TECHNICOLOR 2020 CONSOLIDATED FINANCIAL STATEMENTS

Audited consolidated financial statements as of December 31, 2020

technicolor

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CONSOLIDATED STATEMENT OF OPERATIONS

(€ in million)	Note	Year ended December 31, 2020	2019
CONTINUING OPERATIONS			
Revenues		3,006	3,800
Cost of sales		(2,725)	(3,375)
Gross margin		**281**	**425**
Selling and administrative expenses	*(3.3)*	(284)	(323)
Research and development expenses	*(3.3)*	(94)	(114)
Restructuring costs	*(10.1)*	(100)	(31)
Net impairment gains (losses) on non-current operating assets	*(4.5)*	(75)	(63)
Other income (expense)	*(3.3)*	8	(15)
Earning before Interest & Tax (EBIT) from continuing operations		**(264)**	**(121)**
Interest income		4	1
Interest expense		(82)	(70)
Net gain on financial restructuring		158	-
Other financial income (expense)		(3)	(15)
Net financial income (expense)	*(8.5)*	**77**	**(84)**
Share of gain (loss) from associates		0	(1)
Income tax	*(6)*	(5)	(3)
Profit (loss) from continuing operations		**(193)**	**(208)**
DISCONTINUED OPERATIONS			
Net gain (loss) from discontinued operations	*(12)*	(15)	(22)
Net income (loss)		**(207)**	**(230)**
Attribuable to :			
- Equity holders		*(207)*	*(230)*
- Non-controlling interest		*0*	*0*

EARNINGS PER SHARE *(in euro, except number of shares)*		Year ended December 31, 2020	2019
Weighted average number of shares outstanding (basic net of treasury shares held)	*(7.3)*	73,681,647	15,320,744
Earnings (losses) per share from continuing operations			
- basic		(2.61)	(13.60)
- diluted		(2.61)	(13.60)
Earnings (losses) per share from discontinued operations			
- basic		(0.20)	(1.41)
- diluted		(0.20)	(1.41)
Total earnings (losses) per share			
- basic		(2.81)	(15.01)
- diluted		(2.81)	(15.01)

The accompanying notes on pages 10 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ in million)	Note	Year ended, December 31, 2020	December 31, 2019
Net income (loss) for the year		**(207)**	**(230)**
Items that will not be reclassified to profit and loss			
Remeasurement of the defined benefit obligations	*(9.2)*	(14)	(44)
Tax relating to these items		(0)	(1)
Items that may be reclassified subsequently to profit or			
Fair value gains / (losses), gross of tax on cash flow hedges:			
- reclassification adjustments when the hedged forecast transactions affect profit or loss	*(8.5)*	(4)	3
Tax relating to these items		-	1
Currency translation adjustments			
- currency translation adjustments of the year		(112)	23
- reclassification adjustments on disposal or liquidation of a foreign operation		(5)	10
Tax relating to these items		(3)	-
Total other comprehensive income		**(138)**	**(8)**
Total other comprehensive income of the period		**(345)**	**(238)**
Attribuable to :			
- Equity holders of the parents		*(345)*	*(238)*
- Non-controlling interest		-	-

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	*Note*	December 31, 2020	December 31, 2019
ASSETS			
Goodwill	*(4.1)*	716	851
Intangible assets	*(4.2)*	535	632
Property, plant and equipment	*(4.3)*	140	191
Right-of-use assets	*(4.4)*	148	285
Other operating non-current assets	*(5.1)*	27	32
TOTAL OPERATING NON-CURRENT ASSETS		**1,566**	**1,991**
Non-consolidated investments	*(8.1)*	14	17
Other non-current financial assets	*(8.1)*	47	22
TOTAL FINANCIAL NON-CURRENT ASSETS		**61**	**39**
Investments in associates and joint-ventures	*(2.4)*	1	1
Deferred tax assets	*(6.2)*	45	52
TOTAL NON-CURRENT ASSETS		**1,674**	**2,082**
Inventories	*(5.1)*	195	243
Trade accounts and notes receivable	*(5.1)*	425	507
Contract assets		63	79
Other operating current assets	*(5.1)*	224	184
TOTAL OPERATING CURRENT ASSETS		**907**	**1,013**
Income tax receivable		14	36
Other financial current assets	*(8.1)*	17	13
Cash and cash equivalents	*(8.1)*	330	65
Assets classified as held for sale	*(12)*	76	-
TOTAL CURRENT ASSETS		**1,344**	**1,127**
TOTAL ASSETS		**3,018**	**3,210**

The accompanying notes on pages 10 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	*Note*	December 31, 2020	December 31, 2019
EQUITY AND LIABILITIES			
Common stock *(235,795,486 shares at December 31, 2020 with nominal value of 0,01 euro per share)*	*(7.1)*	2	414
Treasury shares	*(7.2)*	-	-
Subordinated Perpetual Notes		500	500
Additional paid-in capital & reserves		126	(540)
Cumulative translation adjustment		(456)	(339)
Shareholders equity attributable to owners of the parent		**173**	**36**
Non-controlling interests		0	0
TOTAL EQUITY		**173**	**36**
Retirement benefits obligations	*(9.2)*	325	342
Provisions	*(10.1)*	33	30
Contract liabilities		2	3
Other operating non-current liabilities	*(5.1)*	21	25
TOTAL OPERATING NON-CURRENT LIABILITIES		**381**	**400**
Borrowings	*(8.3)*	948	979
Lease liabilities	*(8.3)*	122	224
Other non-current liabilities	*(8.1)*	-	1
Deferred tax liabilities	*(6.2)*	15	27
TOTAL NON-CURRENT LIABILITIES		**1,466**	**1,631**
Retirement benefits obligations	*(9.2)*	30	33
Provisions	*(10.1)*	90	70
Trade accounts and notes payable		710	825
Accrued employee expenses		142	134
Contract liabilities		41	40
Other current operating liabilities	*(5.1)*	215	302
TOTAL OPERATING CURRENT LIABILITIES		**1,228**	**1,404**
Borrowings	*(8.3)*	16	8
Lease liabilities	*(8.3)*	56	87
Income tax payable		21	41
Other current financial liabilities	*(8.1)*	2	2
Liabilities classified as held for sale	*(12)*	56	-
TOTAL CURRENT LIABILITIES		**1,379**	**1,542**
TOTAL LIABILITIES		**2,845**	**3,173**
TOTAL EQUITY & LIABILITIES		**3,018**	**3,210**

The accompanying notes on pages 10 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ in million)	Note	December 31, 2020	December 31, 2019
Net income (loss)		**(207)**	**(230)**
Income (loss) from discontinuing activities		(15)	(22)
Profit (loss) from continuing activities		**(193)**	**(208)**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		263	322
Impairment of assets		88	63
Net changes in provisions		16	(48)
Gain (loss) on asset disposals		(14)	17
Interest (income) and expense	*(8.5)*	78	69
Net gain on financial restructuring		(158)	-
Other items (including tax)		(2)	-
Changes in working capital and other assets and liabilities		(101)	(69)
Cash generated from continuing activities		**(22)**	**146**
Interest paid on lease debt		(19)	(21)
Interest paid		(32)	(44)
Interest received		3	1
Income tax paid		(12)	(12)
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)		**(81)**	**70**
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(11.1)*	(3)	(3)
Proceeds from sale of investments, net of cash	*(11.1)*	7	1
Purchases of property, plant and equipment (PPE)		(33)	(70)
Proceeds from sale of PPE and intangible assets		0	-
Purchases of intangible assets including capitalization of development costs		(75)	(99)
Cash collateral and security deposits granted to third parties		(35)	(6)
Cash collateral and security deposits reimbursed by third parties		1	5
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)		**(138)**	**(171)**
Disposal of treasury shares	*(11.2)*	-	1
Increase of Capital	*(11.2)*	60	-
Proceeds from borrowings	*(11.2)*	760	1
Repayments of lease debt	*(11.2)*	(85)	(91)
Repayments of borrowings	*(11.2)*	(158)	(5)
Fees paid in relation to financing operations	*(11.2)*	(60)	(1)
Other		5	4
NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)		**522**	**(91)**
NET CASH FROM DISCONTINUED ACTIVITIES (IV)	*(12.1)*	**(23)**	**(33)**
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR		**65**	**291**
Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		**280**	**(226)**
Exchange gains / (losses) on cash and cash equivalents		(16)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**330**	**65**

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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, 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)**	**(238)**
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	-	-	500	(114)	(426)	(339)	36	0	36
Net income (loss)	-	-	-	-	-	(207)	-	(207)	0	(207)
Other comprehensive income	-	-	-	-	(21)	-	(117)	(138)	(0)	(138)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(21)**	**(207)**	**(117)**	**(345)**	**0**	**(345)**
Reclassification of capital decrease to the special reserve following March 23,2020 General Meeting	(414)	-	-	-	414	-	-	(0)	-	(0)
Capital increases : Subscription of 20 039 121 shares at 2.98€ net of fees following September 22,2020 General Meeting	2	-	45	-	-	-	-	47	-	47
Debt equitization at fair value	0	-	598	-	(202)	-	-	397	-	397
Issuance of warrants	-	-	-	-	38	-	-	38	-	38
Transfer of 10% of share premium to legal reserve following September 22, 2020	-	-	(0)		0			-	-	-
Change in Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Variation of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees	-	-	-	-	0		-	0	-	0
Transfer of lapsed awards from other reserves to retained earnings	-	-	-	-	(54)	54	-	-	-	-
Tax impact on equity	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2020	2	-	643	500	61	(579)	(456)	173	0	173

[1] *Fair value of Share Based Compensation plans*

The accompanying notes on pages 10 to 79 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

1.1.1. Accelerated Safeguard Plan and financial restructuring of the Group

For the record, on February 13, 2020, Technicolor presented its new 3-year Strategic Plan 2020-2022 and informed the market of its intention to strengthen its balance sheet through a €300 million rights issue with preferential subscription rights, which was authorized together with the decrease of capital and the reverse share split (1 new share for 27 former shares) by the extraordinary general meeting of the Company's shareholders on March 23, 2020, which were completed in May 2020. The Group has executed a bridge loan in March 2020 for a nominal amount of $110 million to finance its operations until the expected rights issue (the "Bridge Loan").

Since then, the Group was impacted by the Covid-19 pandemic and the accompanying sanitary measures to prevent it, causing an under-performance by the Group which increased the short-term liquidity needs of the Group, while the uncertainty in global market conditions, made it difficult to launch the initially contemplated rights issue within the planned timeline. These Covid-19 impacts are explained in note 1.1.2.

Taking into account this new situation, the Company launched a process aimed at raising a new money facility to replace the rights issue in order to finance the group's operations and to repay the $110 million bridge loan due on July 31,2020. After first contacts both with third parties and with existing creditors, the Company considered that entering into conciliation proceedings would (i) facilitate, secure and set the framework of such discussions, and (ii) allow the consideration of a wider debt restructuring of the Group.

Under these conditions, on May 26, 2020, the Company informed the market of its intention to enter into discussions with its creditors under the aegis of a court-appointed conciliator, and to require the prior agreement of the relevant majority of creditors, so that this would not be considered as a default under the existing credit documentation.

These agreements were all obtained on June 1, 2020 and on June 2, 2020, SELARL FHB, represented by Hélène Bourbouloux and Gaël Couturier, was appointed by the Court (Tribunal de Commerce de Paris) as conciliator of the Company, with the mission to assist in:

1. pursuing discussions with some of its creditors to obtain a financing covering immediate needs of the company,
2. discussions with all of its creditors on restructuring the Group's financial debt, and
3. the study of all means to end its difficulties.

Following this conciliation process, the Company prepared terms and conditions for its financial restructuring. While the time constraints did not allow for a unanimous agreement within the conciliation procedure, there was sufficient support to move forward towards an accelerated financial safeguard plan (the "Safeguard Plan").

The Court therefore launched this procedure by its judgement of June 22, 2020, for a period of one month, designating the SELARL FHB as administrators, and set the court hearing date for the review of the Safeguard Plan on July 21, 2020. The Company ensured this procedure was recognized in the

United States of America and its assets protected from creditors through Chapter 15 proceedings, also on June 22, 2020.

On the same day, the Group reached an agreement in principle with some of its main creditors on the main terms and conditions of the debt restructuring plan.

The Safeguard Plan project which formalized this agreement was approved by the *"comité des établissements de credit et assimilés"* (Banque de France) on July 5, 2020, while the parties committed themselves through various legal agreements, to support and undertake any action necessary for the finalization of the debt restructuring of the Company.
The main restructuring operations in the Safeguard Plan and the new financing, all now fully executed, are the following:

1. **New Money for an amount of c. €420 million (net of fees and commissions) to cover the needs of the Strategic Plan 2020-2022 (after Covid-19 impacts), working capital needs and complete repayment of the Bridge Loan due on July 31, 2020**

A first part of this New Money was paid by the end of July before the formal adoption of the Safeguard Plan by the Court, as follows:

- $110 million (net of fees and commissions[1]) made available to Technicolor USA, Inc. as a New York State law term loan facility in order to repay in full in cash the $110 million Bridge Loan;
  - To be fully repaid in June 2024
  - Interest :
    - Cash interest: LIBOR (0% floor) + 6% per year payable semi-annually
    - PIK interest: 6% per year capitalized semi-annually
- €140 million (net of fees and commissions[2] made available to Tech 6 (a direct subsidiary of the Company incorporated in France) by way of a New York State law notes issue;
  - To be fully repaid in June 2024
  - Interest:
    - Cash interest: EURIBOR (0% floor) + 6% per year payable semi-annually
    - PIK interest: 6% per year capitalized annually.
- New Money was secured by "fiducies-sûretés" (equivalent of a trust under French law) in respect of the shares of sub-holding companies, holding virtually all (after some corporate reorganization) of the members of the Group (the "**Fiducies**"), it being specified that the implementation of the Fiducie for the remaining New Money (see below) was submitted to a consultative vote of the EGM, in accordance with the AMF recommendation n°2015-05 on transfer of assets. The New Money was also be secured by certain other security interests, including by security over the assets that secured the Bridge Loan (for the US New Money only), the existing term loans (the "Term Loan Debt") and the existing revolving credit facility ("RCF");

The remaining New Money (€181 million net of fees and commissions) was made available at the beginning of September by way of a second New York State law notes issue. Additional security was provided to the lenders, including the « fiducie-sûreté » in respect of the shares of Gallo 8 (a direct subsidiary of the Company) which was approved by the GM held on July 20, 2020.

As a counterpart for this financing, the lenders received call options with a strike price equal to the nominal value of the shares, in proportion to their financing, exercisable during three months and representing 7.5% of the Company's capital after the capital increases (but before dilution from the shareholders' call options). In order to limit the dilution of existing shareholders from these call options, the Safeguard plan included the issuance of free shareholder call options, with a 4-year term, at the

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[1] Original Issue Discount of 5% plus underwriting fees of 3.5% plus 1.5% commitment fees on undrawn amounts

[2] OID of 5% plus underwriting fees of 3.5% plus 1.5% commitment fees on undrawn amounts

same price as the reserved capital increase (€3.58 per share) and representing 5% of the capital after all capital issuances.

2. **Restructuring of the existing indebtedness of the Group, as follows:**

- Restatement of 46.5% of the existing Term Loan Debt and RCF debt as new term loans (the "Reinstated Term Loans") for a nominal amount of c. €574 million, with a maturity on December 31, 2024 together with the pledging of some Group assets; financial conditions on the Reinstated Term Loans are as follows:
  - .1 Euro Tranche (€454 million): EURIBOR (0% floor) + 3% per year cash interest + 3% per year PIK Interest
  - .2 USD Tranche (c. €121 million): LIBOR (0% floor) + 2.75% per year cash interest + 3% per year PIK Interest
- a rights issue of the Company, with shareholders' preferential subscription rights, for a total amount of €330 million, at a subscription price of €2.98 per share, fully backstopped by the Term Loan Debt and RCF lenders by way of set-off of their claims at par under the existing credit facilities; Bpifrance Participations subscribed to the rights issue in cash pro rata its then current shareholding (c. 7.6%) on a non-reductible basis ("souscription à titre irréductible") for an aggregate amount up to €25 million; cash proceeds of the rights issue were used in full to repay the Term Loan Debt and RCF lenders, at par value;
- a reserved capital increase of the Company, for a total amount of €330 million, at a subscription price of €3.58 per share, reserved for the Term Loan Debt and RCF lenders and which was fully subscribed by way of set-off against their claims at par under the existing credit facilities;
- $125 million asset-based loan made available to Technicolor USA Inc. on November 6, 2017 and certain other US members of the Group was amended, in particular to extend the final maturity date of the loan to December 2023, and to allow the implementation of all of the transactions contemplated herein in order to achieve the restructuring.

All conditions precedent to the effective financial safeguard plan being removed, most notably the approval by the EGM on July 20, 2020, and by the Commercial Court of Paris on July 28, 2020, the final steps of the Safeguard Plan, that is the implementation of the Reinstated Term Loans and the repayment and equitization of the non reinstated debt facilities, were successfully completed in September 2020. The non reinstated Term Loan Debt and RCF debt were repaid in cash for an amount of €59,716,580.58 and equitized for an amount of €600,283,419.22.

Additionally, on September 11, 2020, the U.S. Bankruptcy Court presiding over Technicolor's Chapter 15 proceedings ordered the closing of such proceedings. This marked the final step of the Company's proceedings in the United States of America.

Following the completion of the these operations, the shareholding structure of the Company was greatly modified; details of the issuance of shares and major shareholders as of December 31, 2020 are presented in note 7.

Effects of these events on the financial statements at December 31:

The group considered the New Money debt, the conversion of part of the existing debt to equity, and the restructuring of the remaining debt after conversion to be a single complex transaction with multiple elements.

This transaction resulted in:

- derecognition of the previous debt;
- receipt of the proceeds, net of fees, from the New Money;
- recognition of new financial debt (New Money and Reinstated Term Loans);
- issuance of equity instruments to lenders (shares and New Money warrants).

The new instruments are recognized at fair value on the date of the various transactions, with the amounts being different from the nominal amounts or the amounts net of fees presented in the description of the safeguard plan. As the various transactions which permitted the implementation of the New Money debt should be analyzed as a whole, the initial fair value of the New Money and the

associated warrants was not presumed to be equal to the cash received but measured according to available market data.

The difference between the derecognized debt and the new resources obtained was recognized in financial income ("Proceeds from financial restructuring"), in accordance with the IFRS applicable to financial restructuring operations (IFRS 9 "Financial Instruments", IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments "). The breakdown of the net income before tax is as follows:

In millions of euros	
Proceeds from the New Money	416
Debt derecognized	1,218
New Money warrants at fair value	(38)
Capital increase subscribed in cash [1]	(60)
Capital increase subscribed by set-off of existing debt[1]	(399)
New Money debt (fair value) [2]	(478)
New Reinstated Term Loans (fair value) [3]	(466)
RESULT OF THE OPERATION	**193**
Fees booked in Profit&Loss	(35)
Net Result (Day 1)	**158**

1 : Capital increase for a nominal value of €660 million
2 : Nominal value of the New Money debt of €453 million
3 : Nominal value of Reinstated Term Loans of €574 million
Amounts in us dollars are converted into euros at the exchange rate on the date of each transaction (1.16 for the New Money and 1.17 for the Reinstated Term Loans)

The fair value measures used, based on market data available at the time of the transactions, are as follows:

- Share value used for the valuation of equity instruments (shares and New Money warrants): €2.18 (price on the date of delivery of these instruments, September 22, 2020) ;
- Value of the New Money debt (ask price on date of receipt of funds - July 23 and September 2): 105.5% of the Nominal ;
- Value of Reinstated Term Loans (ask price on the effective date of new loans, September 22): 81.25% of the Nominal.

The effective interest rate of the New Money and the Reinstated Term Loans is presented in note 8.3.1. The effective interest rate is the rate used to discount the future repayment flows without consideration of the initial gains and losses.

The fees attributable to the operation, i.e. €56 million, were recognized in equity (€15 million), financial income (€35m) or as a reduction of the New Money debt (€6 million) depending on their nature.

A reconciliation between nominal debt and debt as reflected under IFRS is available in note 8.3.1

The following table presents synthetically for each new or renegotiated debt the security package and whether it is submitted to financial covenants. The security package is further described in note 8.3.2.

Debt	Borrower	Security	Financial Covenants?
U.S. New Money	Technicolor USA Inc.	1st or 2nd ranking pledge on U.S. assets, Gallo 8 fiducie, pledge on certain Technicolor SA assets, Technicolor SA guarantee	Yes
French New Money	Tech 6	Gallo 8 fiducie, Tech 7 fiducie, pledge on certain Technicolor SA assets, Technicolor SA guarantee	Yes
Reinstated Term Loans	Technicolor SA	2nd ranking position on (i) Gallo 8 fiducie and (ii) pledges on certain Technicolor SA assets	No
Wells Fargo Credit Line	Technicolor USA Inc.	1st or 2nd ranking pledge on U.S. assets	Yes

1.1.2. Covid-19 Pandemic

The Covid-19 pandemic and the related sanitary measures to face it have had a significant impact on all Technicolor activities. The following note summarizes the estimated main financial impacts, in line with the observations given by the French Accounting Authority (Autorité des Normes Comptables).

These observations recommend to either use a targeted approach focusing on main impacts, incremental impacts and observable ones, or a global approach, in order to isolate a full P&L and BS impact of Covid-19. The Group adopted a targeted approach on each of its main segments. For some indicators the impact described will be mostly qualitative.

Operating costs linked to idle or inefficient work, and unabsorbed fixed costs of sales remained in operating costs (“costs of sales”, “research and development costs”, “selling and administrative costs”). Furlough costs remained in operating costs. Lay-off costs remained in operating when the activity decreases seemed limited to the lock-down period and were included in the restructuring line when the lay-offs came as a consequence of resizing the activity to a planned post-Covid market.

Governmental help is booked in accordance with IAS 20 and is therefore classified mainly in operating result, as are rebates negotiated with vendors.

Production Services :

Starting from March 2020, Production Services Film and Episodic VFX has been significantly impacted as all live-action film shoots were suspended and theaters closed. As a result, new projects were put on hold during the second and third quarter 2020. Following the major U.S. studios’ reaching an agreement in September with all the key Hollywood unions, production activity began to accelerate during the fourth quarter 2020. Furthermore, a number of countries like Canada, France and the U.K. have launched pandemic-related support programs including wage subsidies and production insurance/indemnity schemes that provide pandemic-related coverage.

Advertising activity weakened starting from the second quarter 2020 due to the global macro-economic situation, causing advertisers to delay campaigns and reduce marketing budgets. However, activity was less impacted than Film and Episodic VFX activity as brands were keen to maintain a bond with their customers.

Animation and Games activity, with the ability to efficiently continue production from home, had a strong topline performance, achieving growth versus 2019;

Post-Production was also significantly impacted by the live-action production stoppages.

Production Services organized itself to be able to deliver on existing contracts and take new ones with as much as possible of its workforce working remotely. Main impediments came from the strict lockdown in India and progressive ramp-up of work from home capacity. This resulted in idle labor costs and related fixed costs, as many Technicolor artists were either not able to work or had no work during the second quarter 2020. On the other hand, the Group benefited from government support for furloughed employees in Australia, Canada, France and the UK; the Group may also be eligible to further relief from US authorities but cannot determine the amounts as of December 31, 2020.

Connected Home:

The Covid-19 impacts on the Connected Home supply chain were related to the disruption of the manufacturing, also provoking shortages of components and disruption in logistics in China and then in south-east Asia in the first quarter of the year. The Covid-19 impact was later limited for its Asian-based manufacturing and supply chain but was still impacting capacity in Latin America for manufacturing and back-end operations.

The lockdown measures have exposed consumers to the need of quality broadband service and WIFI quality in the home for remote working and digital entertainment. This situation has been making the demand for broadband gateways very resilient during this period. US market has shown an increase of demand and a very low churn, and due to its market position the Group has been experiencing a significant increase of demand.

Latin-American countries are suffering, in addition to the consequences of Covid-19, a significant currency crisis due to the drastic oil price decline. This has affected the plans of all companies in the region, including the service providers who adjusted their demand accordingly.

Connected Home is operational due to the early adoption of a remote work model that successfully moved half of all employees off site to ensure key engineering facilities remain safe and open.

DVD Services:

Theatrical new release activity was very limited in 2020 from March onwards due to the COVID-19 outbreak, with many key title release dates getting pushed out into 2021, which in most cases results in the home entertainment release being delayed as well, directly impacting DVD Services revenue.

Impact of the stay-at-home orders varied by region (i.e. by country, state, and city) and in timing/duration. The level of retailer shutdowns varied by country / region, but where retailers were open, catalog sales were relatively robust. On-line sales were strong after a brief slowdown in demand as e-tailers temporarily adjusted their supply chain for increased activity for essentials. Most major retailers have re-opened, but the level of sales activity remains below normal. Without new release content, some retailers are increasing allocation of shelf space for DVD catalog / library content, which helped support higher than expected DVD replication volumes in 2020.

Some production facilities experienced temporary staffing shortages, but the overall impact to operations was low.

The specific timing and extent of the reopening of movie theaters will impact the level of new release activity on disc. DVD services have accelerated certain aspects of its future restructuring plans in an effort to adapt to these impacts. Despite these efforts and the planned profitability of the division, a further impairment was booked as a result of revised assumptions in the impairment test performed in June 2020, resulting in a €66 million loss. At December 31, 2020, there is no evidence of a further impairment.

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, 2020 and adopted by the European Union as of March 11, 2021.

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 March 11, 2021. According to French law, the consolidated financial statements will be considered as definitive when approved by the Company's shareholders at the Ordinary Shareholders' Meeting, which should take place in May 12, 2021.

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 standard

1.2.2.1 Main standards, amendments and interpretations effective and applied as of January 1, 2020

New standard and interpretation	Main provisions
Amendment to IFRS 3 – "Definition of a business"	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. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.
Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform	The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any materal interest rate hedge relationships beyond the interest reform rate date.
Amendments to IAS1 & IAS8 – Definition of "material"	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 references to Conceptual Framework in IFRS Standards	Following the revision of the Conceptual Framework published in March 2018, the IASB had revised several standards to refer to this new framework. These amendments had no impact on the consolidated financial statements of the Group.

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

New standards and interpretation	Effective Date	Main provisions
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	June 1, 2020	Amends IFRS 16 to provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. The changes: (1) provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification; (2) require lessees that apply the exemption to account for Covid-19-related rent concessions as if they were not lease modifications; (3) require lessees that apply the exemption to disclose that fact; and require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures. The practical expedient applies to Covid-19-related rent concessions that result in reduction in lease payments due on or before 30 June 2021.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022	The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2023	The amendments aim to: i) specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. If a liability otherwise meets the criteria for classification as non-current, it is classified as non-current regardless of whether management intends or expects to settle the liability within 12 months or settles the liability between the end of the reporting period and the date the financial statements are authorised for issue; ii) clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period; iii) introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
Amendment to IFRS 3 – *Reference to conceptual framework*	January 1, 2022	The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
Annual Improvements 2018-2020 Cycle	Not adopted by EU	Including : **IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities**. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. **IFRS 16 Leases - Lease incentives**. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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 and of recoverable amounts for individually impaired right-of-use asset (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);
- Analyzis of financial restructuring impacts and fair value of new debts and equity (see notes 7 and 8).
- 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	
	2020	2019	2020	2019
US Dollar (US$)	1.2271	1.1234	1.1452	1.1206
Pound sterling (GBP)	0.8990	0.8508	0.8864	0.8776
Canadian Dollar (CAD)	1.5633	1.4598	1.5320	1.4878

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, 2020 and 2019, 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, 2020	FRANCE	EUROPE (exc. France)	U.S.	OTHER	TOTAL
Parent company and consolidated subsidiaries	17	33	19	29	**98**
Companies accounted for under the equity method	1	0	1	1	**3**
TOTAL	18	33	20	30	101

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

2.2 Change in the scope of consolidation of 2020

There was no major change in the scope of consolidation in 2020. The set-up of the "fiducies-sûretés" does not impact the scope of consolidation; a description of the "fiducies-sûretés" including the control analysis is available in 8.3.2.

2.3 Change in the scope of consolidation 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.

2.4 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.

Two minor joint ventures with Deluxe services Inc have been sold during the period.

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.

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.

DVD Services

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

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.

(€ in million)	Production Services	Connected Home	DVD Services	Corporate & Other	TOTAL
	Year ended December 31, 2020				
Statement of operations items					
Revenues	513	1,764	706	23	**3,006**
Intersegment sales	-	-	-	-	-
Earning before Interest & Tax (EBIT) from continuing operations	**(103)**	**(21)**	**(111)**	**(29)**	**(264)**
Of which:					
Amortization of purchase accounting items	(8)	(24)	(8)	-	(40)
Net impairment losses on non-current operating assets	(3)	(2)	(70)	-	(75)
Restructuring costs	(27)	(31)	(33)	(9)	(100)
Other income (expenses)	14	(6)	2	(2)	8
Adjusted EBITA	**(78)**	**41**	**(0)**	**(18)**	**(56)**
Of which:					
Depreciation & amortization (excl PPA items)	(94)	(70)	(52)	(4)	(220)
IT capacity use for rendering in Production Services	(2)				(2)
Other non-cash items [(1)]	-	1	(2)	-	(1)
Adjusted EBITDA	**18**	**110**	**54**	**(14)**	**167**
Statements of financial position items					
Segment assets	475	1,216	528	251	2,470
Unallocated assets					548
Total consolidated assets					**3,018**
Segment liabilities	209	780	230	390	1,609
Unallocated liabilities					1,236
Total consolidated liabilities					**2,845**
Other information					
Net capital expenditures	(33)	(62)	(12)	(1)	**(108)**
Capital employed	236	104	115	188	**643**

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

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

[(1)] *mainly variation of provisions for risks, litigations and warranties*

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);

1. *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.*
2. *The captions "Total segment assets" and "Total segment liabilities" include all operating assets and liabilities used by a segment.*
3. *The caption "Unallocated assets" includes mainly financial assets, deferred and income tax assets, cash and cash equivalents and assets classified as held for sale;*
4. *The caption "Unallocated liabilities" includes mainly the financial debt, deferred and income tax liabilities and liabilities classified as held for sale;*
5. *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;*
6. *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.

Production Services segment

Our Production Services division provides a full set of award-wining 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.

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.

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, 2020	Production Services	Connected Home	DVD Services	Corporate & Other	December 31, 2019
Revenue recognized at delivery of goods or services	2,866	396	1,764	706	-	3,329
Revenue recognized over time [(1)]	117	117		-	-	429
Revenue from licenses [(2)]	23	-		-	23	43
Revenue of continuing operations	**3,006**	**513**	**1,764**	**706**	**23**	**3,800**

(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 € 186 million as of December 31, 2020; it will be recognized mostly in 2021.

Information on main clients

As of December 31, 2020, one external customer represents 23 % of the Group's consolidated revenues (€705 million), and one external customer represents more than 5% (€139 million).

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).

Information by geographical area

(€ in million)	France	U.K.	Rest of Europe	U.S.	Rest of Americas	Asia-Pacific	TOTAL
Revenues							
2020	524	128	133	1,558	488	175	3,006
2019	749	235	163	1,718	708	227	3,800
Segment assets							
2020	526	220	61	1,276	282	106	2,470
2019	619	265	68	1,581	332	134	2,999

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,	
	2020	2019
Research and Development expenses, gross	(87)	(105)
Capitalized development projects	35	41
Amortization of capitalized projects	(44)	(53)
Subsidies [1]	2	3
Research and Development expenses, net	**(94)**	**(114)**

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

3.3.2 Selling & administrative expenses

(€ in million)	Year ended December 31,	
	2020	2019
Selling and marketing expenses	(92)	(111)
General and administrative expenses	(192)	(212)
Selling and administrative expenses	**(284)**	**(323)**

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 IFRS 3 and Revised IAS 27 such as acquisition costs related to business combinations and changes in earn-outs related to business combinations.

(€ in million)	Year ended December 31,	
	2020	2019
Capital gains and losses	14	(17)
Litigations and others	(6)	2
Other income (expense)	8	(15)

Capital gains for the period ended December 31, 2020, include mainly:

• A final and definitive earn-out payment of $9 million (€8 million) derived from the negotiated termination of its strategic partnership with Deluxe;

• €5 million of gain on disposal of Thailand subsidiary, mainly derived from reclassification of conversion reserves.

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

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, 2020 (refer to Note 4.5 for detail on impairment tests)

(€ in million)	Production Services	Connected Home	DVD Services	Total
At December 31, 2018, net	**186**	**430**	**270**	**886**
Exchange difference	6	7	5	18
Acquisitions of businesses	-	-	-	-
Disposals	-	-	-	-
Impairment loss	-	-	(53)	(53)
Other	-	-	-	-
At December 31, 2019, net	**192**	**437**	**222**	**851**
Exchange difference	(12)	(37)	(14)	(64)
Acquisitions of businesses	-	-	-	-
Disposals	-	-	-	-
Impairment loss	-	-	(66)	(66)
Other[(1)]	(5)	-	-	(5)
At December 31, 2020, net	**174**	**400**	**142**	**716**

(1) Reclassification to Assets held for sale for the goodwill allocated to the Post production disposal group

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, 2018, net	**257**	**302**	**146**	**705**
Cost	*264*	*710*	*455*	*1,429*
Accumulated depreciation	*(7)*	*(408)*	*(309)*	*(724)*
Exchange differences	5	5	2	12
Scope Changes	-	-	-	-
Additions	-	10	76	85
Disposal	-	-	-	-
Depreciation charge	-	(67)	(79)	(146)
Impairment loss	(1)	(3)	-	(3)
Other [(1)]	-	3	(23)	(20)
At December 31, 2019, net	**261**	**249**	**122**	**632**
Cost	*269*	*753*	*482*	*1,504*
Accumulated depreciation	*(8)*	*(504)*	*(360)*	*(872)*
Exchange differences	(18)	(17)	(10)	(45)
Acquisitions of business	-	-	-	-
Additions	-	-	69	69
Disposal	-	-	-	-
Depreciation charge	-	(44)	(69)	(113)
Impairment loss	(1)	-	(4)	(5)
Other	-	-	(3)	(3)
At December 31, 2020, net	**242**	**188**	**105**	**535**
Cost	*250*	*698*	*496*	*1,444*
Accumulated depreciation	*(8)*	*(510)*	*(391)*	*(909)*

(1) Includes patents transferred to discontinued activities.

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, 2020, trademarks total €242 million and consist mainly of Technicolor® trademark for €184 million, RCA® trademark for €29 million and The Mill® tradename for €21 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 licences 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 amortized either using the straight-line method or, in case of expected decreasing volumes, using the production units 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.

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, 2018, net	**3**	**19**	**89**	**122**	**233**
Cost	*3*	*62*	*1,110*	*387*	*1,562*
Accumulated depreciation	*-*	*(43)*	*(1,021)*	*(265)*	*(1,329)*
Exchange differences	-	-	1	3	4
Additions	-	-	2	65	67
Depreciation charge	-	(3)	(39)	(28)	(69)
Impairment loss	-	-	(2)	(2)	(4)
Other [(2)]	-	-	18	(58)	(40)
At December 31, 2019, net	**3**	**16**	**69**	**103**	**191**
Cost	*3*	*60*	*1,075*	*382*	*1,520*
Accumulated depreciation	*-*	*(44)*	*(1,006)*	*(279)*	*(1,329)*
Exchange differences	-	(1)	(4)	(6)	(11)
Additions	-	-	-	37	37
Depreciation charge	-	(2)	(32)	(29)	(63)
Impairment loss	-	-	(4)	(1)	(5)
Other [(3)]	-	(1)	20	(27)	(9)
At December 31, 2020, net	**3**	**12**	**48**	**77**	**140**
Cost	*3*	*52*	*884*	*269*	*1,208*
Accumulated depreciation	*-*	*(40)*	*(836)*	*(192)*	*(1,068)*

(1) Includes assets in progress.
(2) In 2019, includes reclassification to Right-of-Use assets.
(3) Corresponds to the transfer of tangible assets in progress to Machinery and Equipment and to the transfer in assets held for sale.

4.4 Right-of-use assets

The Group has adopted IFRS 16 at the beginning of 2019. 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. The initial value of the right-of-use asset is equal to the sum of the present value of the lease payments over the rent period and of directs costs incurred in entering or modifying the lease. The Group depreciates its right-of-use assets using the straight-line method, starting when the right-of-use asset is ready for use until the end of the lease.

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.*

(€ 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**
New contracts	4	6	10
Change in contract [1]	10	-	10
Reclassification [2]	(48)	-	(48)
Depreciation charge	(54)	(27)	(81)
Impairment loss [3]	(14)	-	(14)
Other	(10)	(4)	(14)
At December 31, 2020, net	**129**	**19**	**148**

[1] Remeasurement of the right-of-use following a lease modification.

[2] Includes net right-of-use transferred to held for sale.

[3] see note 4.5 Impairment on non-current operating assets.

At December 31, 2020 leased assets mainly comprise office premises and other real estate leases (87%) and IT equipment (13%).

Total cash outflows on leases (excluding annual lease costs on short term leases and lo value assets leases) amounted to €76 million in the year ended December 31, 2020.

A maturity analysis of the lease liability is disclosed in note 8.2.3.

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	Connected Home	DVD Services	Discontinued operations	TOTAL
2020					
Impairment loss on goodwill	-	-	(66)	-	(66)
Impairment losses on intangible assets	(3)	(1)	-	(1)	(5)
Impairment losses on tangible assets	(9)	(2)	(7)	(2)	(20)
Impairment losses on non-current operating assets	**(12)**	**(3)**	**(73)**	**(3)**	**(91)**
Impairment reversal on intangible assets	-	-	-	-	-
Net impairment losses on non-current operating assets	**(12)**	**(3)**	**(73)**	**(3)**	**(91)**
2019					
Impairment loss on goodwill	-	-	(53)	-	(53)
Impairment losses on intangible assets	(1)	(0)	(3)	(1)	(4)
Impairment losses on tangible assets	(0)	0	(3)	(0)	(4)
Impairment losses on non-current operating assets	**(1)**	**(0)**	**(59)**	**(1)**	**(61)**
Impairment reversal on intangible assets	-	-	-	-	-
Net impairment losses on non-current operating assets	**(1)**	**(0)**	**(59)**	**(1)**	**(61)**

The impairment tests performed in 2020 on the carrying value of the CGU related to DVD Services resulted in an impairment of €66 million of goodwill.

At December 31, 2020, the Group has recognized an impairment loss on the right-of-use-assets of €13 million. This impairment loss was booked in the restructuring cost line of the P&L. It reflects the Group's efforts to reduce its real estate footprint specially in its North American (USA and Canada) locations. The net book value of the right-of-use-assets impaired and actively marketed, an amount of €3 million, have been presented under assets held for sale in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations).

As part of the determination on the recoverable value of assets for impairment, the main assumptions concern the sublease income scenarios which were determined considering current economic conditions and available market values.

4.5.1 Main assumptions at December 31, 2020

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	Connected Home	DVD Services
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, 2020	2.0%	1.0%	(*)
- As of December 31, 2019	2.0%	0.0%	(*)
Post-tax discount rate applied:			
- As of December 31, 2020	11.1%	10.2%	10.2%
- As of December 31, 2019	8.0%	9.0%	8.0%

(*) 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 fifteen years for a major part of the business 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 €(66) million on goodwill as of December 31, 2020. An impairment charge of €(53) million on goodwill was recorded in 2019.

4.5.2 Sensitivity of recoverable amounts at December 31, 2020

For Production Services:

- a decrease of 1 point in the long-term growth rate assumption would decrease the enterprise value by €62 million without generating any impairment;
- a decrease of 1 point of the EBITDA margin from 2020 would decrease the enterprise value by €77 million without generating any impairment;
- an increase of 0.5 point in the WACC rate assumption would decrease the enterprise value by €49 million without generating any impairment.

For Connected Home:

- an increase of 1 point in the post-tax discount rate assumption would decrease the enterprise value by €86 million without generating any impairment;
- a decrease of 1 point of the Adjusted EBITDA margin from 2020 would decrease the enterprise value by €188 million without generating any impairment.

For DVD Services:

- a decrease of 5% on BD volumes from 2023 would decrease the enterprise value by €4 million, without generating any impairment;
- an increase of 0.5 point in the WACC rate assumption would decrease the enterprise value by €9 million, without generating any impairment;
- a decrease of 1 point of the EBITDA margin from 2023 would decrease the enterprise value by €29 million, generating an impairment of €9 million;
- A decrease of Freight revenue by 10% in Terminal Year would decrease the enterprise value by €3 million, without generating any impairment;

5 Other operating information

5.1 Operating assets & liabilities

5.1.1 Non-current operating assets & liabilities

(€ in million)	2020	2019
Customer contract advances and up-front prepaid discount	8	13
Other	19	19
Other operating non-current assets	**27**	**32**
Payable on acquisitions of business & fixed assets	(4)	(8)
Other	(17)	(17)
Other operating non-current liabilities	**(21)**	**(24)**

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)	2020	2019
Raw Materials	63	83
Work in progress	4	10
Finished goods and purchase goods for resale	153	172
Gross Value	220	265
Less: valuation allowance	(25)	(22)
Total inventories	195	243

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 IFRS 9 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)	2020	2019
Trade accounts and notes receivable	445	531
Less: valuation allowance	(20)	(24)
Total trade accounts and notes receivable	425	507

As of December 31, 2020 and 2019 trade accounts receivable include past due amounts respectively for €79 million and €94 million for which a valuation allowance was recorded for an amount of €(20) million and €(24) million.

The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets €425 million as of December 31, 2020 compared to €507 million as of December 31, 2019.

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)	**2020**	**2019**
Value added tax receivable	43	31
Research tax credit and subsidies	5	5
Prepaid expenses	26	37
Other	150	111
Other current operating assets	**224**	**184**
Taxes payable	(46)	(41)
Accrued royalties expense	(36)	(44)
Payables for fixed assets	(14)	(17)
Other	(119)	(200)
Other current operating liabilities	**(215)**	**(301)**

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 IFRIC 23 Uncertainty over Income Tax Treatments, current taxes also include uncertain tax positions previously included in Provisions.

(€ in million)	2020	2019
Current income tax		
France	0	(1)
Foreign	(15)	(9)
Total current income tax	**(15)**	**(10)**
Deferred income tax		
France	0	-
Foreign	9	7
Total deferred income tax	**10**	**7**
Income tax on continuing operations	**(5)**	**(3)**

In 2020, the current income tax charge is mainly made of current taxes due in India, Brazil and Poland.

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

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 32% – and the reported tax expense. The items in reconciliation are described hereafter:

(€ in million)	2020	2019
Profit (loss) from continuing operations	**(193)**	**(208)**
Income tax	(5)	(3)
Pre-tax accounting income on continuing operations	**(188)**	**(205)**
	32%	*34%*
Expected tax expense	**60**	**70**
Effect of unused tax losses and tax offsets not recognized as deferred tax assets [1]	(26)	(46)
Effect of permanent differences	38	(23)
Effect of different tax rates applied	(14)	(2)
Effect of change in applicable tax rate [2]	(61)	(1)
Withholding taxes not recovered	(3)	(1)
Effective tax expense on continuing operations	**(5)**	**(3)**

[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 2020, the amount includes mainly the impact of the tax differential rate in France and Germany.

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 million)	Deferred tax assets	Deferred tax liabilities	Total, net deferred tax assets
Year ended December 31, 2018	210	(193)	17
Changes impacting continuing profit or loss	(27)	33	7
Other movement	(131)	132	1
Year ended December 31, 2019	52	(27)	25
Changes impacting continuing profit or loss	(30)	40	10
Other movement [(1)]	23	(28)	(5)
Year ended December 31, 2020	45	(15)	30

[(1)] *Mainly set off of deferred tax assets and liabilities of same maturities by taxable entity and tax impact on other comprehensive income*

As of December 31, 2020, the net deferred tax assets amounting to €30 million mainly relate to the recognition of losses carried forward and other temporary differences in Canada, India, Mexico, Poland and Australia.

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.

6.2.2 Source of deferred taxes

(€ in million)	2020	2019
Tax losses carried forward	1,108	1,278
Tax effect of temporary differences related to:		
Property, plant and equipment	32	20
Goodwill	3	10
Intangible assets	(50)	(86)
Investments and other non-current assets	3	3
Inventories	9	7
Receivables and other current assets	19	19
Borrowings	140	142
Retirement benefit obligations	55	59
Restructuring provisions	9	3
Other provisions	6	19
Other liabilities current and non-current	12	38
Total deferred tax on temporary differences	238	234
Deferred tax assets / (liabilities) before netting	1,346	1,512
Valuation allowances on deferred tax assets	(1,316)	(1,487)
Net deferred tax assets / (liabilities)	30	25

Technicolor reports €2.3 billion of tax losses carried forward generated in countries where the Group still conducts business, in 2020, tax losses mainly arose from France, UK and US.
Past Tax losses carried forward in US have partly been forfeited after the debt restructuring that occurred in 2020 considered as a change of ownership.

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 in units)	Number of shares	Par value	Share capital in Euros
Share Capital as of December 31, 2019	**414,461,178**	**1**	**414,461,178**
Shares consolidation (27 to 1)	15,350,414	27	414,461,178
Decrease of nominal value (€27 to €0.01)	15,350,414	0.01	153,504
Issuance of new shares under LTIP 2017 (1)	56,700	0.01	567
Share capital increase in cash, with preferential subscription right (DPS)	20,039,121	0.01	200,391
Share capital increase with preferential subscription right (DPS) by a way of a debt equitization	90,699,134	0.01	906,991
Reserved share capital increase without preferential subscription right (DPS) by a way of a debt equitiz	92,178,770	0.01	921,788
Exercice of Shareholders Warrants (5 former shares for 4 new shares)	16,256	0.01	163
Exercice of New Money Warrants	17,455,088	0.01	174,551
Share Capital as of December 31, 2020	**235,795,483**	**0.01**	**2,357,955**

(1) Plans described in Note 9.3.

In 2020, the Group carried out several operations which have impacted the amount of the share capital and the nominal value of the Company's shares as detailed below:

- **Share consolidation :**

Following of March 23, 2020 Shareholders' Meeting, it has been decided to implement the reverse share split. On May 12, 2020, the Chief Executive Officer noted that the share consolidation had been completed and that 414,461,178 old shares with a par value of euro 1 were exchanged for 15,350,414 new shares with a par value of €27, on the basis of 1 new share for 27 former shares.

- **Capital reduction :**

During the same Shareholders' Meeting, it has been decided to reduce the share capital by a total amount of €414,307,673.86 to reach €153,504.14.
This capital reduction was carried out by reducing the nominal value of each share of the 15,350,414 shares of the Company from €27 to €0.01.

- **Capital Increases :**

On June 9, 2020, the Chief Executive Officer, by delegation of the Board of Directors of May 7, 2020 decided to issue 56,700 new ordinary shares with a par value of €0.01 in order to proceed on the same day with the delivery of the shares under the LTIP 2017.

The Chief Executive Officer, by delegation of the Board of Directors on July 30, 2020 and in accordance with the delegation of the Shareholders General Meeting of July 20, 2020 under the terms of its first resolution, by decisions dated September 15, 2020, approved the following :

- a share capital increase in cash, the number of new shares subscribed on an irreductible basis and reductible basis amounted to 20,039,121 shares representing 18.10% of the Capital Increase with DPS
- in accordance with the terms of the Safeguard Plan and pursuant to their guarantee commitment, the Creditors holding claims against the Company further subscribed to the unsubscribed portion of the Capital Increase with DPS, i.e. 90,699,134 new shares representing 81.90% of the Capital Increase with DPS, by way of set-off against their claims under the Debt Facilities for an aggregate amount (issue premium included) of €270,283,419.32.

He approved that the total amount subscribed of €270,283,419.32 has been fully delivered as follows :

- €215,532,572.94 by a way Term loan debt equitization ;
- €54,750,846.38 by a way of RCF debt equitization.

It has been decided that the Capital Increase with DPS will be effective on September 22, 2020.

On September 22, 2020, the Company also proceeded with a share capital increase in cash, without preferential subscription right, through the issuance of a maximum of 92,178,770 new ordinary shares with a nominal value of €0.01 each, paired with an issue premium of €3.57, i.e. an issue price of €3.58 per new ordinary share, representing a share capital increase in a maximum aggregate amount (issue premium included) of €329,999,996.60, reserved for the exclusive benefit of the Creditors holding claims against the Company as defined below (the “Reserved Capital Increase”) and, together with the Capital Increase with DPS, the “Capital Increases”);

The Chief Executive Officer approved that the total amount subscribed of €329,999,996.60 has been fully delivered as follows:

- €263,152,466.09 by a way Term loan debt equitization
- €66,847,530.51 by a way of RCF debt equitization.

On September 22, the Chief Executive Officer, by delegation of the Board of Directors, recorded the final completion of the Capital Increases.

In addition to the above, and according to safeguard plan, it has been approved :

- the delivery to the New Money lenders in consideration of the New Money, of 17,701,957 New Money Warrants exercisable for a period of 3 months, giving the right to subscribe to a maximum number of 17,701,957 new shares, at a price of €0.01 per new share with a nominal value of €0.01 without issue premium, and representing approximately 7.5% of the Company's share capital after the Capital Increases but before the exercise of the Shareholder Warrants mentioned below; and;

- the delivery to all the Company's shareholders of 15,407,114 Shareholders Warrants, on the basis of one (1) Shareholders Warrant for one (1) existing share, five (5) Shareholders Warrants giving the right to subscribe for four (4) new shares for a 4 year period, which may result in the issue of a maximum number of 12,325,691 new shares, at a price of €3.58 per new share.

As of December 31, 2020 16,256 Shareholders warrants and 17,455,088 New Money warrants have been exercised. Remaining not exercised warrants have been canceled.

As of December 31, 2020, and to the Company’s knowledge, the following entities held more than 5% of the Company’ share capital:

- Credit Suisse Asset Management held, 28,493,063 shares which represent 12.08% of the share capital and 12.08% of the voting rights of the Company;
- Baring Asset Management Ltd held, 24,406,573 shares which represent 10.35% of the share capital and 10.35% of the voting rights of the Company;
- Bain Capital Credit, LP held 16,593,636 shares which represent 7.04% of the share capital and 7.04% of the voting rights;
- BNY Alcentra Group holdings, Inc. held 15,552,613 shares which represent 6.60% of the share capital and 6.60% of the voting rights of the Company;

- Farallon Capital Management L.L.C held 14,574,603 shares which represent 6.18% of the share capital and 6.18% of the voting rights of the Company;
- Angelo, Gordon & CO.LP, held 11,808,783 shares which represent 5.01% of the share capital and 5.01% 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.

	2020	2019 (*)
Number of Treasury shares at opening	-	39,815
Variation related to the Share Management Agreement	-	-
Disposal	-	(39,815)
Number of Treasury shares at closing	-	-

(*) *2019 number of shares has been adjusted following the 2020 share consolidation.*

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

As of December 31, 2020, the Group didn't issue any treasury shares.

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 2018 and 2019 periods, Shareholders' Meetings held respectively on June 14, 2019 and June 30, 2020 did not vote any payment of dividend.

7.2.4 Non-controlling interests

In 2020, the main changes in non-controlling interests result from:

- Disposal of Canadian joint ventures Vancouver Lab Inc. and Canada Cinema Distribution Inc. for €1 resulting from negotiated termination of the strategic partnership with Deluxe services Group.

In 2019, no change in non-controlling interests.

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

	Year ended December 31,	
(€ in million, except number of shares)	2020	2019 (*)
Net income (loss)	**(207)**	**(230)**
Net (income) loss attributable to non-controlling interest	0	0
Net (gain) loss from discontinued operations	(15)	(22)
Numerator: Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders	**(193)**	**(208)**
Basic weighted number of outstanding shares **('000)**	**73,682**	**15,321**
Dilutive impact of stock-option, free & performance share plans	-	-
Denominator: Diluted weighted number of outstanding shares ***('000)***	**73,682**	**15,321**

(*) *2019 number of shares has been adjusted following the 2020 share consolidation.*

Stock options and free shares plans have no impact on diluted earnings per share as they would have relutive impact.

7.4 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. In 2020, Bpifrance participations, which is represented in the Board, and as such identified as a related party, and which holds 4.5% of the equity of the group participated in the financial restructuring described in note 1.2 through:

- Cash subscription in the Rights issue in the amount of €25 million
- New money financing in the amount of €21 million

Technicolor group accrued interest due to Bpifrance participations for €1 million and booked financing related fees reinvoiced by Bpifrance participations in the amount of €1 million.

No other related party transactions have been identified in 2020.

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 IFRS 9 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 together with 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.

The table below shows the breakdown of the financial assets and liabilities by accounting category

(€ in million)	At December 31, 2020, net	Fair value measurement by accounting categories as of December 31, 2020					At December 31, 2019, net
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivative instruments (see Note 8.5)	Fair Value measurement	
Non-consolidated Investments	**14**	-	14	-	-	Level 3	**17**
Cash collateral & security deposits	39	22	17	-	-	Level 1	14
Loans & others	2	2	-	-	-		1
Subleases receivables	6	6	-	-	-		8
Other non-current financial assets	**47**						**22**
Total non-current financial assets	61						40
Cash collateral and security deposits	17	2	16	-	-	Level 1	12
Other current financial assets	-	-	-	-	-		(0)
Derivative financial instruments	0	-	-	-	0	Level 2	1
Other financial current assets	**17**						**13**
Cash	183	-	183	-	-	Level 1	58
Cash equivalents	147	-	147	-	-	Level 1	7
Cash and cash equivalents	**330**						**65**
Total current financial assets	347						78
Non current borrowings [(1)]	(948)	(948)	-	-	-		(979)
Borrowings	**(948)**						**(979)**
Derivative financial instruments	-	-	-	-	-	Level 2	(1)
Other non-current liabilities	-						**(1)**
Lease liabilities	**(122)**	(122)	-	-	-		**(224)**
Total non-current financial liabilities	(1,070)						(1,204)
Borrowings [(1)]	**(16)**	(16)	-	-	-		**(8)**
Lease liabilities	**(56)**	(56)	-	-	-		**(87)**
Derivative financial instruments	(2)				(2)		(2)
Other current financial liabilities	**(2)**	-	-	-	(2)	Level 2	**(2)**
Total current financial liabilities	(74)						(97)
TOTAL FINANCIAL LIABILITIES	(1,144)						(1,301)

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

Due to the financial situation of the Group in the 2nd quarter of 2020, all of the Group's banks cancelled the foreign exchange lines previously available for hedging. As a result, the Group unwound all of its foreign currency hedges in June of 2020. Following the debt restructuring operation completed in September 2020, Technicolor's banks gradually restored foreign exchange lines. As a consequence, the foreign currency hedging described below was suspended for part of 2020, but by the end of the year Technicolor was able to resume normal hedging operations.

8.2.2.1 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 - Operational

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 purchase exposures with U.S. dollar sale exposures, the net U.S. dollar exposure versus euros for continuing operations was net purchases of U.S.$116 million in 2020 (net purchases of U.S.$132 million in 2019).

The policy of the Group is to have its subsidiaries:

- to the extent possible denominate their costs 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, 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 is 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).

Transaction Risk - Financial

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 subsidiaries into euros. The forward points on these currency swaps which are accounted for as interest, was nil in 2020 and resulted in income of €4 million in 2019.

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, 2020, 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.

2020 *(€ in million)*	Transaction	Translation	Total
Profit from continuing operations before tax and net finance costs [1]	(9)	(17)	(26)
Equity Impact (cumulative translation adjustment) [2]			107

[1] Profit impact

-Transaction impact calculated before hedging by applying a 10% increase in the U.S. dollar/euro exchange rate to the (i) net U.S. dollar exposure (sales minus purchases) of affilliates which have the euro as functional currency and to the (ii) net euro exposure of affiliates which have the U.S. dollar 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 net investments in foreign subsidiares that are denominated in U.S. dollar.

8.2.2.2 Interest rate risk

Exposure to interest rate risk

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

At December 31, 2020 the portion of the Group's financial debt exposed to floating interest rates, before taking into account hedging operations, is as shown below. The portion after taking account hedging operations is the same because the Group's interest rate hedges mature in less than 1 year and the Group considers all debt for which the interest rate is fixed for less than 1 year to be at floating rate.

(€ in million)	2020
Debt	1,142
Percentage at floating rate	89%

In 2020 the Group's deposits were entirely at floating rate.

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, 2020 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%	1	1

(*) At December 31, 2020 3-month EURIBOR and 3-month LIBOR were -0.545% and 0.23838% respectively

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

Interest rate risk management

At December 31, 2020, 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 not being able to meet upcoming financial 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 objectives and projections.

Among other things these reviews take into account the Group's debt maturity schedule, covenants, forecast cash flows, access to financial markets and projected 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.

Liquidity risk materialized in 2020 due to the deterioration of the Group's financial position and in particular due to its negative cash flow in 2018 and 2019 and the impacts of the Covid-19 pandemic starting in the 1st half of 2020. At June 30, 2020 the Group obtained a waiver of the financial covenant

that otherwise would not have been met under the RCF and Wells Fargo credit line agreements. In view of this situation, the Group implemented a financial restructuring as described in note 1.1.

The characteristics of the debt restructuring took into account the Group's financial forecasts through the end of 2022 and as such the Group believes that it has sufficient liquidity, including a cushion for contingencies, throughout this period.

The tables below show the future contractual cash flow obligations due on the Group's financial liabilities. The interest rate flows due on floating rate instruments are calculated based on the rates in effect at December 31, 2020 and December 31, 2019, respectively.

	At December 31, 2020							
(€ in million)	2021-H1	2021-H2	2022	2023	2024	2025	There after	Total
New Money/Reinstated Debt - principal	-	-	-	-	1,016	-	-	**1,016**
New Money/Reinstated Debt - accrued interest	16	-	-	-	-	-	-	**16**
New Money/Reinstated Debt - PIK interest	-	-	-	-	16	-	-	**16**
Lease liabilities	33	23	36	22	17	12	35	**178**
Other debt	-	-	1	-	-	-	-	**1**
Total debt principal payments	**49**	**23**	**37**	**22**	**1,049**	**12**	**35**	**1,227**
IFRS Adjustment								**(85)**
Debt in IFRS								**1,142**
Floating rate NM/Reinstated Debt - cash interest	22	23	47	50	54	-		**196**
Floating rate NM/Reinstated Debt - PIK interest	-	-	-	-	178	-		**178**
Lease liabilities - interest	6	5	8	6	5	3		**33**
Other debt - interest	-	-	-	-	-	-		-
Total interest payments	**28**	**28**	**55**	**56**	**237**	**3**		**407**
Financial Derivatives	**2**	-	-	-	-	-	-	**2**

	At December 31, 2019							
(€ in million)	2020-H1	2020-H2	2021	2022	2023	2024	There after	Total
Floating rate Term Loan Debt - principal	1	1	3	3	976	-	-	**984**
Term Loan Debt - accrued interest	3	-	-	-	-	-	-	**3**
Lease liabilities	38	49	61	42	31	26	65	**312**
Other debt	2	-	-	1	-	-	-	**3**
Total debt principal payments	**44**	**50**	**64**	**46**	**1,007**	**26**	**65**	**1,302**
IFRS Adjustment								**(4)**
Debt in IFRS								**1,298**
Floating rate Term Loan Debt – interest	19	18	37	36	34	-		**144**
Lease liabilities - interest	9	9	13	9	7	5		**52**
Other debt – interest	0	-	-	-	-	-		-
Total interest payments	**28**	**27**	**50**	**45**	**41**	**5**		**196**
Financial Derivatives	**2**	-	**1**	-	-	-	-	**3**

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

(€ in million)	2020	2019
Undrawn, committed lines expiring in more than one year	102	361

The Group's committed credit lines consist of a receivables backed committed credit facility in an amount of U.S.$125 million, €102 million at the December 31, 2020 exchange rate, (the "WF Line") which matures in 2023; the availability of this credit line varies depending on the amount of receivables. This facility was undrawn at December 31, 2020.

Derecognised transferred financial assets

The Group has used factoring agreements to assign some of its receivables. As of December 31, 2020, the Group had 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, 2020 is equal to €10 million. The cost associated is about €0.1 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 receivables 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 €330 million at December 31, 2020. 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, 2020, 97% of the Group cash deposits were made with banks that have a counterparty rating of at least A-2 according to Standard & Poor's or were invested in highly rated diversified money market funds;
- 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.

Technicolor's clients are mainly large well financed network operators and studios and as such it does not believe that credit risk on its clients has been impacted significantly by the Covid-19 pandemic. The Group has not seen any significant increase in overdues and continues to monitor its credit risk carefully. Likewise the Group works only with highly rated financial counterparts whose financial creditworthiness has not changed significantly due to the pandemic.

8.3 Borrowings

8.3.1 Main features of the Group's borrowings

The Group's debt consists primarily of the New Money debt and the new reinstated term loans (the "Reinstated Term Loans") that resulted from the Group's financial restructuring in 2020 (see Note 1.1 for further details). The New Money debt consists of term loans issued by Technicolor USA Inc. in dollars and New York law based notes issued by Tech 6 in euros. The New Money debt has a maturity of June 30, 2024. The Reinstated Term Loans, issued by Technicolor SA in dollars and euros, consist of the remaining term loan and revolving credit facility debt following their partial conversion to equity; the terms of these new loans were modified, in particular with regard to the maturity (December 31, 2024), the interest rates and the restrictions which were aligned to those of the New Money debt. The New Money debt and the Reinstated Term Loans have both a cash and PIK (payment in kind) interest component. The PIK interest is capitalized (every 6 months for the debt issued by Technicolor USA Inc and every 12 months for the remaining debt) and repaid on final maturity.

Details of the Group's debt as of December 31, 2020 are given in the table below:

(in million currency)	Currency	Nominal Amount	IFRS Amount	Type of rate	Nominal rate [1]	Effective rate [1]	Repayment Type	Final maturity
New Money notes	EUR	350	363	Floating	12.00%[2]	10.95%	Bullet	Jun. 30, 2024
New Money Term loans	USD	98	101	Floating	12.34%[3]	11.31%	Bullet	Jun. 30, 2024
Reinstated Term Loans	EUR	453	372	Floating	6.00%[4]	11.34%	Bullet	Dec. 31, 2024
Reinstated Term Loans	USD	115	95	Floating	6.03%[5]	11.37%	Bullet	Dec. 31, 2024
Subtotal	**EUR**	**1,016**	**931**		**8.68%**	**11.21%**		
Lease liabilities[6]	Various	178	178	Fixed	7.94%	7.94%		
Accrued PIK Interest	EUR+USD	16	16	NA	0%	0%		
Accrued Interest	Various	16	16	NA	0%	0%		
Other Debt	Various	1	1	NA	0%	0%		
TOTAL		**1,227**	**1,142**		**8.34%**	**10.36%**		

(1) Rates as of December 31, 2020.

(2) Cash interest of 6-month EURIBOR with a floor of 0% +6.00% and PIK interest of 6.00%.

(3) Cash interest of 6-month LIBOR with a floor of 0% +6.00% and PIK interest of 6.00%.

(4) Cash interest of 6-month EURIBOR with a floor of 0% + 3.00% and PIK interest of 3.00%.

(5) Cash interest of 6-month LIBOR with a floor of 0% + 2.75% and PIK interest of 3.00

(6) Of which €14 million are capital leases and €164 million is operating lease debt under IFRS 16

8.3.2 Key terms of the credit agreements

As described in Note 1.1, Technicolor entered into certain transactions in 2020 as part of its financial restructuring.

The New Money debt consisted of two agreements:

- Note Purchase Agreement entered into by Tech 6 on July 16, 2020 ;
- Credit Agreement entered into by Technicolor USA Inc. on July 16, 2020.

(together the "New Money Documentation")

The Reinstated Term Loans, were documented by an Amended and Consolidated Credit Agreement, entered into by Technicolor SA and effective September 22, 2020 (the "Reinstated Term Loan Agreement").

Finally, the extension of the Wells Fargo credit line was effected by an amendment entered into by Technicolor USA Inc. effective July 17, 2020 revising and extending the Credit Agreement with Wells Fargo (the amendment and credit agreement are together hereafter referred to the "WF Agreement").

The New Money debt, the Reinstated Term Loans and the Wells Fargo credit line are collectively referred to as the "Debt Instruments".

The key terms of the debt documentation specified above is described below.

Security Package

French New Money borrowed by Tech 6 and Reinstated Term Loans

The New Money borrowed by Tech 6 is guaranteed by incorporation of two "*fiducies-sûretés*" (equivalent of a trust under French law) in respect of the shares of each of two French sub-holding companies ("Tech 7" and "Gallo 8"), owning virtually all of the entities of the Technicolor Group (Production Services activities for Tech 7, Connected Home, DVD Services and Production Services US activites for Gallo 8) and a third *fiducie* owning the Tech 6 loan to Technicolor SA of the proceeds of its New Money borrowing.

The Gallo 8 *fiducie* also guarantees the Reinstated Term Loans as a second ranking security.

These *fiducies* consist of a contract pursuant to which Technicolor SA transfers ownership of specifically identified assets, rights or security interests (existing or future) belonging to the Technicolor SA Group to a trustee. The trustee holds these in a segregated account created for the purpose of that *fiducie* until the discharge of obligations under the underlying financing agreement. The trustee acts on behalf of one or more beneficiaries, which, in the normal course of business, is Technicolor and, in the case of a default, is the security agent on behalf of the lenders.

In addition to the "*fiducies suretés*" some of the entities of Technicolor have issued "golden shares", providing certain rights which are exercisable only in specific cases by the collateral agent (acting on behalf of the New Money lenders) in order to protect their rights.

The governance rules in place for the fiducies and the "golden shares", except in a case of a default (which mirror those of the New Money debt), do not change the control exercised by Technicolor over the subsidiaries integrated into the "fiducies" nor over the subsidiaries which have issued "golden shares" according to an analysis performed in accordance with the criteria defined by IFRS 10 "Consolidated Financial Statements". The Group, as part of its compliance procedures, continually monitors the restrictions imposed by the fiducie contracts.

The New Money lenders also benefit from a pledge on certain assets held by Technicolor SA and its subsidiaries and the Reinstated Term Loans benefits from a second ranking lien.

U.S. New Money borrowed by Technicolor USA Inc. and Wells Fargo Credit Agreement

The U.S. New Money borrowed by Technicolor USA Inc is secured by 1st ranking pledges on all assets of the U.S. companies of the Group with the exception of the commercial receivables pledged to support the WF Agreement on which the U.S. New Money has a 2nd ranking pledge.

The U.S. New Money is also guaranteed by the Gallo 8 *fiducie* as well as a pledge on certain assets held by Technicolor SA.

Furthermore, the U.S. New Money benefits from a guarantee from Technicolor SA for the amount of the debt.

The WF Agreement is secured by a 1st ranking pledge on most of the commercial receivables of the U.S. companies of the Group. It also benefits from a 2nd ranking pledge on the remaining assets of the U.S. companies.

Mandatory and voluntary 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 defaults in the Debt Instruments include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by borrowers to make required payments when due under the Debt Instruments or of any other financial indebtedness or to comply with material obligations related to the Debt Instruments;
- a cross default under which there is a default if any member of the Group defaults under any indebtedness involving an aggregate amount of more than $25,000,000 and such default occurs

on the final maturity or results in the right by the creditor(s) to require immediate repayment of the debt.

Under the mandatory prepayment terms of the New Money Documentation, the Group is required to apply the cumulative net proceeds from asset disposals and from any insurance settlements following casualty events (such as damages caused by fire or other insured events) above €75 million towards the repayment of outstanding amounts of the New Money debt unless the proceeds are reinvested in assets useful for its business within 365 days. A prepayment penalty applies if the prepayment is done before the 2nd anniversary of the issuance date; no penalty applies after this date.

The New Money debt can also be voluntarily prepaid in whole or in part at any time with a penalty before the 2nd anniversary of the issuance date and without penalty thereafter.

The Reinstated Term Loans can be voluntarily prepaid in whole or in part without penalty at any time following the full repayment or prepayment of the New Money debt.

Financial Covenants

The New Term Loan Agreement does not contain any financial covenants.

The New Money Documentation and the WF Agreement contain a financial leverage covenant and a minimum liquidity covenant:

- The leverage covenant, tested on June 30 and December 31 starting in 2021, requires the ratio of total net debt to EBITDA be less than or equal to the levels given below:
  - June 30, 2021: ≤ 6.00
  - December 31, 2021: ≤ 5.00
  - June 30, 2022: ≤ 4.50
  - December 31, 2022 and thereafter: ≤ 3.50
- The minimum liquidity covenant requires the Group to maintain at least €30 million of cash and available credit lines on certain dates.

The breach of this financial covenant is an event of default upon the occurrence of which a simple majority of the lenders can instruct the agent for the debt to declare it immediately due and payable.

Affirmative Covenants

The Debt Instruments contain various standard and customary affirmative covenants and in addition contain requirements that the Group provide:

- Quarterly financials: unaudited balance sheet, income statement and cashflow statement (without notes)
- Full year guidance: including , Revenue, EBITDA, FCF and Net Leverage ratio

Furthermore, various confidential financial information and reports must be provided regularly to private side lenders.

Negative Covenants

The Debt Instruments and in particular the New Money Documentation and WF Agreement contain various standard and customary negative covenants as well as other specific covenants which restrict the Group's ability to undertake certain actions. These include restrictions on:

- Indebtedness: Generally new indebtedness is not permitted with various exceptions and baskets notably for capital leases and unsecured debt.
- Liens: New liens are generally not allowed except for some carve-outs and a general lien basket
- Disposals: Subject to certain carve-outs and baskets, the Group is limited in its ability to make disposals.
- Acquisitions: Except for a lifetime basket amount the Group cannot make acquisitions.
- Distributions and junior payments: The Group is limited in its ability to make distributions, in particular to shareholders and from companies within a *fiducie* to those outside a *fiducie*. With

the exception of cash pooling arrangements, junior payments between entities within a *fiducie* to those outside the *fiducie* are generally not allowed subject to certain exceptions and baskets

At December 31, 2020 Technicolor fully respects all applicable covenants and no case of default happened between the incorporation of the "fiducies-sûretés" and the approval of the financial statements.

8.4 Cash and cash equivalents

1. *Cash corresponds to cash in bank accounts as well as demand deposits.*
2. *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)	2020	2019
Cash	183	58
Cash equivalents	147	7
Cash and cash equivalents	**330**	**65**

8.5 Net financial income (expense)

(€ in million)	Year ended December 31, 2020	2019
Interest income	4	1
Interest expense [(1)]	(82)	(70)
Net interest expense	**(78)**	**(69)**
Net interest expense on defined benefit liability	(4)	(7)
Net gain on financial restructuring	158	4
Foreign exchange gain / (loss) [(2)]	15	(2)
Other	(14)	(11)
Other financial income (expense)	**155**	**(15)**
Net financial income (expense)	**77**	**(84)**

(1) During 2020, interest expense includes financial charges related to bridge loan and new debt arising from financial restructuring

(2) During 2020, Foreign exchange result can be explained mainly by the change in US debt value prior to financial restructuring

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, 2020 and December 31, 2019 the fair value of the Group's financial derivatives was as follows:

	2020		2019	
(€ in million)	Assets	Liabilities	Assets	Liabilities
Foreign currency hedges	-	1	1	2
Interest rate hedges	-	1	-	1
Total	-	**2**	**1**	**3**

Foreign currency hedge characteristics

The foreign currency hedges outstanding at December 31, 2020 are shown in the table below:

	Currencies	Notional (1)	Maturity	Fair value (2)
Forward purchases/sales and currency swaps	USD/GBP	54	2021	(1)
Forward purchases/sales and currency swaps	USD/MXN	(40)	2021	0
Forward purchases/sales and currency swaps	EUR/AUD	23	2021	(0)
Forward purchases/sales and currency swaps	EUR/GBP	18	2021	(0)
Forward purchases/sales and currency swaps	Other currencies			(0)
Fair value				**(1)**

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

(2) Market value in millions of euros at December 31, 2020.

Interest rate hedge characteristics

The Group has two interest rate hedging instruments outstanding at December 31, 2020. These instruments hedge future interest charges of the Group, which are principally indexed on a floating rate as shown in the table in note 8.2.2.2

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, 2020.

(2) EURIBOR floored at 0%.

Characteristics of instruments not documented as hedges

At December 31, 2020 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 2020:

	Foreign currency hedges		Interest rate hedges		Instruments not documented as hedges
(€ in million)	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	-	-	(1)	-	-
Foreign currency gain (loss)	-	1	-	-	-
Other	-	-	-	-	-
Net financial result	-	1	(1)	-	-
NET OPERATING RESULTAT BEFORE TAX	-	1	(1)	-	-
Gains / (losses) before tax resulting from the valuation at fair value of instruments hedging future cash flows	(5)	-	(1)	-	-
OTHER ELEMENTS OF GLOBAL RESULT	(5)	-	(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, 2020 the impact is equal to €(5) million.

9 Employee benefit

9.1 Information on employees

The total headcount of the Group consolidated entities as of December 31, 2020 is 13,289 employees (17,414 as of December 31, 2019). 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 million)	2020	2019
Wages and salaries	488	746
Social security costs	124	151
Compensation expenses linked to share-based payments granted to directors and employees (Note 9.3.3)	-	2
Pension costs - defined benefits plans (Note 9.2.2)	3	7
Termination benefits	70	24
Total employee benefits expenses (excluding defined contribution plans)	685	930
Pensions costs - Defined contribution plans	18	20

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	
	2020	2019	2020	2019	2020	2019
At December 31, 2019	**369**	**340**	**6**	**6**	**375**	**346**
Net periodic pension cost	7	10	-	-	7	10
Curtailment	(3)	(5)	-	-	(3)	(5)
Benefits paid and contributions	(30)	(26)	(1)	-	(31)	(26)
Change in perimeter	-	3	-	-	-	3
Actuarial (gains) losses recognized in OCI	14	45	-	-	14	45
Currency translation adjustments and other	(6)	2	-	-	(6)	2
At December 31, 2020	**350**	**369**	**5**	**6**	**355**	**375**
Of which current	*30*	*33*	*-*	*-*	*30*	*33*
Of which non-current	*320*	*336*	*5*	*6*	*324*	*342*

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 €18 million in 2020 (€20 million in 2019).

9.2.1.2 Defined benefit plans

These plans mainly cover pension benefits, retirement indemnities and medical post-retirement benefits. In 2020, 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	105	148	13	25	564
Fair value of plan assets	(0)	(78)	(118)	-	(13)	(209)
Retirement benefit obligations	**273**	**27**	**30**	**13**	**12**	**355**
Cash flows	(17)	(7)	(5)	-	(2)	(31)
Average duration (in years)	12	8	18	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 €2 million.

9.2.2 Elements of the statement of operations and other comprehensive income

9.2.2.1 Statements of operations

(€ in million)	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2020	2019	2020	2019	2020	2019
Service cost:						
- Current service cost	(3)	(3)	-	-	(3)	(3)
- Past service cost and gain from settlements	4	3	-	-	4	3
Financial interest expense, net:						
- Interest cost on obligation	(8)	(13)	(0)	-	(8)	(13)
- Interest income on plan assets	4	6	-	-	4	6
Components of defined benefit costs recognized in profit or loss	**(3)**	**(7)**	**(0)**	-	**(3)**	**(7)**

9.2.2.2 Other comprehensive income

(€ in million)	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2020	2019	2020	2019	2020	2019
Opening					**(222)**	**(178)**
Actuarial gains/(losses) arisen on plan assets:						
- due to the return on plan assets	16	20	-	-	16	20
Actuarial gains/(losses) arisen on benefit obligation:						
- due to changes in demographic assumptions	1	(2)	-	-	1	(2)
- due to changes in financial assumptions [(1)]	(34)	(53)	-	-	(34)	(53)
- due to experience adjustments	3	(9)	-	-	3	(9)
Components of defined benefit costs recognized in OCI	**(14)**	**(44)**	-	-	**(14)**	**(44)**
Closing					**(236)**	**(222)**

(1) *In 2020 and 2019, the decrease in discount rates (see Note 9.2.5) resulted in actuarial losses for respectively €14 million and €45 million.*

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

(€ in million)	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2020	2019	2020	2019	2020	2019
Benefit obligation at opening	**(572)**	**(518)**	**(6)**	**(6)**	**(578)**	**(524)**
Current service cost	(2)	(2)	-	-	(2)	(2)
Interest cost	(8)	(13)	-	-	(8)	(13)
Remeasurement - actuarial gains / (losses) arising from:						
- changes in demographic assumptions	1	(2)	-	-	1	(2)
- changes in financial assumptions	(34)	(53)	-	-	(34)	(53)
- experience adjustments	3	(10)	-	-	3	(10)
Past service cost, including gains / (losses) on curtailments	4	2	-	-	4	2
Benefits paid	33	34	1	-	33	34
Currency translation adjustments	19	(10)	-	-	19	(10)
Others (Change in Pension system)	-	-	-	-	-	-
Benefit obligation at closing	**(558)**	**(572)**	**(5)**	**(6)**	**(563)**	**(578)**
Benefit obligation wholly or partly funded	*(257)*	*(266)*	-	-	*(257)*	*(266)*
Benefit obligation wholly unfunded	*(301)*	*(306)*	*(5)*	*(6)*	*(306)*	*(312)*
Fair value of plan assets at opening	**203**	**178**	-	-	**203**	**178**
Interest income	4	6	-	-	4	6
Remeasurement gains / (losses)	16	20	-	-	16	20
Employer contribution	11	7	-	-	11	7
Benefits paid	(13)	(15)	-	-	(13)	(15)
Currency translation adjustments	(13)	7	-	-	(13)	7
Others (Change in Pension system)	-	-	-	-	-	-
Fair value of plan assets at closing	**208**	**203**	-	-	**208**	**203**
Retirement benefit obligations	**(350)**	**(369)**	**(5)**	**(6)**	**(355)**	**(375)**

The Group expects the overall 2020 benefits paid to be equal to €30 million for defined benefits plans, of which €20 million directly by the company to the employees and €10 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 4 million (€5 million at 2020 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 7 million of U.S. dollars (€6 million at 2020 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 close to 74%). 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 close to 80%. 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	
	2020	2019	2020	2019
Cash and cash equivalents	2%	3%	5	6
Equity investments	11%	10%	22	21
Debt securities	69%	67%	144	137
Properties	1%	1%	3	2
Annuity contracts	17%	19%	35	38
Total	100%	100%	209	204

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 2020 actual return on plan assets amounts to €20 million (€25 million in 2019).

9.2.5 Assumptions used in actuarial calculation

	Pension plan benefits		Medical post-retirement benefits	
	2020	2019	2020	2019
Weighted average discount rate	1.01%	1.60%	2.00%	2.80%
Weighted average long-term rate of compensation increase	1.22%	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	0.35%	0.00%	N/A	Iboxx AA10+
U.K.	1.45%	N/A	N/A	Aon Hewitt AA curve
U.S.	1.80%	N/A	2.02%	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 €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 994,204.

As of December 31, 2020, after share consolidation adopted by March 23, 2020 General Meeting, 261,568 subscription options are still outstanding (respectively 151,559 options, 98,049 options, 2,884 options and 9,076 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 305,175.

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 2018 (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.

The Board of Directors of May 7, 2020 found that targets for the LTIP 2017 were partially met and therefore authorized the delivery of 56,700 Performance Shares.

As of December 31, 2020, the outstanding share rights under the plans amounts to 20,548 performance shares rights for 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 111,111.

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.

The Board of Directors meeting of January 30, 2020 authorized the issuance of 9,258 shares in favor of two beneficiaries at an exercise price of €16,20.

As of December 31, 2020, the outstanding share rights under the plan amounts to 93,645 performance shares rights.

2020 Long Term Incentive Plan (LTIP)

The Shareholders' Meeting of June 30, 2020 in its twenty fifth 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 or the Group related parties. This authorization has been given for a 36-months period and is valid until June 30, 2023. The shares to be issued pursuant to this authorization shall not give rights to a total of shares greater than 3.6% of share capital stated at the date of authorization.

Asking use of this authorization, the Board of Directors approved on December 17, 2020, the implementation of 2020 Long Term Incentive Plan and authorized the issuance of 2,829,146 free shares.

These three-year plans provide conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject of the satisfaction a continued employment condition for the full duration of the Plan until December 17, 2023 and the achievement of cumulated EBITA and Total Shareholder Return until the end of 2022.

As of December 31, 2020, the outstanding share rights under the plan amounts to 2,829,146 performance shares rights.

As of December 31, 2020, the total number of outstanding stock options amounted to a maximum of 261,568 options and the total number of rights to receive shares amounted to 2,943,339 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 [2]	Number of instruments outstanding[2]	Initial number of beneficiaries	Vesting date	Contractual instrument life	Exercise price [1][2]	Estimated fair values granted [1][2]
MIP 2015 Options (*)	Subscription options	May 23, 2013 and June 7, 2013	607,335	149,060	94	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€ 86.13	€28.62
MIP 2015 Options (*)	Subscription options	October 24, 2013	7,408	0	1	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€ 106.11	€ 37.80
MIP 2015 Options (*)	Subscription options	March 26, 2014	7,963	2,499	2	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€ 122.31	€ 46.71
MIP 2016 Options (*)	Subscription options	June 20, 2014	104,815	48,353	40	June 2016 (50%) June 2017 (25%) June 2018 (25%)	8 years	€ 156.33	€ 49.14
MIP 2016 Options (*)	Subscription options	October 21, 2014	70,926	34,319	24	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€ 132.84	€ 39.15
MIP 2016 Options (*)	Subscription options	April 9, 2015	14,815	15,377	1	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€ 157.41	€ 50.76
MIP June 2017 Options (*)	Subscription options	June 26, 2015	9,260	2,884	2	June 2017 (50%) June 2018 (25%) June 2019 (25%)	8 years	€ 158.76	€ 51.57
MIP October 2017 Options (*)	Subscription options	December 3, 2015	63,334	9,076	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€ 191.97	€ 61.29
2016 LTIP (**)	Performance shares	April 29, 2016	102,241	0	187	April 2019	-	-	€ 153.63
2016 LTIP (**)	Performance shares	July 27, 2016	2,444	0	12	April 2019	-	-	€ 147.69
2016 LTIP (**)	Performance shares	October 20, 2016	7,926	0	18	April 2019	-	-	€ 138.78
2017 LTIP (**)	Performance shares	January 6, 2017	5,995	0	10	April 2020	-	-	€ 102.06
2017 LTIP (**)	Performance shares	March 9, 2017	148,180	0	218	April 2020	-	-	€ 102.06
2017 LTIP (**)	Performance shares	April 26, 2017	7,407	0	1	April 2020	-	-	€ 116.91
2017 LTIP (**)	Performance shares	July 26, 2017	5,273	0	15	April 2020	-	-	€ 91.26
2018 LTIP (**)	Performance shares	April 25, 2018	11,370	11,111	2	April 2021	-	-	€ 34.37
2018 LTIP (**)	Performance shares	June 25, 2018	12,216	9,437	12	April 2021	-	-	€ 34.37
2019 LTIP (**)	Performance shares	June 14, 2019	7,407	7,407	1	June 2022	-	-	€ 20.74
2019 LTIP (**)	Performance shares	July 24, 2019	88,197	77,028	175	June 2022	-	-	€ 20.74
2019 LTIP (**)	Performance shares	November 5, 2019	2,739	2,739	4	June 2022	-	-	€ 20.74
2019 LTIP (**)	Performance shares	January 30, 2020	9,258	6,471	2	June 2022	-	-	€ 16.20
2020 LTIP (**)	Performance shares	December 17, 2020	2,829,146	2,829,146	101	December 2023	-	€ 1.82	€ 1.23

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

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

(1) Exercise prices, fair value and number of options outstanding were modified following the 2015 capital increase

(2) Exercise prices, fair value and number of options outstanding were modified following the 2020 share consolidation.

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 2020 and 2019:

	Number of options and free shares (**)	Weighted Average Exercise Price (in €) (**)
Outstanding as of December 31, 2018 (with an average remaining contractual life of 4 years – excluding free shares)	**634,661**	**116.10** *(ranging from 0 to 189)*
Of which exercisable	*394,519*	*116.10*
Granted(*)	98,407	20.79
Delivered (Free Share Plan)	-	
Delivered (MIP)	-	
Forfeited & other	(128,447)	153.90
Outstanding as of December 31, 2019 (with an average remaining contractual life of 3 years – excluding free shares)	**604,621**	**92.61** *(ranging from 0 to 189)*
Of which exercisable	*364,953*	*111.78*
Granted(*)	2,838,404	1.28
Delivered (Free Share Plan)(*)	*(56,700)*	102.7
Delivered (MIP)	-	
Forfeited & other	(181,418)	98.21
Outstanding as of December 31, 2020 (with an average remaining contractual life of 2 years – excluding free shares)	**3,204,907**	**11.23**
Of which exercisable	*261,568*	*114.24*

(*) Related to 2019 and 2020 Long Term Incentive Plan (LTIP)

(**) Exrecice price and number of options outstanding were modified following the 2020 share consolidation.

Significant assumptions used

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

(in % and in euro)	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(**)	190.35	165.51	163.62	127.17	153.36	131.76	109.62	86.4
Weighted average exercise price(**)	191.97	158.76	157.41	132.84	156.33	122.31	106.11	86.13
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(**)	61.29	51.57	50.76	39.15	49.14	46.71	37.8	28.62

(*) 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.
(**) Exercise prices and fair value were modified following the 2020 share consolidation.

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 €104.49 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 €146.70 and a 3-years expected yearly dividend of €4.86.

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 €103.07 and a 3-years expected yearly dividend of €4.86.

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 €34.37 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 €19.60 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 € 0 million (expense/income) and € 2 million (expense) for the years ended December 31, 2020 and 2019. The counterpart of this expense has been credited to equity.

As of December 31, 2020, balances of lapsed plans amounting to €54 million have been reclassed in another caption of equity according IFRS 2 requirements.

9.4 Key management compensation

Directors' fees and compensation expenses (incl. Social security costs) amounted to € 1 million in 2020 and € 0.9 million in 2019. 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 2020 will be paid in 2021.

Compensation expenses allocated by the Group to Members of the executive committee (including those who left this function during 2020 and 2019), during 2020 and 2019 are shown in the table below:

(€ in million)	2020 (1)	2019 (1)
Short-term employee benefits (1)	14	15
LT employment benefit	2	-
Termination benefits (2)	4	-
Share-based payment	0	1
Total	20	16

(1) 12 members in 2020 and 15 members in 2019.
(2) Amounts accrued under post-employment obligations are almost nil as of December 31, 2019 and 2020.

In addition, a non-compete indemnity of €0.6 million has been paid to Mr Frédéric Rose in 2020.

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 €5 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

(€ in million)	Provisions for warranty	Provisions for risks & litigations related to		Provisions for restructuring related to		Total
		continuing operations	discontinued operations	continuing operations	discontinued operations	
As of December 31, 2019	**26**	**5**	**53**	**16**	**-**	**100**
Current period additional provision	13	4	9	94	2	122
Release	(8)	(1)	(1)	(8)	-	(18)
Usage during the period	(6)	(1)	(25)	(46)	-	(78)
Other movements and currency translation adjustments	(2)	(1)	(1)	1	-	(3)
As of December 31, 2020	**23**	**6**	**35**	**57**	**2**	**123**
Of which current	*23*	*4*	*5*	*56*	*2*	*90*
Of which non-current	*-*	*2*	*30*	*1*	*-*	*33*

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 or 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 518 million (c. €15 million at the exchange rate as of December 31, 2020) 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.

On March 5, 2020, the Taiwan High Court ruled on the 246 remanded claims and awarded NTD 54.7 million (€1.6 million) in damages plus interest. This ruling is on appeal to the Taiwan Supreme Court.

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 December 27, 2019 and awarded approximately NTD 2.3 billion (c. €66.8 million at the exchange rate as of December 31, 2020) plus interest. Technicolor and General Electric were held jointly and severally liable. Technicolor filed its appeal of this decision to the Taiwan High Court in January 2020.

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, ultimately owned TCETVT for approximately twenty years of operations.

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 U.S. District Court decision approving Technicolor's June 2015 settlement with a class of indirect purchasers of CRT for $14 million was remanded in February 2019 to the District Court by the Court of Appeals so that the District Court could reconsider its approval of the settlement. As part of the remand process, the indirect purchasers' settlement agreements with defendants were amended by agreement of the parties in September 2019, which resulted in a small part of the settlement amounts being returned to the defendants, including Technicolor, and plaintiffs from nine U.S. states being excluded from the settlements. The amended settlement agreements were approved by the District Court and the order granting that approval has now been appealed to the Court of Appeals. In September 2019, motions to intervene were filed by consumers from those nine states, but the District

Court denied them. The orders denying the motions to intervene have been appealed to the Court of Appeals. 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 €39 million 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 by the Court of First Instance as well as by the Regional Court of Appeals in December 2020. Vestel appealed the decision of the Regional Court of Appeals;
- in the Netherlands, a case filed by three Brazilian TV manufacturers under Brazilian law.

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 (i) a case in the United Kingdom against Arcelik, a Turkish manufacturer, which was settled in February 2020 and (ii) two cases in Germany against three German former TV manufacturers (Grundig and Loewe/Metz) which were settled in December 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)	2020	2019
LG	-	(2)
Other earn-out payments	(3)	(1)
Acquisition of investments	(3)	(3)
Less cash position of companies acquired	-	-
ACQUISITION OF INVESTMENTS, NET	(3)	(3)

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

(€ in million)	2020	2019
Digital Cinema activity [(1)]	8	3
Others	-	(2)
Disposal of investments	8	1
Less cash position of companies disposed off	(1)	-
DISPOSAL OF INVESTMENTS, NET	7	1

(1) Activity transferred to Deluxe in 2015, with annual earnout payments ending in 2020.

11.2 Cash impact of debt repricing and financing operations

(€ in million)	2020	2019
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)]	760	1
Reimbursement of current borrowings to debt holders [(2)]	(243)	(97)
Cash impact of current borrowings variation	517	(96)
Disposal of treasury shares (net of fees paid) [(3)]	-	1
Increase in capital [(4)]	60	-
Fees paid in relation to financing operations [(5)]	(60)	(1)
TOTAL CASH IMPACT OF REFINANCING AND SHARE CAPITAL OPERATIONS	517	(96)

(1) In 2020, proceeds from borrowings include €416 million related to French and US New Money, €250 million related to RCF and €93 million related to Bridge loan.

(2) In 2020, €85 million related to repayments of lease debts and €158 million related to Term Loan Debt and Bridge loan
In 2019, €91 million related to repayments of lease debts and €2 million related to 2018 Term Loan Debt

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

(4) In 2020, Technicolor increased its capital as part of financial restructuring.

(5) Fees paid directly linked to the Group's debt have been recorded as financing cash flows:
In 2020, it includes mainly fees related Group financial restructuring
In 2019, it includes mainly fees related to the Group's credit lines for €1 million.

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

(en million d'euros)	December 31, 2019	Cash impact of borrowing variation [1]	Non cash variation						December 31, 2020
			Non cash mouvements on lease contracts	Effect of financial restructuring	Interest expenses	Currency Translation Adjustments and Forex	Transfer Current - Non current	Reclassification in liabilities related to assets held for sale	
Non current borrowing	979	606	-	(630)	16	(26)	3	-	948
Current borrowing	8	(4)	-	-	15	(0)	(3)	-	16
TOTAL BORROWING	987	602	-	(630)	31	(26)	-	-	964
Non current lease laibilities	224	(62)	17	-	-	(15)	-	(42)	122
Current lease liabilities	87	(25)	1	-	-	(1)	-	(6)	56
TOTAL LEASE LIABILITIES	311	(87)	18	-	-	(16)	-	(48)	178

(1) In 2020, €(2) million are related to cash flows from discountinued activities

(en million d'euros)	December 31, 2018	Cash impact of borrowing variation [2]	Non cash variation						December 31, 2019
			IFRS16 adoption	New leases	IFRS discounts of debts	Currency Translation Adjustments	Transfer Current - Non current	Other movements	
Non current borrowing	1,004	(3)	(27)	-	5	-	-	-	979
Current borrowing	20	-	(14)	-	-	-	-	2	8
TOTAL BORROWING	1,024	(3)	(41)	-	5	-	-	2	987
Non current lease laibilities	-	(68)	331	24	20	8	(91)	-	224
Current lease liabilities	-	(26)	14	8		-	91	-	87
TOTAL LEASE LIABILITIES	-	(94)	345	32	20	8	-	-	311

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

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, 2020 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)	2020	Amount of commitments by maturity			
		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)	2	0	2	1	0
Other unconditional future payments [1]	12	0	4	7	2
Total Unconditional future payments	**15**	**0**	**5**	**7**	**2**
Conditional future payments					
Guarantees given and other conditional future payments	2	0	1	0	1
Total Conditional future payments	**2**	**0**	**1**	**0**	**1**

(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. These commitments (letters of credit) represent €18 million at the end of 2020.

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 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 €59 million as of December 31, 2020. 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, 2019, amounted respectively to €14 million and €10 million on continuing entities.

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 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, 2020	2019
DISCONTINUED OPERATIONS		
Revenues	1	6
Cost of sales	(1)	(3)
Gross margin	**(1)**	**3**
Selling and administrative expenses	(1)	(7)
Research and development expenses	2	(11)
Restructuring Costs	(4)	(0)
Net impairment gains (losses) on non-current operating assets	(1)	(1)
Other income (expenses)	(10)	(9)
Earning before Interest & Tax from discontinued operations	**(15)**	**(25)**
Financial net income (expenses)	(1)	2
Income tax	1	1
Net income (loss)	**(15)**	**(22)**

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.

12.1.2 Net cash from discontinued operations

(€ in million)	December 31, 2020	2019
Profit (loss) from discontinued activities	**(15)**	**(22)**
Summary adjustments to reconcile profit from discontinued activities to cash generated from discontinued operations		
Depreciation and amortization	1	1
Impairment of assets	1	1
Net change in provisions	(9)	7
Profit (loss) on asset disposals	0	(9)
Other non-cash items (including tax)	(1)	3
Changes in working capital and other assets and liabilities	5	2
Income tax paid	(0)	5
NET OPERATING CASH GENERATED FROM DISCONTINUED ACTIVITIES (I)	**(18)**	**(11)**
NET INVESTING CASH USED IN DISCONTINUED ACTIVITIES (II) [1]	**(3)**	**(20)**
Repayments of borrowings	(2)	(2)
NET FINANCING CASH USED IN DISCONTINUED ACTIVITIES (III)	**(2)**	**(2)**
NET CASH FROM DISCONTINUED ACTIVITIES (I+II+III)	**(23)**	**(33)**

[1] 2019 it includes mainly payment of liabilities covered by Technicolor in connection with disposal of Patents Licensing and Research & Innovation businesses.

12.2 Assets & liabilities held for sale

In accordance with IFRS 5, if the Group decides to dispose of an asset (or disposal group) it should be classified as held for sale if:

- the asset or group of assets is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;

- it is highly likely to be sold within one year.

Consequently, this asset (or disposal group) is shown separately as "Assets held for sale" on the balance sheet. The liabilities related to this assets (or disposal group) are also shown separately on the liabilities side of the balance sheet.

For the Group, only assets meeting the above criteria and subject to a formal disposal decision at the appropriate management level are classified as assets held for sales. The accounting consequences are as follows:

- the asset (or disposal group) held for sale is measured at the lower of carrying amount and fair value less cost to sell;

- the asset stops being depreciated with effect from the date of transfer.

(€ in million)	December 31, 2020	December 31, 2019
Assets classified as held for sale	76	-
Liabilities classified as held for sale	56	-

As of December 31, 2020, assets and liabilities held for sale mainly include the assets and related liabilities from the Group Post Production business, which met at that date the IFRS 5 criteria for classification as a disposal group held for sale. Included in that disposal group are:

- €5 million of goodwill allocated to Post Production;
- €52 million of non-current assets notably including the right-of-use relating to real estate operating leases for €41 million;
- the corresponding lease debt for €48 million;
- current assets and liabilities for €16 million and €8 million respectively.

Assets held for sale also include real estate right-of-use assets available for long-term sublease or in renegociation with the lessor for €3 million.

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

13 Subsequent events

On January 14, 2021 the Group announced the sale of its Post-production business to Streamland Media for €30 million. This strategic sale is part of the Group long-term vision for its Production Service to focus on VFX and animation for the entertainment industry, and expand its creative services and technologies for the advertising industry, which provide the maximum value to the Group clients. The sale, which is subject to customary conditions, is expected to close during the first half of 2021.

14 Table of auditors' fees

	Deloitte		Mazars		Total	
(in thousands of euros)	2020	2019	2020	2019	2020	2019
Statutory audit, certification, consolidated and individual financial statements						
- Technicolor SA	862	862	1,239	1,120	2,101	1,982
- Subsidiaries	1,466	1,636	1,004	1,133	2,470	2,769
Subtotal	**2,328**	**2,498**	**2,242**	**2,253**	**4,571**	**4,751**
Services other than certification of financial statements as required by laws and regulations [1]						
- Technicolor SA	285	34	291	0	576	34
- Subsidiaries	5	7	2	5	7	12
Subtotal	**290**	**41**	**293**	**5**	**583**	**46**
Services other than certification of financial statements provided upon the entity's request [2]						
- Technicolor SA	107	67	-	-	107	67
- Subsidiaries	101	76	10	15	111	91
Subtotal	**208**	**143**	**10**	**15**	**218**	**158**
TOTAL	**2,826**	**2,681**	**2,546**	**2,273**	**5,372**	**4,954**

(1) Include capital increase and capital decrease reports, financial restructuring and implementation of "fiducies-sêretés" services, 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:

	% share held by Technicolor (% rounded to one decimal)	
COMPANY - (Country)	**2020**	**2019**
Fully consolidated		
Technicolor SA 8-10 rue du Renard, 75004 Paris (France)	Parent company	Parent company
Connected Home		
Beijing Technicolor Management Co., Ltd (China)	100.0	100.0
Technicolor Asia Ltd (Hong-Kong)	100.0	100.0
Technicolor Brasil Midia E Entretenimento LTDA (Braz¡l)	100.0	100.0
Technicolor Connected Home de Mexico SA De CV (Mexico)	100.0	100.0
Technicolor Connected Home India Private Ltd (India)	100.0	100.0
Technicolor Connected Home USA LLC (USA)	100.0	100.0
Technicolor Connected Home Rennes SNC (France)	100.0	100.0
Technicolor Delivery Technologies (France)	100.0	100.0
Technicolor Delivery Technologies Australia Pty Limited (Australia)	100.0	100.0
Technicolor Delivery Technologies Belgium (Belgium)	100.0	100.0
Technicolor Delivery Technologies Canada Inc. (Canada)	100.0	-
Technicolor Japan KK (Japan)	100.0	100.0
Technicolor Korea Yuhan Hoesa (Korea Republic)	100.0	100.0
Production Services		
Mikros Image Belgium SA (Belgium)	100.0	100.0
Mikros Image SAS (France)	100.0	100.0
MPC (Shanghai) Digital Technology Co., Ltd (China)	89.8	89.8
Technicolor Animation Productions SAS (France)	100.0	100.0
Technicolor Canada, Inc (Canada)	100.0	100.0
Technicolor Creative Services USA, Inc (USA)	100.0	100.0
Technicolor Ltd (UK)	100.0	100.0
Technicolor India Pvt Ltd (India)	100.0	100.0
Technicolor Pty, Ltd (Australia)	100.0	100.0
The Mill (Facility) LTD (USA)	100.0	100.0
The Mill Berlin GmbH (Germany)	100.0	100.0
The Mill Group Inc. (USA)	100.0	100.0
The Moving Picture Company Limited (UK)	100.0	100.0
Thomson Multimedia Distribution (Netherlands) BV (The Netherlands)	100.0	100.0
Trace VFX LLC (USA)	100.0	100.0
Trace VFX Solutions Private India Ltd (India)	100.0	100.0
DVD Services		
Technicolor Disc Services International Ltd (UK)	100.0	100.0
Technicolor Distribution Services France SARL (France)	100.0	100.0
Technicolor Distribution Australia PTY LTD (Australia)	100.0	100.0
Technicolor Global Logistics, LLC (USA)	100.0	100.0
Technicolor Home Entertainment Services Canada ULC (Canada)	100.0	100.0
Technicolor Home Entertainment Services de Mexico, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Home Entertainment Services Inc (USA)	100.0	100.0
Technicolor Home Entertainment Services Southeast, LLC (USA)	100.0	100.0
Technicolor Mexicana, S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Milan SRL (Italy)	100.0	100.0
Technicolor Polska sp Z.o.o (Poland)	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
Technicolor Videocassette of Michigan, Inc (USA)	100.0	100.0

	% share held by Technicolor (% rounded to one decimal)	
COMPANY - (Country)	**2020**	**2019**
Corporate & Other		
Deutsche Thomson OHG (Germany)	100.0	100.0
Gallo 8 SAS (France)	100.0	100.0
RCA Trademark Management SAS (France)	100.0	100.0
Sté Fr.d'Invest.et d'Arbitrage - Sofia SA (France)	100.0	100.0
Tech 6 SAS (France)	100.0	100.0
Tech 7 SAS (France)	100.0	100.0
Technicolor Asia Pacific Holdings Pte. Ltd (Singapore)	100.0	100.0
Technicolor Trademark Management (France)	100.0	100.0
Technicolor Treasury USA LLC (USA)	100.0	100.0
Technicolor USA Inc (USA)	100.0	100.0
Consolidated by Equity method		
3DCD LLC (USA)	50.0	50.0
Canada Cinema Distribution Inc (Canada)	-	50.0
Techfund Capital Europe FCPR (France)	19.8	19.8
Technicolor SFG Technology Co. Ltd (China)	49.0	49.0
Vancouver Lab Inc (Canada)	-	50.0