held 35,146,422 shares which represent 8.48% of the share capital and 8.48% of the voting rights;
- The Caisse des Dépôts et Consignations held, jointly with Bpifrance Participations S.A., 32,970,309 shares which represent 7.95% of the share capital and 7.95% of the voting rights of the Company;
- Invesco Advisers, Inc. held 29,964,739 shares which represent 7.23% of the share capital and 7.23% of the voting rights of the Company;
- Bain Capital Credit, LP held 29,062,798 shares which represent 7.01% of the share capital and 7.01% of the voting rights of the Company;
- Kinney Asset Management LLC, held 22,928,815 shares which represent 5.53% of the share capital and 5.53% of the voting rights of the Company;
- Fidelity International held 22,784,339 shares which represent 5.50% of the share capital and 5.50% of the voting rights of the Company.

7.2. Other elements of equity

7.2.1. Treasury shares

Treasury shares are recorded at purchase cost and deducted from shareholders' equity. The gain or loss on disposal or cancellation of these shares is recorded directly in equity.

Global amount of Treasury shares includes treasury shares purchased in the frame of the Share Management Agreement authorized by the Combined Shareholder's Meetings on May 23, 2013, and confirmed by the annual shareholders general meeting. As no share purchase program was submitted for approval at the combined shareholder's meeting convened on April 26, 2018, Share Management Agreement was suspended during the year.

	2019	2018
Number of Treasury shares at opening	1,074,994	978,051
Variation related to the Share Management Agreement	-	96,943
Disposal	(1,074,994)	-
Number of Treasury shares at closing	-	1,074,994

In the course of second half of 2019, all the treasury shares have been disposed.

7.2.2. Subordinated perpetual notes

On September 26, 2005, Technicolor issued deeply subordinated perpetual notes (TSS) in a nominal amount of €500 million. No derivative was identified because the provisions of the notes fall outside the scope of the definition of a derivative under IAS 39.

Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes were recorded under IFRS in shareholder's equity for the net value received of €492 million (issue price less offering discount and fees).

Further to the restructuring of the Group's debt in 2010, the characteristics of the notes are now as follows:

- they are not repayable other than (i) at Technicolor's sole option in specific contractually defined events or (ii) in case of liquidation of the Company;

- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in 2010.

7.2.3. Dividends and distribution

In connection with 2017 and 2018 periods, Shareholders' Meetings held respectively on April 26, 2018 and June 14, 2019, did not vote any payment of dividend.

7.2.4. Non-controlling interests

In 2019, no change in non-controlling interests.

In 2018, the main changes in non-controlling interests result from :

- Liquidation of Thomson Investment India, decreasing non-controlling interests by €2 million
- Acquisition of the remaining 49% of Technicolor Pioneer Japan shares, decreasing non-controlling interests by €1 million

7.3. Earnings (Loss) per share

Basic earnings per share are calculated by dividing income (loss) attributable to ordinary equity holders of the parent entity by the weighted-average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share is calculated by dividing income (loss) attributable to ordinary equity holders of the parent entity by the weighted-average number of shares outstanding during the period assuming that all potentially dilutive securities were exercised and that any proceeds from such exercises were used to acquire shares of the Company's stock at the average market price of the period or the period the securities were outstanding.

Potentially dilutive securities comprise:

- Outstanding options, if dilutive;
- The securities to be issued under the Company's management incentive plan, to the extent the average market price of the Company's stock exceeded the adjusted exercise prices of such instruments.

Diluted earnings (loss) per share

	2019	2018
Net income (€ in million)	(230)	(67)
Net (income) loss attributable to non-controlling interest	0	(1)
Net (gain) loss from discontinued operations	22	(157)
Numerator:		
Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders	(208)	(225)
Basic weighted average number of outstanding shares ('000)	413,660	413,440
Dilutive impact of stock-option & free share plans	0	0
Denominator:		
Weighted shares ('000)	413,660	413,440

Some of stock-options plans have no dilution impact in 2019 due to stock price but could have a dilution impact in the future depending on the stock price evolution (see details of these plans in Note 9.3).

8. Financial assets, financing liabilities & derivative financial instruments

8.1. Classification & measurement

FINANCIAL ASSETS (EXCLUDING DERIVATIVES)

Management determines the classification of its financial assets at initial recognition in the light of the Group's business model for the management of financial assets, as well as the characteristics of the asset's contractual cash flows.

Further to IFRS9 implementation, the Group chose to classify its financial assets between financial assets at amortized costs and financial assets at fair value through profit and loss.

Financial assets at amortized cost

This category is used for a financial asset when the objective is to receive its contractual cash flows, corresponding only to repayments of principal and, where applicable, interest on principal.

These assets are initially recognized at fair value less any transaction costs. They are then recognized at amortized cost using the effective interest rate method.

Where applicable, an impairment loss is recognized for the amount of expected credit losses at 12 months, unless the credit risk has increased significantly since initial recognition, in which case the impairment is calculated for the amount of expected credit losses over the life of the asset. For trade receivables and assets on trade contracts, the Group applies a simplified impairment method (see Note 5.1.3.).

Financial assets at fair value through profit or loss

This category is used when the financial asset is not recognized at amortized cost. For these financial assets carried at fair value, changes in value are recognized in the income statement under "Other net financial income (expense)".

A financial asset is derecognized when the contractual rights to the cash flows associated with it expire or have been transferred, and substantially all the risks and rewards of ownership of the asset.

FINANCIAL LIABILITIES (EXCLUDING DERIVATIVES)

Borrowings are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Any difference between (i) net proceeds of transaction costs and (ii) redemption value is recognized in financial income over the life of the borrowings using the effective interest rate method.

Borrowings are presented as current liabilities, unless the Group has an unconditional right to defer repayment of the liability beyond a period of 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

DERIVATIVES

Derivatives are recorded at fair value. Changes in value are recognized in the income statement and/or in equity within other comprehensive income, in accordance with the principles set out in Note 8.6.

In accordance with IFRS 13 – Fair Value measurement, 3 levels of fair value measurement have been identified for financial assets & liabilities:

- Level 1: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: internal models with observable parameters including the use of recent arm's length transactions (when available), reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.
- Level 3: internal models with non-observable parameters.

(€ in million)	At December 31, 2019, net	Fair value measurement by accounting categories as of December 31, 2019					At December 31, 2018, net
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivative instruments (see Note 8.5)	Fair Value measurement	
Non-consolidated Investments	17	-	17	-	-	Level 2	14
Cash collateral & security deposits	13	12	1	-	-	Level 1	9
Loans & others	1	1	-	-	-		1
Subleases receivables	8	8	-	-	-		-
Other non-current financial assets	22						10
Total non-current financial assets	39						24
Cash collateral and security deposits	12	1	11	-	-	Level 1	12
Other current financial assets	-	-	-	-	-		2
Derivative financial instruments	1	-	-	-	1	Level 2	-
Other financial current assets	13						14
Cash	58	-	58	-	-	Level 1	134
Cash equivalents	7	-	7	-	-	Level 1	157
Cash and cash equivalents	65						291
Total current financial assets	78						305
Non current borrowings ⁽¹⁾	(979)	(979)	-	-	-		(977)
Borrowings	(979)						(977)
Derivative financial instruments	(1)	-	-	-	(1)	Level 2	-
Other non-current liabilities	(1)						-
Lease liabilities	(224)	(224)	-	-	-		(27)
Total non-current financial liabilities	(1,204)						(1,004)
Borrowings ⁽¹⁾	(8)	(8)	-	-	-		(6)
Lease liabilities	(87)	(87)	-	-	-		(14)
Other current financial liabilities	(2)	-	-	-	(2)	Level 2	(4)
Total current financial liabilities	(97)						(24)
TOTAL FINANCIAL LIABILITIES	(1,301)						(1,028)

(1) Borrowings are recognized at amortized costs. The fair value of the Term Loan debt is €853 million as of December 31, 2019 (€972 million as of December 31, 2018). This fair value is based on quoted prices in active markets for term loan debts (Level 1).

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.

8.2. Management of financial risks

8.2.1. Governance

Technicolor faces a wide variety of financial risks including market risk (due to fluctuations in exchange rates and interest rates), liquidity risk and credit risk.

Technicolor's financial risks are managed centrally by the Group treasury department in France and its regional treasury department in Ontario (California – U.S.) in accordance with the policies and procedures of the Group.

All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, the Investment Committee and the Audit Committee via various reports showing the company's exposures to these risks with details of the transactions undertaken to reduce them.

These risks are managed in a strict framework with specific limits and authorizations approved by the Investment Committee for each type of transaction and monitoring by the Group Internal Control Department.

8.2.2. Market risk management

8.2.2.1 Operational foreign exchange risk

Translation Risk

The Group's consolidated financial statements are presented in euro. Thus, assets, liabilities, revenues and expenses denominated in currencies other than euro must be translated into euro at the applicable exchange rate to be included in the consolidated financial statements. The fluctuation of exchange rates can have an impact on the value of the assets, liabilities, revenues and expenses in the consolidated financial statements, even if the value of these items has not changed in their original currency.

The Group's policy is not to hedge translation risk.

Translation risk is measured by doing sensitivity analyses on the main exposures in the subsidiaries where the functional currency is different from the euro (see below).

Transaction Risk

Foreign currency transaction risk occurs when purchases and sales are made by Group entities in currencies other than their functional currencies.

The Group's main transaction risk is its U.S. dollar exposure versus euro. After offsetting the U.S. dollar revenues of its European activities with the U.S. dollar costs related to purchases of finished goods and components by its European affiliates, the net U.S. dollar exposure versus euros for continuing operations was net costs of U.S. \$132 million in 2019 (net costs of U.S. \$82 million in 2018).

The policy of the Group is to have its subsidiaries:

- to the extent possible denominate their costs either in the same currencies as their sales,
- regularly report their projected foreign currency needs and receipts to the Group treasury department which then nets purchases and sales in each currency on a global basis. Exposures that remain after this process are generally hedged with banks using foreign currency forward contracts.

For products with a short business cycle which represent the majority of the exposures, the Group's policy is to hedge on a short-term basis up to six months. For products and services which are sold on a longer-term basis, hedges may be put in place for periods greater than six months.

Regardless of the term of the hedging, the Treasury department uses short term foreign currency derivatives (maturity of several days to several months) that it rolls over as a function of its global exposure which is monitored on a daily basis. The derivative instruments used are described in note 8.6.

Transaction risk on commercial exposures is measured by consolidating the Group's exposures and doing sensitivity analyses on the main exposures (see below).

Risk on investments in Foreign Subsidiaries

The Group's general policy is to examine and hedge on a case by case basis the currency risk on its investments in foreign subsidiaries. The variations in the euro value of investments in foreign subsidiaries are booked under "Cumulative translation adjustment" in the Group's consolidated statement of financial position. At December 31, 2019, no hedges of this type were outstanding.

Sensitivity Analysis

The Group's main exposure is the fluctuation of the U.S. dollar against the euro.

The Group believes a 10% fluctuation in the U.S. dollar versus the euro is reasonably possible in a given year and thus the table below shows the impact of a 10% increase in the U.S. dollar versus the euro on the Group's Profit from continuing operations before tax and net finance costs and on the currency translation adjustment component of equity. A 10% decrease in the U.S. dollar versus the euro would have a symmetrical impact in the opposite amount. These calculations assume no hedging is in place.

2019 (€ in million)	Transaction	Translation	Total
Profit from continuing operations before tax and net finance costs ⁽¹⁾	(12)	(6)	(18)
Equity Impact (cumulative translation adjustment) ⁽²⁾			82

(1) Profit impact:

- transaction impact calculated before hedging by applying a 10% increase in the U.S. dollar/euro exchange rate to the net U.S. dollar exposure (sales minus purchases) of affiliates which have the euro as functional currency.
- translation impact calculated before hedging by applying a 10% increase in the U.S. dollar/euro exchange rate to the profits of the affiliates with the U.S. dollar as functional currency.

(2) Equity impact: calculated by applying a 10% increase in the U.S. dollar/euro exchange rate to the unhedged net investments in foreign subsidiaries that are denominated in U.S. dollar.

8.2.2.2 Financial foreign exchange risk

The Group's policy is to centralize to the extent possible its financing and the associated currency risk, if any, at the level of the Group treasury.

As a result, the majority of the Group's subsidiaries borrow, and lend their surplus cash, to the Group treasury, which in turn satisfies liquidity needs by borrowing externally. Subsidiaries that cannot enter into transactions with the Group Treasury because of local laws or restrictions may borrow or invest with local banks in accordance with the rules established by the Group treasury.

The Group's policy is also that subsidiaries borrow or invest excess cash in their functional currency. In order to match the currencies that Technicolor's Group treasury department borrows with the currencies that it lends, Technicolor may enter into currency swaps primarily (i) to convert euro borrowings into U.S. dollars and British pounds which are lent to the Group's U.S. and U.K subsidiaries respectively and (ii) to convert U.S. dollars borrowed externally or from the Group's U.S. subsidiaries into euros. The forward points on these currency swaps which are accounted for as interest, resulted in income of 4 million euro in 2019 and in income of 2 million euro in 2018.

8.2.2.3 Interest rate risk

Exposure to interest rate risk

Technicolor is mainly exposed to interest rate risk on its deposits and indebtedness.

- At December 31, 2019 the portion of the Group's financial debt exposed to floating interest rates, after taking into account hedging operations, is as shown below:

<i>(€ in million)</i>	2019
Debt	1,298
Percentage at floating rate ^(*)	64%

(*) Includes €95 million of debt with maturity of less than 1 year which the Group considers to be at floating rate.

- In 2019 the Group's deposits were entirely at floating rate.
- The Group is exposed to interest rate risk which can have an impact on net interest expense.

Sensitivity to interest rate movements

The Group believes a 100 basis point fluctuation in interest rates is reasonably possible in a given year and the table below shows the maximum annual impact of such a change.

**Maximum impact over one year on the net exposure as of December 31, 2019
of a variation versus current rates (*)(**)**

(€ in million)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	(6)	(6)
Impact of interest rate variation of -1%	3	3

(*) At December 31, 2019, 3-month Euribor and 3-month Libor were -0.38% and 1.91% respectively.

(**) After taking into account interest rate hedging operations.

Interest rate risk management

At December 31, 2019, the Groupe has outstanding interest rate hedging operations the characteristics of which are given in note 8.6.1.

8.2.3. Liquidity risk and management of financing and of capital structure

Liquidity risk is the risk of being unable to raise funds in the financial markets necessary to meet upcoming obligations. In order to reduce this risk, the Group pursues policies with the objectives of having continued uninterrupted access to the financial markets at reasonable conditions.

These policies are developed based on regular reviews and analysis of its capital structure, including the relative proportion of debt and equity in the context of market conditions and the Group's financial projections.

Among other things these reviews take into account the Group's debt maturity schedule, covenants, projected cash flows and financing needs.

To implement these policies, the Group uses various long-term and committed financings which may include equity (see Note 7.1), debt (see Note 8.3), subordinated debt (see Note 7.2.2) and committed credit lines.

The tables below show the future contractual cash flow obligations due on the Group's debt. The interest rate flows due on floating rate instruments are calculated based on the rates in effect at December 31, 2019 and December 31, 2018, respectively.

(€ in million)	At December 31, 2019						Total
	2020	2021	2022	2023	2024	There after	
Floating rate Term Loan Debt – principal	3	3	2	976	-	-	984
Term Loan Debt – accrued interest	3	-	-	-	-	-	3
Lease liabilities – principal and accrued interest	87	61	42	31	26	65	312
Other debt – principal and accrued interest	2	-	1	-	-	-	3
Total debt principal payments	95	64	45	1,007	26	65	1,302
IFRS Adjustment							(4)
Debt in IFRS							1,298
Floating rate Term Loan Debt – interest	37	37	36	34	-	-	144
Lease liabilities – interest	18	13	9	7	5	-	52
Other debt – interest	-	-	-	-	-	-	-
Total interest payments	55	50	45	41	5	-	196

<i>(€ in million)</i>	At December 31, 2018						Total
	2019	2020	2021	2022	2023	There after	
Floating rate Term Loan Debt – principal	3	2	3	3	972	-	983
Term Loan Debt – accrued interest	3	-	-	-	-	-	3
Other debt – principal and accrued interest	14	13	14	2	-	-	43
Total debt principal payments	20	15	17	5	972	-	1,029
IFRS Adjustment							(5)
Debt in IFRS							1,024
Floating rate Term Loan Debt – interest	38	38	38	38	35	-	187
Other debt – interest	2	1	-	-	-	-	3
Total interest payments	40	39	38	38	35	-	190

The contractual cash flow obligations of the Group due to its current debt are considered to be equal to the amounts shown in the consolidated statement of financial position.

Credit Lines

<i>(€ in million)</i>	2019	2018
Undrawn, committed lines expiring in more than one year	361	359

The Group's committed credit lines consist of:

- a receivables backed committed credit facility in an amount of \$125 million, €111 million at the December 31, 2019 exchange rate, (the "WF Line") which matures in 2021, the availability of this credit line varies depending on the amount of receivables; and
- a €250 million revolving credit facility maturing in 2021 (the "RCF").

None of these facilities was drawn at December 31, 2019.

Derecognised transferred financial assets

The Group may use factoring agreements to assign some of its receivables. As of December 31, 2019, the Group has not entered into any agreement for which it has continuing involvement beyond commercial risk and normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action. The amount assigned as at December 31, 2019 is equal to €53 million. The cost associated is about €1 million and presented in the other financial expense line.

The Group is also party to several discount programs and reverse factoring programs set up by its customers. These programs allow the Group to benefit from shortened payment terms, especially for some customers with exceptionally long payment terms compared to habitual business practices. As the commercial risk is extinguished or estimated to be nil through acknowledgement of the receivables by the customer, there is no continuing involvement associated with these programs.

8.2.4. Credit and counterparty risk management

Credit risk arises from the possibility that counterparties may not be able to perform their financial obligations to Technicolor.

- Credit risk on trade receivable is managed by each operational division based on policies that take into account the credit quality and history of customers. From time to time, the Group may decide to insure or factor without recourse trade receivables in order to manage underlying credit risk. The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets.
- The maximum credit risk exposure on the Group's cash and cash equivalents was €65 million at December 31, 2019. The Group minimizes this risk by limiting the deposits made with any single bank and by making deposits primarily with banks that have strong credit ratings or occasionally by investing in diversified, highly liquid money market funds. As of December 31, 2019, 88% of the Group cash deposits are made with banks that have a counterparty rating of, at least A-1 according to Standard & Poor's.
- The financial instruments used by the Group to manage its interest rate and currency exposure are all undertaken with counterparts having a rating of at least A-2 according to Standard & Poor's. Credit risk on such transactions is minimized by the foreign exchange policy of trading short term operations. The marked-to-market carrying values are therefore a good proxy of the maximum credit risk.

8.3. Borrowings

8.3.1. Main features of the Group's borrowings

The Group's debt consists primarily of Term Loan Debt in U.S. dollars and in euros, issued by Technicolor SA in December 2016 and March 2017 and maturing in 2023 and lease liabilities.

Details of the Group's debt as of December 31, 2019 are given in the table below:

(€ in million)	Currency	Nominal Amount	IFRS Amount	Type of rate	Nominal rate ⁽¹⁾	Effective rate ⁽¹⁾	Repayment Type	Final maturity
Term Loan Debt	USD	259 ⁽²⁾	258	Floating ⁽²⁾	4.66%	4.76%	Amortizing ⁽³⁾	Dec. 6, 2023
Term Loan Debt	EUR	275	274	Floating ⁽⁴⁾	3.00%	3.11%	Bullet	Dec. 6, 2023
Term Loan Debt	EUR	450	448	Floating ⁽⁵⁾	3.50%	3.62%	Bullet	Dec. 6, 2023
Subtotal	EUR	984	980		-	-		
Lease liabilities ⁽⁶⁾		312	312		6.53%	6.53%		
Other Debt ⁽⁷⁾		6	6		0.03%	0.03%		
TOTAL		1,302	1,298		4.34%	4.42%		

(1) Rates as of December 31, 2019

(2) 3-month Libor with a floor of 0% + 275bp

(3) Amortization of \$750,000 per quarter

(4) 3-month Euribor with a floor of 0% + 300bp

(5) 3-month Euribor with a floor of 0% + 350bp

(6) Of which €40 million are capital leases and €272 million is operating lease debt under IFRS 16

(7) Of which €3 million is accrued interest

8.3.2. Analysis by maturity

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

(€ in million)	2019	2018
Less than 1 month	14	6
Between 1 and 6 months	31	3
Between 6 months and less than 1 year	50	11
Total current debt less than 1 year	95	20
Between 1 and 2 years	64	15
Between 2 and 3 years	45	17
Between 3 and 4 years	1,007	5
Between 4 and 5 years	26	972
Over 5 years	65	-
Total non-current debt	1,207	1,009
Total nominal debt	1,302	1,029
IFRS Adjustment ⁽¹⁾	(4)	(5)
Debt under IFRS	1,298	1,024

(1) Debt issuance costs amortized via the effective interest rate method.

8.3.3. Financial covenants and other limitations

In respect of the:

- Term Loan Debt Agreement entered into in December 2016 as amended in March 2017 and
- the RCF entered into in December 2016,

together the "Debt instruments", the Group is required to meet financial covenants and is subject to several limitations described below.

Security Package

Technicolor granted security interests to secure the Debt Instruments with the pledge of the shares of the main subsidiaries of Technicolor S.A. and of certain intra-group loans and material cash pooling bank accounts.

Early repayment and mandatory prepayments

In case of default or change of control of Technicolor, creditors will have the ability to immediately demand payment of all or a portion of the outstanding amounts.

The events of default apply in whole or in part to Technicolor SA. The events of defaults include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by Technicolor S.A. to meet the payment dates of the Debt Instruments or of any other financial indebtedness or to comply with material obligations related to the Debt Instruments;
- any auditor's report qualification made to the Technicolor S.A.'s ability to continue as a going concern or the accuracy of the information given.

Under the mandatory prepayment terms of the Debt Instruments, the Group is required to apply funds towards the repayment of outstanding amounts of the loans under the Debt Instruments in certain circumstances, including the following:

- asset disposals: the net proceeds in respect of any disposal of any of its assets to an unaffiliated third party will be applied, subject to a minimum threshold, to repay the outstanding amounts of the term loans unless the proceeds are reinvested in assets useful for its business within 365 days;
- excess cash flow: a percentage of the Company's excess cash flow will be applied to prepay the term loans. The applicable percentage depends on the leverage ratio of the Group, and

ranges from 0% to 50%. Excess cash flow is defined for purposes of the term loan prepayments, as the aggregate of net cash from operating and investing activities, subject to certain adjustments and minus the total funding costs, which comprise all voluntary or mandatory prepayments of the term loans during the year;

- other: net proceeds in respect of payments related to a casualty event (giving rise to insurance reimbursements or condemnation awards) shall be applied to the repayment of the debt under the Debt Instruments, subject to certain minimum thresholds and with certain carve-outs.

Technicolor can also, at its election, prepay all or part of its outstanding Term Loan Debt without penalty.

Covenants

Application scope

The Term Loan Debt does not contain a financial affirmative covenant.

The RCF contains a single affirmative financial covenant which requires that the total gross debt be no more than 4.00 times Adjusted EBITDA on a trailing twelve-month basis (“Leverage covenant”) on June 30 and December 31 of each financial year, but this covenant is only applicable if there is an outstanding drawing of more than 40% of the RCF amount on June 30 or December 31 of each financial year.

The \$125 million credit line agreement signed with Wells Fargo in November 2017 contains the same financial covenant but this covenant is only applicable if outstanding availability under the line is less than \$25 million on June 30 or December 31 of each financial year.

Because the outstanding drawings on the RCF were not more than 40% of the RCF amount and the outstanding availability under the Wells Fargo credit line was not less than \$25 million, the covenant did not apply at December 31, 2019.

Leverage covenant

Had the covenant applied at December 31, 2019, total gross debt of the Group could not have been more than 4.00 times the EBITDA of the Group in 2019. Under the terms of the RCF and the WF Line the gross debt does not include lease liabilities that became financial debt due to the application of IFRS 16 (see note 1.2.2).

For information purposes, the calculation at December 31 was:

Gross Debt*	€1,026 million
Covenant Adjusted EBITDA*	€324 million
Gross Debt / Covenant Adjusted EBITDA Ratio	3.17

Since 3,17 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

* Gross debt and Adjusted EBITDA in respect of the leverage covenant definition

8.4. Cash and cash equivalents

- Cash corresponds to cash in bank accounts as well as demand deposits.
- Cash equivalents corresponds to very liquid short term investments, with an original maturity not exceeding three months, which are easily convertible at any time into a known amount of cash and for which the risk on the principal amount is negligible.

(€ in million)	2019	2018
Cash	58	134
Cash equivalents	7	157
Cash and cash equivalents	65	291

8.5. Net financial income (expense)

(€ in million)	Year ended December 31,	
	2019	2018
Interest income	1	3
Interest expense ⁽¹⁾	(70)	(43)
Net interest expense	(69)	(40)
Net interest expense on defined benefit liability	(7)	(6)
Change in fair value of on financial instruments	4	-
Foreign exchange gain / (loss) ⁽²⁾	(2)	10
Other	(11)	(15)
Other financial income (expense)	(15)	(11)
Net financial income (expense)	(84)	(51)

(1) In 2019 interest expense includes €23 million of interests on lease debts

(2) In 2018 the exchange result is mainly due to the impact of the depreciation of the BRL vs. the USD on an intercompany lending denominated in USD from the Group's subsidiary in Brazil to Technicolor SA.

8.6. Derivative financial instruments

GENERAL PRINCIPALS

The Group uses derivative instruments notably to hedge its exposure to foreign currency risk and changes in interest rates. The financial derivatives are executed in the over the counter market and are governed by standard ISDA (International Swaps and Derivatives Association, Inc.) agreements or agreements standard for the French market.

HEDGE ACCOUNTING

Derivative instruments may be designated as hedging instruments in one of three types of hedging relationships:

- Fair value hedge, corresponding to a hedge of the exposure to the change in fair value of an asset or a liability;
- Cash flow hedge, corresponding to a hedge of the exposure to the variability in cash flows from future assets or liabilities;
- Net investment hedge in foreign operations, corresponding to a hedge of the amount of the Group's interest in the net assets of these operations.

Derivative instruments qualify for hedge accounting when at the inception of the hedge,

- there is a formal designation and documentation of the hedging relationship when put in place,
- the hedge is expected to be highly effective,
- its effectiveness can be reliably measured and it has been highly effective throughout the financial reporting periods for which the hedge was designated.

The effects of hedge accounting are as follows:

- For fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet at fair value. The gain or loss from remeasuring the hedged item at fair value is recognized in profit or loss and is offset by the effective portion of the loss or gain from remeasuring the hedging instrument at fair value.

- For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income (OCI), because the change in the fair value of the hedged portion of the underlying item is not recognized in the balance sheet, and the ineffective portion of the gain or loss on the hedging instrument, if any, is recognized in profit or loss. Amounts recognized in OCI are subsequently recognized in profit or loss in the same period or periods during which the hedged transaction affects profit or loss. Such periods are generally less than 6 months except for the licensing activity.

TERMINATION OF HEDGE ACCOUNTING

The termination of hedge accounting may occur if the underlying hedged item does not materialize or if there is a voluntary revocation of the hedging relationship at the termination or the arrival of maturity of the hedging instrument. The accounting consequences are then as follows:

- In case of cash flow hedges, the amounts recorded in other comprehensive income are taken to profit or loss in the case of the disappearance of the hedged item.
- In all cases, the result on the hedging instrument is taken into profit or loss when the hedging relationship is terminated.

8.6.1. Financial derivative portfolio

At December 31, 2019 and December 31, 2018 the fair value of the Group's financial derivatives was as follows:

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
(€ in million)				
Foreign currency hedges	1	2	1	4
Interest rate hedges	-	1	-	1
Total	1	3	1	5

Foreign currency hedge characteristics

The foreign currency hedges outstanding at December 31, 2019 are shown in the table below:

	Currencies	Notional ⁽¹⁾	Maturity	Fair value ⁽²⁾
Forward purchases/sales and currency swaps	USD/EUR	337	2020	(1)
Forward purchases/sales and currency swaps	PLN/EUR	81	2020	-
Forward purchases/sales and currency swaps	Other currencies			1
Fair value				-

⁽¹⁾ Net forward purchases/(sales), in millions of the first currency of the pair

⁽²⁾ Market value in millions of euros at December 31, 2019

Interest rate hedge characteristics

The Group has two interest rate hedging instruments outstanding at December 31, 2019. These instruments hedge future interest charges of the Group, which are principally indexed on a floating rate as shown in the table in note 8.3.2.

The main characteristics are as follows:

	Notional	Hedge	Issuance	Maturity	Fair value ⁽¹⁾
Interest rate swap	€240 million	Receive 3m Euribor ⁽²⁾ / pay 0.22%	May 2018	November 2021	(1)
Cap	\$145 million	3m Libor capped at 3.00%	May 2018	November 2021	0
Fair value					(1)

⁽¹⁾ Market value in millions of euros at December 31, 2019

⁽²⁾ Euribor floored at 0%

Characteristics of instruments not documented as hedges

At December 31, 2019 the Group does not have any outstanding instruments that are not documented as hedges.

8.6.2. Impact of derivative financial instruments on Group performance

As indicated in note 8.2.2.1, due to the practice of the Group treasury for its foreign currency exposure of executing mainly short term derivative instruments, which are rolled over as a function of its global exposure which is monitored daily, the characteristics of its portfolio of hedging instruments at the closing date is not representative of the impact on the year's results nor that of future years.

The table below presents the impact of hedging instruments on the Group's performance in 2019.

(€ in million)	Foreign currency hedges		Interest rate hedges		Instruments not documented as hedges
	Impact of effective portion (1)	Impact of ineffective portion (2)	Impact of effective portion (1)	Impact of ineffective portion	Impact of changes in value
Gross margin	-	-	-	-	-
Net interest expense	-	4	(1)	-	-
Foreign currency gain (loss)	-	-	-	-	-
Other	-	-	-	-	-
Net financial result	-	4	(1)	-	-
NET OPERATING RESULT AT BEFORE TAX	-	4	(1)	-	-
Gains / (losses) before taxes resulting from the valuation at fair value of instruments hedging future cash flows	-	-	(1)	-	-
OTHER ELEMENTS OF GLOBAL RESULT	-	-	(1)	-	-

(1) The effective portions of the hedges are recorded in the same item of the financial statement as the underlying hedged elements.

(2) The ineffective portions of foreign exchange hedges come mainly from forward points on forward exchange operations and foreign currency swaps, which the Group excludes from hedging relationships and from the foreign exchange gains and losses on the reduction of overhedges. Forward points related to the hedges of financial exposures are recorded in "Net interest expense". The forward points related to the hedges of commercial exposures as well as the foreign exchange result on the reduction of these hedges are recorded in "Foreign exchange gain / (loss)".

The impact of the hedges of future cash flows is represented by the gains / (losses) before taxes on the fair value of instruments hedging such cash flows and is recorded in net equity. At December 31, 2019 the impact was nil.

9. Employee benefit

9.1. Information on employees

The total headcount of the Group consolidated entities as of December 31, 2019 is 17,414 employees (17,745 as of December 31, 2018). Please refer to chapter 5.1 of the Registration Document for more detail on employees of the Group.

The employee benefits expenses (including only employees in the consolidated entities) are detailed below:

(€ in millions)	2019	2018
Wages and salaries	746	713
Social security costs	151	109
Compensation expenses linked to share-based payments granted to directors and employees (Note 9.3.3)	2	(9)
Pension costs - defined benefits plans (Note 9.2.2)	7	8
Termination benefits	24	38
Total employee benefits expenses (excluding defined contribution plans)	930	859
Pensions costs - Defined contribution plans	20	21

The termination benefits are presented in restructuring expenses within continuing operations in the consolidated statement of operations.

9.2. Post-employment & long-term benefits

Post-employment obligations

The Group operates various post-employment schemes for some employees. Contributions paid and related to defined contribution plans, i.e. pension plans under which the Group pays fixed contributions and has no legal or constructive obligation to pay further contributions (for example if the fund does not hold sufficient assets to pay to all employees the benefits related to employee service in the current and prior periods), are recorded as expenses when employees have rendered services entitling them to the contributions.

The other pension plans are analyzed as defined benefit plans (i.e. pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation) and are recognized in the balance sheet based on an actuarial valuation of the defined benefit obligations being carried out at the end of each annual reporting period.

The method used for determining employee benefits obligations is based on the Projected Unit Credit Method. The present value of the Group benefit obligations is determined by attributing the benefits to employee services in accordance with the benefit formula of each plan. The provisions for these benefits are determined annually by independent qualified actuaries based on demographic and financial assumptions such as mortality, employee turnover, future salaries, benefit levels and discount rates.

Remeasurement, comprising actuarial gains and losses, the effect of changes in asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in OCI. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be classified in profit or loss.

Defined benefit costs are classified as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) to be recognized in profit or loss;*
- Net interest expense or income, to be recognized as financial expense and financial income (Note 8.5).*

Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus between the present value of the Group's defined benefit obligation and the fair value of plan asset. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.

Other long-term benefits

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs. The obligations related to other long-term benefits (for example jubilee award) are also based on actuarial valuations. Actuarial gains or losses are recognized in the consolidated statement of operations.

The liability related to other long-term benefits are not presented within the retirement benefit obligation but within the restructuring provision or other liabilities.

Accounting estimates and judgments

The Group's determination of its pension and post-retirement benefits obligations, expenses and OCI impacts for defined benefit plans is dependent on the use of certain assumptions used by actuaries in calculating such amounts, among others, the discount rate and annual rate of increase in future compensation levels. Assumptions regarding pension and post-retirement benefits obligations are based on actual historical experience and external data.

The Group is exposed to actuarial risks such as interest rate risk, investment risk, longevity risk, salary increase risk and inflation risk. The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Capital markets experience fluctuations that cause downward or upward pressure on the quoted values and higher volatility. While Technicolor's management believes the assumptions used are appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and post-retirement benefits net obligations under such plans and related future expense.

9.2.1. Summary of the provisions and plans description

(€ in million)	Pension plan benefits		Medical post-retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
At December 31, 2018	340	376	6	6	346	382
Net periodic pension cost	10	9	-	-	10	9
Curtailment	(5)	(1)	-	-	(5)	(1)
Benefits paid and contributions	(26)	(26)	-	-	(26)	(26)
Change in perimeter	3	(6)	-	-	3	(6)
Actuarial (gains) losses recognized in OCI	45	(14)	-	-	45	(14)
Currency translation adjustments and other	2	2	-	-	2	2
At December 31, 2019	369	340	6	6	375	346
<i>Of which current</i>	33	26	-	-	33	26
<i>Of which non-current</i>	336	314	6	6	342	320

9.2.1.1 Defined contribution plans

The pension costs of these plans correspond to the contributions paid by the Group to independently administered funds. These plans guarantee employee benefits that are directly related to contributions paid.

The total contributions paid by Technicolor amounted to €20 million in 2019 (€21 million in 2018).

9.2.1.2 Defined benefit plans

These plans mainly cover pension benefits, retirement indemnities and medical post-retirement benefits. In 2019, the geographical breakdown of such net obligations was as follows:

(€ in million)	Germany	U.S.	U.K.	France	Others	Total
Present value of defined benefit obligation	273	118	147	16	25	579
Fair value of plan assets	-	(79)	(113)	-	(12)	(204)
Retirement benefit obligations	273	39	34	16	13	375
Cash flows	(17)	(4)	(4)	-	(1)	(26)
Average duration (in years)	12	8	17	11	N/A	N/A

Pension benefits and retirements indemnities

Pension plans maintained by the Group are mainly the following:

In Germany, employees are covered by several vested unfunded defined benefit and defined contribution pension plans. These plans mainly provide employees with retirement annuities and disability benefits. Employees participate in plan based on final pay and services. The pension plans are no longer available to new entrants.

The retirement age is between 60 and 63 years old.

In the United States, the employees of Technicolor are covered by a defined benefit pension plan. Technicolor mainly operates two defined benefit pension plans: a cash balance pension plan that covers substantially all non-union employees, funded through a trust fund, and an additional pension plan for executive employees, closed to new participants. Benefits are equal to a percentage of the plan Member's earnings each year plus a guaranteed rate of return on earned benefits until retirement.

A hard freeze occurred over 2009 on U.S. pension plans. The rights as of January 1, 2010 remain vested but no additional pay-based credits are added to the cash balance account under the Plans. Interest credit, however, continue to be added to employees' account.

The retirement age is 65 years old.

In the United Kingdom, Technicolor mainly maintains a dedicated funded pension plan, which provides retirement annuity benefits. This plan is no longer available to new entrants.

The retirement age is 65 years old.

In France, the Group is legally required to pay lump sums to employees when they retire. The amounts paid are defined by the collective bargaining agreement in force and depend on years of service within the Group and employee's salary at retirement.

The retirement age is 62 years old but the average retirement age observed is 64 years old.

In other countries, Technicolor maintains pension plans in Mexico, in Belgium, in South Korea and in Japan. The benefits are mainly based on employee's pensionable salary and length of service.

Medical Post-retirement benefits

In the U.S. & in Canada, Technicolor provided to certain employees a post-retirement medical plan. The medical plan in the U.S. includes basic medical and dental benefits and has been closed to new entrants. The medical plan in Canada includes life insurance, health and dental care benefit coverage and was closed to new entrants.

9.2.1.3 Multi-employer plan

Since August 2009, Technicolor participates in the Motion Picture Industry multi-employer defined benefit plan in the U.S. As the information about the dividing up of plan financial position and performance between each plan Member are not available, Technicolor accounts for this plan as a defined contribution plan.

The average expense incurred each year is around €3 million.

9.2.2. Elements of the statement of operations and other comprehensive income

9.2.2.1 Statements of operations

	(€ in million)		Medical		TOTAL	
			Pension plan benefits		Post-retirement benefits	
			2019	2018	2019	2018
Service cost:						
- Current service cost	(3)	(2)	-	-	(3)	(2)
- Past service cost and gain from settlements	3	1	-	-	3	1
Financial interest expense, net:						
- Interest cost on obligation	(13)	(12)	-	-	(13)	(12)
- Interest income on plan assets	6	5	-	-	6	5
Components of defined benefit costs recognized in profit or loss	(7)	(8)	-	-	(7)	(8)

9.2.2.2 Other comprehensive income

	(€ in million)		Medical		TOTAL	
			Pension plan benefits		Post-retirement benefits	
			2019	2018	2019	2018
Opening					(178)	(192)
Actuarial gains/(losses) arisen on plan assets:						
- due to the return on plan assets	20	(14)	-	-	20	(14)
Actuarial gains/(losses) arisen on benefit obligation:						
- due to changes in demographic assumptions	(2)	6	-	-	(2)	6
- due to changes in financial assumptions ⁽¹⁾	(53)	19	-	-	(53)	19
- due to experience adjustments	(9)	3	-	-	(9)	3
Components of defined benefit costs recognized in OCI	(44)	14	-	-	(44)	14
Closing					(222)	(178)

(1) In 2019, the decrease in discount rates (see Note 9.2.5) resulted in actuarial losses for €45 million. In 2018, the increase in discount rates resulted in actuarial gains for €19 million.

9.2.3. Analysis of the change in benefit obligation and in plan assets

	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2019	2018	2019	2018	2019	2018
(€ in million)						
Benefit obligation at opening	(518)	(573)	(6)	(6)	(524)	(579)
Current service cost	(2)	(2)	-	-	(2)	(2)
Interest cost	(13)	(12)	-	-	(13)	(12)
Remeasurement - actuarial gains / (losses) arising from:						
- changes in demographic assumptions	(2)	6	-	-	(2)	6
- changes in financial assumptions	(53)	19	-	-	(53)	19
- experience adjustments	(10)	3	-	-	(10)	3
Past service cost, including gains / (losses) on curtailments	2	1	-	-	2	1
Benefits paid	34	38	-	-	34	38
Currency translation adjustments	(10)	(3)	-	-	(10)	(4)
Others (Change in Pension system) ⁽¹⁾	-	6	-	-	-	6
Benefit obligation at closing	(572)	(518)	(6)	(6)	(578)	(523)
<i>Benefit obligation wholly or partly funded</i>	<i>(266)</i>	<i>(231)</i>	<i>-</i>	<i>-</i>	<i>(266)</i>	<i>(231)</i>
<i>Benefit obligation wholly unfunded</i>	<i>(306)</i>	<i>(287)</i>	<i>(6)</i>	<i>(6)</i>	<i>(312)</i>	<i>(293)</i>
Fair value of plan assets at opening	178	197	-	-	178	197
Interest income	6	5	-	-	6	5
Remeasurement gains / (losses)	20	(14)	-	-	20	(14)
Employer contribution	7	7	-	-	7	7
Benefits paid	(15)	(19)	-	-	(15)	(19)
Currency translation adjustments	7	2	-	-	7	2
Others (Change in Pension system)	-	-	-	-	-	-
Fair value of plan assets at closing	203	178	-	-	203	178
Retirement benefit obligations	(369)	(340)	(6)	(6)	(375)	(346)

The Group expects the overall 2020 benefits paid to be equal to €34 million for defined benefits plans, of which €21 million directly by the company to the employees and €13 million by the plans.

9.2.4. Plan assets

9.2.4.1 Funding policy and strategy

When defined benefit plans are funded, mainly in the U.S. and in the U.K., the investment strategy of the benefit plans aims to match the investment portfolio to the membership profile.

In the U.K., contributions are negotiated with the Trustees as per the triennial valuation. Trustees are advised by an external leading global provider of risk management services regarding investment policy. The average yearly funding contribution is GBP 3 million (€4 million at 2019 average rate).

In the U.S., Technicolor's policy is to contribute on an annual basis in an amount that is at least sufficient to meet the minimum requirements of the U.S. law. The average yearly contribution is 4 million of U.S. dollars (€3 million at 2019 average rate).

Periodically an asset-liability analysis is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles.

- In the U.S., as the pension plan is frozen, the investment strategy aims to increase the funded ratio toward termination liability while simultaneously attempting to minimize the volatility of the funded ratio (currently funded ratio is above 75%). Asset mix is fully based on bonds and cash equivalents. Over the past several years, the return of the plan has on average exceeded the expected return.

- In the U.K., the funded status is above 77%. Asset mix is based on 33% of insurance contracts that cover obligations with pensioners, 42% of bonds and cash equivalents, 19% of equity instruments, and 6% of properties. The annualized performance of the plan exceeds the expected return on a 3-year basis.

9.2.4.2 Disaggregation of the fair value by category

(in % and € in millions)

	Plan assets allocation at December 31		Fair value of plan assets at December 31	
	2019	2018	2019	2018
Cash and cash equivalents	3%	2%	6	3
Equity investments	10%	9%	21	16
Debt securities	67%	69%	137	123
Properties	1%	2%	2	4
Annuity contracts	19%	18%	38	33
Total	100%	100%	204	178

The fair value of the above equity and debt instruments is determined based on quoted market prices in active markets. The fair value of the plan assets did not include any Technicolor's own financial instruments or any asset used by the Group.

The 2019 actual return on plan assets amounts to €25 million (€(9) million in 2018).

9.2.5. Assumptions used in actuarial calculation

	Pension plan benefits		Medical post-retirement benefits	
	2019	2018	2019	2018
Weighted average discount rate	1.6%	2.50%	2.8%	3.90%
Weighted average long-term rate of compensation increase	1.20%	1.20%	N/A	N/A

Discount rate methodology

The projected benefit cash flows under the U.S. schemes are discounted using a specific yield curve based on AA rated corporate bonds. The discount rates used for the Euro zone and the U.K. are determined based on AA rate corporate bonds common indexes and are as follows:

(in %)	Pension plan benefits	Early retirement	Medical post-retirement benefits	Index Reference
Euro zone	0.77%	0.00%	N/A	Iboxx AA10+
U.K.	2.00%	N/A	N/A	Aon Hewitt AA curve
U.S.	2.65%	N/A	2.87%	Citigroup pension discount curve

9.2.6. Risk associated to the plans & sensitivity analysis

Pension plans are mainly exposed to:

- Longevity risk due to mortality assumption;
- Financial risks due to discount rate and salary increase rate assumptions.

Medical plans are mainly exposed to:

- Longevity risk due to mortality assumption;
- Financial risks due to discount rate and medical trend rate assumptions.

The sensitivity of the actuarial valuation is described below:

- If the discount rate is 0.25% higher, the obligation would decrease by €17 million;
- If the discount rate is 0.25% lower, the obligation would increase by €19 million;
- If the healthcare costs are 1% higher, the obligation would increase by less than €1 million;
- If the healthcare costs are 1% lower, the obligation would decrease by less than €1 million;
- If the salary increase rate is 0.25% higher, the obligation would increase by €1 million;
- If the salary increase rate is 0.25% lower, the obligation would decrease by less than €1 million.

The sensitivity analysis presented have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

9.3. Share-based compensation plans

The Group issues equity-settled and cash-settled share-based payments to certain employees. According to IFRS 2, the advantage given to the employees regarding the grant of stock options or free shares consists of an additional compensation to these employees estimated at the grant date.

Equity-settled share-based payments are measured at fair value at the grant date. They are accounted for as an employee expense on a straight-line basis over the vesting period of the plans, based on the Group's estimate of instruments that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at the current fair value determined at each balance sheet date with any changes in fair value recognized in profit or loss for the period within "Other financial income (expense)". In addition, for plans based on non-market performance conditions, the probability of achieving the performance is assessed each year and the expense is adjusted accordingly.

The fair value of instruments, and especially of options granted, is determined based either on a binomial option pricing model or on the Black-Scholes valuation model that takes into account an annual reassessment of the expected number of exercisable options. The Monte Carlo model may also be used for taking into account some market conditions.

9.3.1. Stock-options plans granted by Technicolor

Management Incentive Plans (MIP)

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

As of December 31, 2019, 9,853,731 subscription options are still outstanding (respectively 6,169,401 options, 3,186,485 options, 77,845 options and 420,000 options related to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

2016, 2017, 2018 Long Term Incentive Plan (LTIP)

The Shareholders' Meeting of April 29, 2016, in its twenty-eight resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 26-month period

and is valid until June 29, 2018. The shares to be issued pursuant to this authorization shall not give rights to a total of shares greater than 8,239,744.

Making use of this authorization, the Board of Directors approved on April 29, 2016, on January 6, 2017 and on April 25, 2018 the implementation of respectively 2016, 2017 and 2018 Long Term Incentive Plan.

These three-year plans provide conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the cumulative achievement of Adjusted EBITDA and Free Cash Flow targets for the three years from 2016 through 2019 (LTIP 2016), from 2017 through 2019 (LTIP 2017), from 2018 through 2020 (LTIP 2018) and the satisfaction of a continued employment condition for the full duration of the Plan (through April 30, 2019 for LTIP 2016, through April 30, 2020 for LTIP 2017 and through April 30, 2021 for LTIP 2018).

The Board of Directors of February 27, 2019 found that targets for the LTIP 2016 were not met and therefore no Performance Shares were delivered.

As of December 31, 2019, the outstanding share rights under the plans amounts to 3,261,720 & 600,000 performance shares rights for respectively LTIP 2017 and LTIP 2018.

2019 Long Term Incentive Plan (LTIP)

The Shareholders' Meeting of June 14, 2019, in its twentieth resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 12-month period and is valid until June 13, 2020. The shares to be issued pursuant to this authorization shall not give rights to a total of shares greater than 3,000,000.

Asking use of this authorization, the Board of Directors approved on June 14, 2019, the implementation of 2019 Long Term Incentive Plan.

This three-year plan provides conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the satisfaction of a continued employment condition through June 14, 2022.

As of December 31, 2019, the outstanding share rights under the plan amounts to 2,609,306 performance shares rights.

As of December 31, 2019, the total number of outstanding stock options amounted to a maximum of 9,853,731 options and the total number of rights to receive shares amounted to 6,471,026 rights granted to employees and Directors.

The details of these options and shares are disclosed hereafter.

	Type of plan	Grant date	Number of instruments initially granted	Number of instruments outstanding	Initial number of beneficiaries	Vesting date	Contractual instrument life	Exercise price ⁽¹⁾	Estimated fair values granted ⁽¹⁾
MIP 2015 Options (*)	Subscription options	May 23, 2013 and June 7, 2013	16,398,000	5,998,141	94	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€3.19	€1.06
MIP 2015 Options (*)	Subscription options	October 24, 2013	200,000	103,794	1	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€3.93	€1.40
MIP 2015 Options (*)	Subscription options	March 26, 2014	215,000	67,466	2	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€4.53	€1.73
MIP 2016 Options (*)	Subscription options	June 20, 2014	2,830,000	1,642,545	40	June 2016 (50%) June 2017 (25%) June 2018 (25%)	8 years	€5.79	€1.82
MIP 2016 Options (*)	Subscription options	October 21, 2014	1,915,000	1,128,764	24	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€4.92	€1.45
MIP 2016 Options (*)	Subscription options	April 9, 2015	400,000	415,176	1	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€5.83	€1.88
MIP June 2017 Options (*)	Subscription options	June 26, 2015	250,000	77,845	2	June 2017 (50%) June 2018 (25%) June 2019 (25%)	8 years	€5.88	€1.91
MIP October 2017 Options (*)	Subscription options	December 3, 2015	1,710,000	420,000	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
2016 LTIP (**)	Performance shares	April 29, 2016	2,760,500	0	187	April 2019	-	-	€5.69
2016 LTIP (**)	Performance shares	July 27, 2016	66,000	0	12	April 2019	-	-	€5.47
2016 LTIP (**)	Performance shares	October 20, 2016	214,000	0	18	April 2019	-	-	€5.14
2017 LTIP (**)	Performance shares	January 6, 2017	162,000	125,643	10	April 2020	-	-	€ 3.78
2017 LTIP (**)	Performance shares	March 9, 2017	4,003,000	2,850,841	218	April 2020	-	-	€ 3.78
2017 LTIP (**)	Performance shares	April 26, 2017	200,000	200,000	1	April 2020	-	-	€ 4.33
2017 LTIP (**)	Performance shares	July 26, 2017	142,500	85,236	15	April 2020	-	-	€ 3.38
2018 LTIP (**)	Performance shares	April 25, 2018	307,000	300,000	2	April 2021	-	-	€ 1.27
2018 LTIP (**)	Performance shares	June 25, 2018	330,000	300,000	12	April 2021	-	-	€ 1.27
2019 LTIP (**)	Performance shares	June 14, 2019	200,000	200,000	1	June 2022	-	-	€ 0.77
2019 LTIP (**)	Performance shares	July 24, 2019	2,383,000	2,335,306	175	June 2022	-	-	€ 0.77
2019 LTIP (**)	Performance shares	November 5, 2019	74,000	74,000	4	June 2022	-	-	€ 0.77

(*) Management Incentive Plans (MIP) (see description above).

(**) Long Term Incentive Plan (LTIP) (see description above).

(1) Exercise prices and number of options outstanding were modified following the 2015 capital increases

9.3.2. Changes in outstanding options & free shares

Movements in the number of options and free shares outstanding with their related weighted average exercise prices are as follows for 2019 and 2018:

	Number of options and free shares	Weighted Average Exercise Price (in €)
Outstanding as of December 31, 2017 (with an average remaining contractual life of 5 years – excluding free shares)	19,431,172	4.48 <i>(ranging from 0 to 7)</i>
<i>Of which exercisable</i>	<i>11,087,249</i>	<i>4.27</i>
Granted ^(*)	637,000	na
Delivered (Free Share Plan)	-	na
Delivered (MIP)	-	na
Forfeited & other	(2,932,338)	5.48
Outstanding as of December 31, 2018 (with an average remaining contractual life of 4 years – excluding free shares)	17,135,834	4.30 <i>(ranging from 0 to 7)</i>
<i>Of which exercisable</i>	<i>10,652,013</i>	<i>4.30</i>
Granted ^(*)	2,657,000	0.77
Delivered (Free Share Plan)	-	-
Delivered (MIP)	-	-
Forfeited & other	(3,468,077)	5.70
Outstanding as of December 31, 2019 (with an average remaining contractual life of 3 years – excluding free shares)	16,324,757	3.43
<i>Of which exercisable</i>	<i>9,853,731</i>	<i>4.14</i>

(*) Related to 2018 and 2019 Long Term Incentive Plan (LTIP)

Significant assumptions used

The estimated fair values of the options granted were calculated using the Black&Scholes valuation model. The inputs into the model were as follows:

<i>(in % and in euro)</i>	Stock options plan granted in							
	December 2015	June 2015	April 2015	October 2014	June 2014	March 2014	October 2013	May & June 2013
Weighted average share price at measurement date	7.05	6.13	6.06	4.71	5.68	4.88	4.06	3.2
Weighted average exercise price	7.11	5.88	5.83	4.92	5.79	4.53	3.93	3.19
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%
Expected option life ^(*)	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Risk free rate	0.12%	0.17%	0.17%	0.13%	0.31%	0.62%	0.77%	0.62%
Expected dividend yield	0.70%	0.8%	0.80%	0%	0%	0%	0%	0%
Fair value of option at measurement date	2.27	1.91	1.88	1.45	1.82	1.73	1.4	1.06

(*) Expected option life is shorter than the contractual option life as it represents the period from grant date to the date on which the option is expected to be exercised.

Factors that have been considered in estimating expected volatility for the long-term maturity stock option plans include:

- the historical volatility of Technicolor's shares over the longest period available;
- adjustments to this historical volatility based on changes in Technicolor's business profile.

For shorter maturity options, expected volatility was determined based on implied volatility on Technicolor's share observable at grant date.

For the 2013 free shares granted as part of Free Share Plan, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €3.87 and a dividend rate of 0%.

For the 2016 performance shares granted as part of the 2016 LTIP, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €5.65 and a 3-years expected yearly dividend of €0.18.

For the 2017 performance shares granted as part of the 2017 LTIP, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €3.79 and a 3-years expected yearly dividend of €0.18.

For the 2018 performance shares granted as part of the 2018 LTIP, Technicolor considered an expected turnover of 10% based on historical data of related beneficiaries, an average initial share price of €1.27 and a 3-years expected yearly dividend of €0.

For the 2019 performance shares granted as part of the 2019 LTIP, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €0.77 and a 3-years expected yearly dividend of €0.

9.3.3. Compensation expenses charged to income

The compensation charged to income for the services received during the period amount to € 2 million (expense) and € 9 million (income) for the years ended December 31, 2019 and 2018. The counterpart of this expense has been credited to equity.

9.4. Key management compensation

Directors' fees and compensation expenses (incl. Social security costs) amounted to € 0.9 million in 2019 and € 0.7 million in 2018. The amounts due to Directors who are non-resident for French tax purposes are subject to a withholding tax. Fees due to Directors and advisors in respect to fiscal year 2019 will be paid in 2020.

Compensation expenses allocated by the Group to Members of the executive committee (including those who left this function during 2019 and 2018), during 2019 and 2018 are shown in the table below:

<i>(€ in million)</i>	2019 ⁽¹⁾	2018 ⁽¹⁾
Short-term employee benefits ⁽¹⁾	15	12
Termination benefits ⁽²⁾	-	1
Share-based payment	1	(3)
Total	16	10

(1) 15 members in 2019 and 13 members in 2018.

(2) Amounts accrued under post-employment obligations are almost nil as of December 31, 2018 and 2019.

The share-based payment is a €3 million income in 2018 as the expense for services rendered related to incentive plans has been reversed further to non-achieved targets.

In addition, a non-compete indemnity of €0,8 million is due to Mr Frédéric Rose of which €0,2 million relate to Technicolor's commitment for 2019.

The Members of the executive committee can benefit from severance packages in case of an involuntary termination and in absence of fault, which represent a total estimated amount of €9 million.

10. Provisions & contingencies

Provisions are recorded at the balance sheet date when the Group has an obligation as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

The obligation may be contractual, legal, regulatory or it may represent a constructive obligation deriving from the Group's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the Group has indicated to other parties that it will accept certain responsibilities, and as a result, has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The recorded provision represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded but details of the obligation are disclosed in the notes to the consolidated financial statements.

Where the discounting effect is material, the recorded amount is the present value of the expenditures expected to be required to settle the related obligation. The present value is determined using pre-tax discount rates that reflect the assessment of the time value of money. Unwinding of discounts is recognized in the line item "Net financial income (expense)" in the consolidated statement of operations.

Accounting estimates and judgments

Technicolor's management is required to make judgments about provisions and contingencies, including the probability of pending and potential future litigation outcomes that, by their nature, are dependent on future events that are inherently uncertain. In making its determinations of likely outcomes of litigation and tax matters, management considers the opinion of outside counsel knowledgeable about each matter, as well as developments in case law.

Provisions for restructuring

Provisions for restructuring costs are recognized when the Group has a constructive obligation towards third parties, which results from a decision made by the Group before the balance sheet date and supported by the following items:

- The existence of a detailed and finalized plan identifying the sites concerned, the location, the role and the approximate number of headcounts concerned, the nature of the expenses that are to be incurred and the effective date of the plan; and
- The announcement of this plan to those affected by it.

The restructuring provision only includes the costs directly linked to the plan.

10.1. Detail of provisions

	Provisions for warranty	Provisions for risks & litigations related to		Provisions for restructuring related to		Total
		continuing operations	discontinued operations	continuing operations	discontinued operations	
(€ in million)						
As of December 31, 2018	36	29	39	28	-	132
Current period additional provision	12	9	19	33	-	73
Release	(12)	(6)	(3)	(3)	-	(24)
Usage during the period	(10)	(18)	(23)	(35)	-	(86)
Other movements and currency translation adjustments	-	(9)	21	(7)	-	5
As of December 31, 2019	26	5	53	16	-	100
Of which current	26	3	25	16	-	70
Of which non-current	-	2	28	-	-	30

The provisions for restructuring are mainly composed of termination costs related to continuing operations (for both employees and facilities).

10.2. 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:

Brazilian tax Litigation

The Brazilian Tax Authorities have raised a tax assessment on Technicolor Brasil Midia E Entretenimento LTDA for fiscal years 2014 and 2015. Technicolor appealed to the first-tier tribunal to challenge the whole tax assessment.

Taoyuan County Form RCA Employees' Solicitude Association

Technicolor, certain of its subsidiaries and General Electric are being sued by an association of former employees (or heirs of former employees) at a former manufacturing facility in Taiwan (TCETVT). They allege exposure to various contaminants while living and working at the facility, which allegedly caused them to suffer various diseases, including cancer, or caused emotional distress from fear that living and working at the facility increased their risk of contracting diseases.

After a first ruling of the Taiwan court and an appeal before the Taiwan High Court (first appeals court), the Taiwan Supreme Court, in August 2018:

- (i) confirmed the Taiwan High Court decision of awarding NTD 517.75 million (c. €15.4 million at the exchange rate as of December 31, 2019) in damages to 260 claimants; and
- (ii) remanded the claims of 246 claimants for further proceedings at the High Court.

General Electric paid to the Court the full amount of the decision in December 2019.

In 2016, the association brought a second lawsuit against Technicolor and certain of its subsidiaries and General Electric on behalf of additional former workers making virtually identical allegations as were made in the first lawsuit. The Taipei District Court announced its ruling on 27 December 2019 and awarded approximately NTD \$2.3 billion (c. €68.5 million at the exchange rate as of December 31, 2019) plus late interest penalty. Technicolor and General Electric were held jointly and severally liable. Technicolor intends to appeal this decision.

Technicolor and its subsidiaries claim, among other reasons, that TCETVT operated for less than four years after its purchase from General Electric, while General Electric and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

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

Cathode Ray Tubes cases

United States

Between 2014 and 2017, Technicolor settled with all plaintiffs in the legal actions that Technicolor had been defending in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry.

However, the District Court decision approving the settlement in 2015 for \$13.75 M in June 2015 of a class action brought by a group of indirect purchasers of CRT was remanded in February 2019 to the U.S. District Court by the California Court of Appeals so that the District Court may reconsider its approval of the settlement. As part of the remand process, the settlement agreement was amended by agreement of the parties in September 2019, which, if approved by the Court, will result in a small part of the settlement amount being returned to the defendants, including Technicolor, and plaintiffs from nine US states being excluded from the settlement. Approval of the amended settlement agreement is pending with the District Court. Since September 2019, motions to intervene and complaints were filed

by consumers from those nine states. Those motions also are pending with the District Court. Technicolor believes that its exposure is limited in size and that it has valid means of defense.

Europe

Since 2014, Technicolor has also been defending, along with other defendants (Samsung, LG, Philips, etc.), several similar legal actions in various European jurisdictions alleging damages suffered as a result of anticompetitive behaviour in the CRT industry until 2005. All such cases are in the wake of the EU Commission decision of December 2012 pursuant to which Technicolor was fined €38.6M as a result of alleged involvement in a cartel. The cases are as follows:

- In the Netherlands, a case filed by Vestel, a Turkish TV manufacturer, under Turkish law. Vestel also brought suit in Turkey, which was dismissed on procedural grounds in January 2019.
- In the Netherlands, a case filed by three Brazilian TV manufacturers under Brazilian law.
- In Germany, two cases against three German former TV manufacturers (Grundig and Loewe/Metz) under German law. In 2018 and 2019, the German first instance court found all defendants liable in principle. Technicolor appealed these decisions.

At this time, Technicolor is unable to assess the potential outcome from those cases and the resulting potential liability due to the complexity of the cases, as Technicolor is still defending certain of these on procedural grounds and/or as the claims have not all been fully substantiated. Depending on jurisdictions, decisions on quantum are not expected before 2021 or 2022.

Technicolor also defended a case in the United Kingdom against Arcelik, a Turkish manufacturer, which was settled in February 2020.

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 were detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired from GE in a 1987 transaction. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. EPB and TCETVT continue to negotiate over the scope of that work. Technicolor has reached an agreement with General Electric with respect to allocation of responsibility related to the soil and groundwater remediation.

In addition to soil and groundwater contamination, the Group sells or has sold in the past products which are subject to recycling requirements and is exposed to changes in environmental legislation affecting these requirements in various jurisdictions.

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

11. Specific operations impacting the consolidated statement of cash-flows

11.1. Acquisitions and disposals of subsidiaries & investments

The details for the acquisition of subsidiaries and investments, net of cash position of companies acquired, are as below:

(€ in million)	2019	2018
LG	(2)	2
Others	(1)	(1)
Acquisition of investments	(3)	1
Less cash position of companies acquired	-	-
ACQUISITION OF INVESTMENTS, NET	(3)	1

The details for the disposal of subsidiaries and activities, net of cash position of companies disposed off, are as below:

(€ in million)	2019	2018
Digital Cinema activity ⁽¹⁾	3	7
Others	(2)	1
Disposal of investments	1	8
Less cash position of companies disposed off	-	(3)
DISPOSAL OF INVESTMENTS, NET	1	5

(1) Activity transferred to Deluxe in 2015, with annual earnout payments

11.2. Cash impact of debt repricing and financing operations

(€ in million)	2019	2018
Proceeds from non-current borrowings	-	-
Reimbursement of non-current borrowings to debt holders	-	-
Cash impact of non-current borrowings variation	-	-
Proceeds from current borrowings	1	-
Reimbursement of current borrowings to debt holders ⁽¹⁾	(97)	(122)
Cash impact of current borrowings variation	(96)	(122)
Disposal of treasury shares (net of fees paid) ⁽²⁾	1	-
Fees paid for debt ⁽³⁾	(1)	(3)
TOTAL CASH IMPACT OF REFINANCING AND SHARE CAPITAL OPERATIONS	(96)	(125)

(1) In 2019, €91 million related to repayments of lease debts and €2 million related to 2018 Term Loan Debt. In 2018, €90 million related to the EIB loan were repaid and €3 million related to 2018 Term Loan Debt.

(2) In 2019, Technicolor sold treasury shares for consideration of €1 million.

(3) Fees paid directly linked to the Group's debt have been recorded as financing cash flows:

In 2019, it includes mainly fees related to the Group's credit lines for €1 million.

In 2018, it includes €4 million for the new Term Loan Debt issued in March 2018, €1 million for the Term Loan Debt done in December 2016, and €2 million for revolving credit facility fees.

The tables below show the Group's borrowing variation in the Balance Sheet:

(en million d'euros)	December 31, 2018	Cash impact of borrowing variation ⁽¹⁾	Non cash variation					Transfer Current - Non current	Other movements	December 31, 2019
			IFRS 16 adoption	New leases	IFRS discount of debts	Currency Translation Adjustments				
Non current borrowing	1,004	(3)	(27)		5	-	-	0	979	
Current borrowing	20	-	(14)		-	-	-	2	8	
TOTAL BORROWING	1,024	(3)	(41)		5	-	-	2	987	
Non current lease liabilities	-	(68)	331	24	20	8	(91)	-	224	
Current lease liabilities	-	(26)	14	8	-	-	91	-	87	
TOTAL LEASE LIABILITIES	-	(94)	345	32	20	8	(0)	-	311	

(1) In 2019, €2 million are related to cash flows from discontinued activities

(en million d'euros)	December 31, 2017	Cash impact of borrowing variation	Non cash variation					Transfer Current - Non current	Other movements	December 31, 2018
			Capital leases recognition	IFRS discount of Term Loan Debt	Currency Translation Adjustments					
Non current borrowing	1,077	-	-	21	(10)	11	(92)	(3)	1,004	
Current borrowing	20	(93)	-	10	(14)	1	92	4	20	
TOTAL BORROWING	1,097	(93)	-	31	(24)	12	-	1	1,024	

11.3. Contractual obligations and commercial commitments

The following table provides information regarding the aggregate maturities of contractual obligations and commercial commitments as of December 31, 2019 for which the Group is either obliged or conditionally obliged to make future cash payments but cannot be recognized in the balance sheet. This table includes firm commitments that would result in unconditional or conditional future payments but excludes all options since the latter are not considered as firm commitments or obligations. When an obligation leading to future payments can be cancelled through a penalty payment, the future payments included in the tables are those that management has determined most likely to occur.

(€ in million)	Amount of commitments by maturity				
	2019	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Off-balance sheet obligations					
Unconditional future payments					
Operating leases (see Note 4.5)	3	0	2	0	0
Other unconditional future payments ⁽¹⁾	11	0	5	4	2
Total Unconditional future payments	14	0	7	4	2
Conditional future payments					
Guarantees given and other conditional future payments	10	0	3	0	7
Total Conditional future payments	10	0	3	0	7

(1) Other unconditional future payments relate mainly to the maintenance costs associated with the lease.

The Group provides certain guarantees to third parties (financial institutions, customers, partners and government agencies) to ensure the fulfilment of contractual obligations by Technicolor and its consolidated subsidiaries in the ordinary course of their business. The guarantees are not shown in the table above as they do not increase the Group's commitments in relation to the initial commitments undertaken by the entities concerned.

Subsidiaries within the DVD Services segment may provide guarantees to its customers on the products stored and then distributed against any risk or prejudice that may occur during manufacturing, storage or distribution. Such guarantees provided are covered by insurance and are therefore excluded from the table above.

The disclosed guarantees comprise:

- A parental guarantee provided by Technicolor SA to secure the UK pension plan under Section 75 for €6 million;
- Various operational guarantees granted to customs administrations in order to exempt from duties goods transiting through customs warehouses for re-exportation, and transit guarantees in order that taxes on goods are only paid at their final destination in the import country. The maturity of these bank guarantees matches the one-month renewable term of the agreements.

Guarantees and commitments received amount to € 95 million as of December 31, 2019. This amount is mainly related to the royalties from Trademarks licensees.

Total off-balance sheet unconditional future payments and conditional future payments as of December 31, 2018, amounted respectively to €323 million and €50 million on continuing entities. Excluding operating leases, this amount would have been €67 million.

12. Discontinued operations and held for sale operations

12.1. Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of (by sale or otherwise) or is held for sale. In accordance with IFRS 5, to be disclosed as discontinued:

- *the operation must have been stopped or be classified as “asset held for sale”;*
- *the component discontinued must clearly be distinguishable operationally and for reporting purposes;*
- *it must represent a separate major line of business (or geographical area of business);*
- *it must be part of a single major plan of disposal or is a subsidiary acquired exclusively for resale.*

The profit (loss) from discontinued operations is presented as a separate line item on the face of the statement of operations with a detailed analysis provided below. The statement of operations data for all prior periods presented are reclassified to present the results of operations meeting the criteria of IFRS 5 as discontinued operations. In the statement of cash flows, the amounts related to discontinued operations are disclosed separately.

When a non-current asset or disposal group no longer meet the held for sale criteria, the asset or disposal group ceases to be classified as held for sale.

It is then measured at the lower of:

- *its carrying value before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization that would have been recognized had the asset (or disposal group) not been classified as held for sale; and*
- *its recoverable amount at the date of the subsequent decision not to sell. Recoverable value is the higher of fair value less costs to sell and value in use.*

Any adjustment to the carrying amount is included in profit and loss from continuing operations in which the assets ceased to be classified as held for sale.

On July 30, 2018, the Group concluded the sale to InterDigital of its Patent Licensing division for a total price of \$220 million (€188 million) which generated a €210 million gain and a €116 million cash impact (see note 2.3 for details).

On February 11, 2019, the Group announced being in exclusive negotiations with InterDigital for the divestiture of its Research & Innovation activity. As the sale was highly probable according to IFRS 5, the Research & Innovation activity was classified as Discontinued Operations and assets and liabilities classified as Assets and Liabilities held for sale in the Consolidated Statement of Financial Position as of December 2018.

On May 31, 2019, the Group concluded the sale to Interdigital of its Research & Innovation business

Other discontinued activities relate to remaining subsequent impacts of activities disposed of or abandoned such as Cathode Tubes activities from 2004 and 2005.

12.1.1 Results of discontinued operations

(€ in million)	Year ended December 31,	
	2019	2018
DISCONTINUED OPERATIONS		
Revenues	6	18
Cost of sales	(3)	(15)
Gross margin	3	3
Selling and administrative expenses	(7)	(14)
Research and development expenses	(11)	(20)
Restructuring Costs	(0)	(1)
Net impairment gains (losses) on non-current operating assets	(1)	(4)
Other income (expenses)	(9)	205
Earning before Interest & Tax from discontinued operations	(25)	169
Financial net income (expenses)	2	(1)
Income tax	1	(11)
Net income (loss)	(22)	157

In 2019, the statements of operations includes 5 months of the activity Research & Innovation. The gain on sale of the Research & Innovation business, which amounts to €8 million, is presented in Other income.

In 2018, the statement of operations includes 7 months of the activity of Patent Licensing business and 12 months of the activity of Research& Innovation Activity. The gain on sale of the Patent Licensing business, which amounts to €210 million, is presented in Other income.

12.1.2 Net cash from discontinued operations

<i>(€ in million)</i>	December 31,	
	2019	2018
Profit (loss) from discontinued activities	(22)	157
<i>Summary adjustments to reconcile profit from discontinued activities to cash generated from discontinued operations</i>		
Depreciation and amortization	1	1
Impairment of assets	1	4
Net change in provisions	7	(15)
Profit (loss) on asset disposals ⁽¹⁾	(9)	(210)
Other non-cash items (including tax)	3	10
Changes in working capital and other assets and liabilities	2	50
Income tax paid	5	(1)
NET OPERATING CASH GENERATED FROM DISCONTINUED ACTIVITIES (I)	(11)	(4)
NET INVESTING CASH USED IN DISCONTINUED ACTIVITIES (II) ⁽²⁾	(20)	115
Repayments of borrowings	(2)	(6)
NET FINANCING CASH USED IN DISCONTINUED ACTIVITIES (III)	(2)	(6)
NET CASH FROM DISCONTINUED ACTIVITIES (I+II+III)	(33)	105

(1) In 2018, it includes the gain on sale of Patents Licensing business for €210 million.

(2) In 2019, it includes mainly payment of liabilities covered by Technicolor in connection with disposal of Patents Licensing and Research & Innovation businesses.

In 2018, it includes the cash impact from the sale of Patents Licensing Business for €115 million.

12.2. Assets & liabilities held for sale

A non-current asset (or disposal group) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This means the asset (or disposal group) is available for immediate sale and its sale is highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of its fair value less costs to sell and its carrying amount. Any impairment loss for write-down of the asset (or disposal group) to fair value (less costs to sell) is recognized in the statement of operations.

<i>(€ in million)</i>	December 31, 2019	December 31, 2018
Assets classified as held for sale	-	28
Liabilities classified as held for sale	-	51

As of December 31, 2019, no assets and liabilities were held for sale.

As of December 31, 2018, assets and liabilities held for sale include:

- the assets and liabilities resulting from the cooperation agreement with InterDigital, i.e. the deferred income corresponding to the services to be rendered by the research cooperation (€42 million)
- the assets and liabilities of Research & Innovation activity.

13. Subsequent events

On February 13, 2020, the Group announced its 2020-2022 strategic plan, focused on a more disciplined approach to business selection whilst continuing to provide market leading products and services. Concurrently the Group announced three transactions aimed at strengthening its capital structure and restoring its strategic flexibility :

- A Capital increase with preferential subscription rights for shareholders for a total gross amount of circa €300 million. An Extraordinary General Meeting of Shareholders will be held on March 23, 2020 which will vote on resolutions related to the Rights Issue. It is anticipated that the equity issuance will be launched in the second quarter of 2020, subject to approval from Technicolor's shareholders, regulatory authorities, and market conditions;
- An 18-month extension of its existing RCF from December 2021 to June 2023, conditional on the successful execution of the Rights Issue. Similarly, the Wells Fargo facility will be extended by 18 months from September 2021 to March 2023;
- An additional \$110 million short-term facility which has been arranged by J.P. Morgan. The facility will provide additional liquidity headroom and will be repayable following the receipt of proceeds of the Rights Issue.

14. Table of auditors' fees

<i>(in thousands of euros)</i>	Deloitte		Mazars		Total	
	2019	2018	2019	2018	2019	2018
Statutory audit, certification, consolidated and individual financial statements						
▪ Technicolor SA	862	788	1,120	1,059	1,982	1,847
▪ Subsidiaries	1,636	1,513	1,133	1,116	2,769	2,629
Subtotal	2,498	2,302	2,253	2,175	4,751	4,477
Services other than certification of financial statements as required by laws and regulations ⁽¹⁾						
▪ Technicolor SA	34	34	-	-	34	34
▪ Subsidiaries	7	-	5	5	12	5
Subtotal	41	34	5	5	46	39
Services other than certification of financial statements provided upon the entity's request ⁽²⁾						
▪ Technicolor SA	67	135	-	445	67	580
▪ Subsidiaries	76	295	15	14	91	309
Subtotal	143	430	15	459	158	889
TOTAL	2,681	2,766	2,273	2,639	4,954	5,405

(1) Include capital increase and capital decrease reports, comfort letters and other services required by laws and regulation.

(2) Include services upon request of Technicolor or its subsidiaries (due diligence, legal and tax assistance, and various reports).

15. List of main consolidated subsidiaries

The following is a list of the principal consolidated holding entities and subsidiaries:

COMPANY - (Country)	% share held by Technicolor (% rounded to one decimal)	
	2019	2018
Fully consolidated		
Technicolor SA 8-10 rue du Renard, 75004 Paris (France)	Parent company	Parent company
Connected Home		
Technicolor Japan KK (Japan)	100.0	100.0
Technicolor Delivery Technologies (France)	100.0	100.0
Technicolor Connected Home Rennes SNC (France)	100.0	100.0
Technicolor Connected Home India Private Ltd (India)	100.0	100.0
Technicolor Korea Yuhan Hoesa (Korea Republic)	100.0	100.0
Technicolor Connected Home USA LLC (USA)	100.0	100.0
Technicolor Connected Home de Mexico SA De CV (Mexico)	100.0	100.0
Technicolor Asia Ltd (Hong-Kong)	100.0	100.0
Technicolor Delivery Technologies Australia Pty Limited (Australia)	100.0	100.0
Technicolor Brasil Midia E Entretenimento LTDA (Brazil)	100.0	100.0
Technicolor Delivery Technologies Belgium (Belgium)	100.0	100.0
Beijing Technicolor Management Co., Ltd (China)	100.0	100.0
Production Services		
The Mill Group Inc. (USA)	100.0	100.0
The Mill (Facility) LTD (USA)	100.0	100.0
MPC (Shanghai) Digital Technology Co., Ltd (China)	89.8	89.8
Mikros Image SAS (France)	100.0	100.0
Mikros Image Belgium SA (Belgium)	100.0	100.0
Technicolor India Pvt Ltd (India)	100.0	100.0
Trace VFX LLC (USA)	100.0	100.0
Technicolor Animation Productions SAS (France)	100.0	100.0
Technicolor Creative Services USA, Inc (USA)	100.0	100.0
Technicolor Canada, Inc (Canada)	100.0	100.0
Technicolor Pty, Ltd (Australia)	100.0	100.0
Technicolor Ltd (UK)	100.0	100.0
Thomson Multimedia Distribution (Netherlands) BV (The Netherlands)	100.0	100.0
Trace VFX Solutions Private India Ltd (India)	100.0	100.0
The Moving Picture Company Limited (UK)	100.0	100.0
DVD Services		
Technicolor Global Logistics, LLC (USA)	100.0	100.0
Technicolor Distribution Australia PTY LTD (Australia)	100.0	100.0
Technicolor Home Entertainment Services Inc (USA)	100.0	100.0
Technicolor Home Entertainment Services de Mexico, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Videocassette of Michigan, Inc (USA)	100.0	100.0
Technicolor Home Entertainment Services Canada ULC (Canada)	100.0	100.0
Technicolor Home Entertainment Services Southeast, LLC (USA)	100.0	100.0
Technicolor Distribution Services France SARL (France)	100.0	100.0
Technicolor Milan SpA (Italy)	100.0	100.0
Technicolor Polska sp Z.o.o (Poland)	100.0	100.0
Technicolor Disc Services International Ltd (UK)	100.0	100.0
Technicolor Mexicana, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Export de Mexico, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Pty, Ltd (Australia)	100.0	100.0

COMPANY - (Country)	% share held by Technicolor (% rounded to one decimal)	
	2019	2018
<i>Corporate & Other</i>		
Technicolor Treasury USA LLC (USA)	100.0	100.0
Technicolor USA Inc (USA)	100.0	100.0
Technicolor Asia Pacific Holdings Pte. Ltd (Singapore)	100.0	100.0
Gallo 8 SAS (France)	100.0	100.0
Sté Fr.d'Invest.et d'Arbitrage - Sofia SA (France)	100.0	100.0
Deutsche Thomson OHG (Germany)	100.0	100.0
Technicolor Trademark Management (France)	100.0	100.0
RCA Trademark Management SAS (France)	100.0	100.0
<i>Consolidated by Equity method</i>		
Technicolor SFG Technology Co. Ltd (China)	49.0	49.0
Vancouver Lab Inc (Canada)	50.0	50.0
Canada Cinema Distribution Inc (Canada)	50.0	50.0
3DCD LLC (USA)	50.0	50.0
Techfund Capital Europe FCPR (France)	19.8	19.8