technicolor

TECHNICOLOR 2015 CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF OPERATIONS

(€ in millions)	*Note*	Year ended December 31, 2015	2014
Continuing operations			
Revenues		3,652	3,332
Cost of sales		(2,818)	(2,513)
Gross margin		**834**	**819**
Selling and administrative expenses	*(6)*	(331)	(315)
Research and development expenses	*(7)*	(128)	(136)
Restructuring costs	*(26)*	(39)	(25)
Net impairment losses on non-current operating assets	*(8)*	(27)	(48)
Other income (expense)	*(6)*	(45)	7
Profit (loss) from continuing operations before tax and net financial income (expense)		**264**	**302**
Interest income	*(9)*	9	10
Interest expense	*(9)*	(72)	(75)
Other financial income (expense)	*(9)*	(24)	(52)
Net financial income (expense)	*(9)*	**(87)**	**(117)**
Share of loss from associates		(1)	-
Income tax	*(10)*	(55)	(48)
Profit (loss) from continuing operations		**121**	**137**
Discontinued operations			
Net gain (loss) from discontinued operations	*(11)*	(43)	(9)
Net income (loss)		**78**	**128**
Attributable to:			
- Equity holders		*82*	*132*
- Non-controlling interest		*(4)*	*(4)*

(in euro, except number of shares)	*Note*	Year ended December 31, 2015	2014
Weighted average number of shares outstanding (basic net of treasury shares held)	*(29)*	357,355,262	347,817,962
Earnings (losses) per share from continuing operations			
- basic		0.35	0.41
- diluted		0.34	0.41
Earnings (losses) per share from discontinued operations			
- basic		(0.12)	(0.03)
- diluted		(0.12)	(0.03)
Total earnings (losses) per share			
- basic		0.23	0.38
- diluted		0.22	0.38

According to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted for 2014 and 2015 to take into account the share capital increase with preferential subscription rights that occurred on November 17, 2015. The earnings per share was adjusted accordingly.

The accompanying notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ in millions)	*Note*	*Period ended December 31,* **2015**	**2014**
Net income (loss) for the year		78	128
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligations	*(25)*	21	(70)
Items that may be reclassified subsequently to profit or loss			
Fair value gains / (losses), gross of tax on cash flow hedges :			
- reclassification adjustments when the hedged forecast transactions affect profit or loss	*(22)*	1	1
Currency translation adjustments:			
- currency translation adjustments of the year		(32)	33
Total other comprehensive income [1]		(10)	(36)
Total comprehensive income for the year		**68**	**92**
Attributable to:			
- Equity holders of the parent		*72*	*96*
- Non-controlling interest		*(4)*	*(4)*

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

The accompanying notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in millions)	*Note*	**December 31, 2015**	**December 31, 2014**
ASSETS			
Non-current assets			
Property, plant and equipment	*(12)*	302	284
Goodwill	*(13)*	1,221	448
Other intangible assets	*(13)*	454	476
Investments in associates and joint ventures	*(15)*	16	10
Investments and available-for-sale financial assets	*(15)*	22	8
Contract advances and up-front prepaid discount	*(14)*	39	53
Deferred tax assets	*(10)*	365	342
Income tax receivable		1	1
Other non-current assets	*(18)*	54	37
Cash collateral and security deposits	*(19)*	23	15
Total non-current assets		**2,497**	**1,674**
Current assets			
Inventories	*(16)*	311	99
Trade accounts and notes receivable	*(17)*	704	580
Derivative financial instruments		3	2
Income tax receivable		62	35
Other current assets	*(18)*	300	326
Cash collateral and security deposits	*(19)*	15	21
Cash and cash equivalents	*(19)*	385	328
Assets classified as held for sale	*(11)*	24	-
Total current assets		**1,804**	**1,391**
Total assets		**4,301**	**3,065**

The accompanying notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in millions)	*Note*	December 31, 2015	December 31, 2014
EQUITY AND LIABILITIES			
Shareholders' equity	*(20)*		
Common stock *(411,443,290 shares at December 31, 2015 with nominal value of €1 per share)*		411	336
Treasury shares		(155)	(157)
Additional paid-in capital		1,233	939
Subordinated perpetual notes		500	500
Other reserves		(25)	(43)
Retained earnings (accumulated deficit)		(1,016)	(1,098)
Cumulative translation adjustment		(286)	(254)
Shareholders' equity attributable to owners of the parent		**662**	**223**
Non-controlling interest		4	(4)
Total equity		**666**	**219**
Non-current liabilities			
Borrowings	*(23)*	1,207	852
Retirement benefits obligations	*(25)*	353	384
Restructuring provisions	*(26)*	-	2
Other provisions	*(26)*	40	56
Deferred tax liabilities	*(10)*	126	106
Other non-current liabilities	*(28)*	159	189
Total non-current liabilities		**1,885**	**1,589**
Current liabilities			
Borrowings	*(23)*	86	59
Retirement benefit obligations	*(25)*	29	30
Restructuring provisions	*(26)*	20	34
Other provisions	*(26)*	90	62
Trade accounts and notes payable	*(17)*	746	502
Derivative financial instruments		1	4
Accrued employee expenses		166	130
Income tax payable		59	29
Other current liabilities	*(28)*	541	407
Liabilities classified as held for sale	*(11)*	12	-
Total current liabilities		**1,750**	**1,257**
Total liabilities		**3,635**	**2,846**
Total equity and liabilities		**4,301**	**3,065**

The accompanying notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ in millions)		Year ended December 31,	
	Note	**2015**	**2014**
Net income (loss)		**78**	**128**
Income (loss) from discontinued activities		**(43)**	**(9)**
Profit (loss) from continuing activities		**121**	**137**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		185	175
Impairment of assets (1)	*(8)*	32	49
Net changes in provisions		(48)	(39)
Gain on asset disposals		(7)	(8)
Interest (income) and expense	*(9)*	63	65
Other non-cash items (including tax)		81	67
Changes in working capital and other assets and liabilities	*(31)*	58	5
Cash generated from continuing activities		**485**	**451**
Interest paid		(58)	(66)
Interest received		10	10
Income tax paid		(52)	(43)
Net operating cash generated from continuing activities		**385**	**352**
Net operating cash used in discontinued activities	*(11)*	(23)	(15)
Net cash from operating activities (I)		**362**	**337**
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(31)*	(688)	(14)
Proceeds from sale of investments, net of cash	*(31)*	2	10
Purchases of property, plant and equipment (PPE)		(51)	(60)
Proceeds from sale of PPE and intangible assets		1	3
Purchases of intangible assets including capitalization of development costs		(56)	(50)
Cash collateral and security deposits granted to third parties		(8)	(7)
Cash collateral and security deposits reimbursed by third parties		9	13
Loans (granted to) / reimbursed by third parties		-	(1)
Net investing cash used in continuing activities		**(791)**	**(106)**
Net investing cash used in discontinued activities	*(11)*	-	(3)
Net cash used in investing activities (II)		**(791)**	**(109)**
Increase of Capital	*(31)*	227	-
Proceeds from borrowings	*(31)*	377	-
Repayments of borrowings	*(31)*	(62)	(194)
Fees paid linked to the debt and capital restructuring	*(31)*	(25)	(26)
Dividends and distributions paid to Group's shareholders	*(20.4)*	(17)	-
Other		(8)	(1)
Net financing cash generated used in continuing activities		**492**	**(221)**
Net financing cash used in discontinued activities		-	-
Net cash used in financing activities (III)		**492**	**(221)**
Net increase in cash and cash equivalents (I+II+III)		**63**	**7**
Cash and cash equivalents at beginning of year		**328**	**307**
Exchange gains/(losses) on cash and cash equivalents		(6)	14
Cash and cash equivalents at end of year		**385**	**328**

(1) Including €5 million and €1 million of impairment of assets as part of restructuring plans in 2015 and 2014, respectively.

The accompanying notes on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ in millions)	Attributable to equity holders of the Group								Non-controlling interest	Total equity (deficit)
	Share capital	Treasury shares	Additional paid-in capital	Perpetual Notes (TSS)	Other reserves	Retained earnings	Cumulative translation adjustment	**Total Group equity (deficit)**		
Balance at January 1, 2014	**335**	**(156)**	**940**	**500**	**15**	**(1,228)**	**(287)**	**119**	**-**	**119**
Changes in 2014										
Total other comprehensive income (*)	-	-	-	-	*(69)*	-	*33*	*(36)*	-	*(36)*
Net income (loss) for 2014	-	-	-	-	-	*132*	-	*132*	*(4)*	*128*
Total comprehensive income for 2014	**-**	**-**	**-**	**-**	**(69)**	**132**	**33**	**96**	**(4)**	**92**
Capital increases (see note 20.1)	1	-	(1)	-	-	-	-	-	-	-
Treasury shares purchased and sold (net amount) (see note 20.2)	-	(1)	-	-	-	-	-	(1)	-	(1)
Share-based payment to employees (see note 27)	-	-	-	-	9	-	-	9	-	9
Other	-	-	-	-	2	(2)	-	-	-	-
Balance at December 31, 2014	**336**	**(157)**	**939**	**500**	**(43)**	**(1,098)**	**(254)**	**223**	**(4)**	**219**
Changes in 2015										
Total other comprehensive income (*)	-	-	-	-	*22*	-	*(32)*	*(10)*	-	*(10)*
Net income (loss) for 2015	-	-	-	-	-	*82*	-	*82*	*(4)*	*78*
Total comprehensive income for 2015	**-**	**-**	**-**	**-**	**22**	**82**	**(32)**	**72**	**(4)**	**68**
Capital increases (see note 20.1)	75	-	311	-	-	-	-	386	-	386
Capital Increase allocated to NCI	-	-	-	-	(12)	-	-	(12)	12	-
Treasury shares purchased and sold (net amount) (see note 20.2)	-	2	-	-	-	-	-	2	-	2
Dividend paid	-	-	(17)	-	-	-	-	(17)	-	(17)
Share-based payment to employees (see note 27)	-	-	-	-	8	-	-	8	-	8
Balance at December 31, 2015	**411**	**(155)**	**1,233**	**500**	**(25)**	**(1,016)**	**(286)**	**662**	**4**	**666**

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

The accompanying notes on pages 8 to 77 are an integral part of these consolidated financial statements.

1. General information

1.1 Description of business

Technicolor is a leader in Media & Entertainment Services, developing and monetizing next-generation video and audio technologies. Please refer to note 5 for detailed operating segments.

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

1.2 Main events of the year

During the first half of the year, Technicolor implemented several actions to reinforce the focus of Production Services around its production activities (VFX, Animation, Postproduction), exited its loss-making media services activities and partnered its Digital Cinema activity with Deluxe. In the meantime, the Group has reinforced its position in Animation and Advertising through some acquisitions: Ouido Productions, a Paris-based animation house, and Mikros Image, a French leading VFX and Animation house mainly located in France and Canada. The acquisition of Mikros Image has also strengthened its production services dedicated to the French advertising market.

On June 2015, Technicolor repriced U.S. $763 million and €301 million of its senior secured term loans issued by Tech Finance & Co. S.C.A. maturing in 2020 (the “Term Loan Debt”) at new pricing of Libor / Euribor + 400bps, subject to a 1% Libor / Euribor floor, a 50bps reduction from the previous pricing. In parallel, certain amendments to the covenants of the Term Loan Debt were negotiated, notably the gross debt to EBITDA which was revised upward to 4.0x from the previous level of 3.5x. Technicolor also increased the dividend payment basket which now amounts to €150 million between the closing date of the repricing and June 2020 and reduced the excess cash flow sweep from 75% to 50% (subject to step down if certain leverage ratios are reached).

As part of its Drive 2020 strategic plan Technicolor made several acquisitions during the year 2015 (see note 4 for more information). Two major acquisitions were made during the second half of the year 2015:

- In the Entertainment Services segment: Technicolor acquired on September 15, 2015 The Mill, a group with £109 million revenues in 2014 (€135 million at average exchange rate of 2014), the world’s largest visual effects and content creation studio for the advertising industry, for a consideration of £48 million (equivalent to €66 million at September 15, 2015 exchange rate) paid cash to the existing shareholders of The Mill Group. In addition and in accordance with the agreement, Technicolor paid the assumed debt of The Mill amounting to £74 million and U.S. $98 million (equivalent respectively to €100 million and €87 million at September 15, 2015 exchange rate).
- In the Connected Home segment, acquisition on November 20, 2015 of the Cisco Connected Devices Business (“CCD”), an activity with $2.1 billion of revenues in 2014, for initial consideration of U.S $600 million reduced after price adjustments to U.S. $532 million equivalent to €498 million at exchange rate of November 20, 2015 of which €150 million (based on Technicolor share quotation as of November 20, 2015) paid in 21,418,140 newly issued shares.

These major acquisitions were financed by the end of the year 2015 through:

- €374 million in new Term Loan Debt;
- a share capital increase on November 17, 2015 through a public offering with rights issue of €227 million including the share premium (before deduction of issuance cost);
- a reserved share capital increase on November 20, 2015 for €150 million reflecting the issuance of new ordinary shares by Technicolor SA to Cisco as partial consideration for the acquisition;
- and for the remaining balance, by using cash available by the Company.

2. Accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2015 and adopted by the European Union as of February 18, 2016.

The standards approved by the European Union are available on the following web site: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

Technicolor financial statements are presented in euro and has been rounded to the nearest million.

The consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 18, 2016. According to French law, the consolidated financial statements will be considered as definitive when approved by the Company's shareholders at the Ordinary Shareholders' Meeting, which should take place in April 2016.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period of the consolidated financial statements. The critical accounting assumptions and estimates are detailed in note 3.

The accounting policies applied by the Group are consistent with those followed last year except for the following standards, amendments and interpretations which have been applied for the first time in 2015.

Main standards, amendments and interpretations effective and applied as of January 1, 2015

New standard and interpretation	Effective Date(1)	Main provisions
IFRIC 21 – Levies	Annual periods beginning on or after January 1, 2015	IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred. There was no significant impact identified, because the group does not have significant tax levies.

(1) The effective dates mentioned in the table above are the dates as adopted by the European Union. These standards and interpretations issued by the IASB are nevertheless applicable by anticipation.

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

New standard and interpretation	Effective Date	Main provisions
Amendments to IAS 19 - Defined Benefit Plans: Employee Contribution	Annual periods beginning on or after February 1, 2015	If the amount of contributions is independent of the number of years of service, the contributions may (but are not required) to be recognized as a reduction in service cost in the period in which the related service is rendered instead of being attributed to the periods of service. If the amount of contributions is dependent on the number of years of service, the contributions are required to be attributed to periods of service using the same method required by IAS 19.70 for the gross benefit. This would involve using either the defined benefit plan's contribution formula, or a straight line basis. There was no significant impact identified.
Amendments to IAS 16 & IAS 38	Annual periods beginning on or after January 1, 2016	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of tangible assets is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The group does not anticipate an impact.
IFRS 15 – Revenue from contracts with customers	Annual periods beginning on or after January 1, 2018	IFRS 15 specifies how and when revenue should be recognized. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The identification of impacts is in its early stage and the Group does not expect significant impacts at this stage.
IFRS 9 - Financial Instruments	Annual periods beginning on or after January 1, 2018	IFRS 9 issued on 24 July 2014 will replace IAS 39 - Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, classification, impairment, derecognition and general hedge accounting. The Standard introduces guidance on applying the business model assessment and the contractual cash flow characteristics assessment. The Group does not anticipate significant impacts.

2.2 Main accounting options selected by the Group for the preparation of the opening IFRS balance sheet at the transition date (January 1, 2004)

IFRS 1, First-time Adoption of IFRS, sets out the rules to be followed by first-time adopters of IFRS when preparing their first IFRS consolidated financial statements. The Group has opted to apply the following main options and exemptions provided by IFRS 1:

Business combinations

In accordance with IFRS 3, the Group has opted not to restate past business combinations that occurred before January 1, 2004.

Cumulative translation differences

The Group elected to recognize cumulative translation differences of the foreign subsidiaries into opening retained earnings as of January 1, 2004, after having accounted for the IFRS adjustments in the opening shareholders' equity. All cumulative translation differences for all foreign operations have therefore been deemed to be zero at the IFRS transition date. The gain or loss on a subsequent disposal of any foreign operation will exclude translation differences that arose before the IFRS transition date but will include later translation differences.

Stock options and other share-based payments

The Group elected to apply IFRS 2 to all equity instruments granted after November 7, 2002 and for which the rights had not vested as of December 31, 2004.

2.3 Basis of measurement

The IFRS financial information has been prepared using the historical cost convention with some exceptions regarding various assets and liabilities, for which specific provisions recommended by the IFRS have been applied: available-for-sale financial assets at fair value, derivative financial instruments and financial assets at fair value through profit and loss, and initial recognition of a financial assets or liabilities at fair value.

2.4 Translations

Translation of foreign subsidiaries

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

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

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

Translation of foreign currency transactions

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

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

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

	Closing rate		Average rate	
	2015	**2014**	**2015**	**2014**
US Dollar (US$)	1.0933	1.2151	1.1076	1.3256
Pound sterling (GBP)	0.7378	0.7812	0.7244	0.8046
Canadian Dollar (CAD)	1.5173	1.4109	1.4224	1.4674

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

3. Group critical accounting estimates and judgments

Certain of Technicolor's accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates which inherently contain some degree of uncertainty.

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

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

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

3.1 Tangible and intangible assets with finite useful lives

The Group records intangible assets with finite useful lives (mainly customer relationships, software, development projects and certain rights on intellectual property acquired) under "Other intangible assets" and tangible assets under "PPE". Significant estimates and assumptions are required to determine (i) the expected useful lives of these assets for purposes of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine the expected useful lives of PPE and intangible assets are defined in the Group's accounting policies manual and consistently applied throughout the Group.

For the year ended December 31, 2015, the Group recognized amortization expense amounting to €90 million related to PPE and amortization expense of €76 million for intangible assets with finite useful lives (these figures exclude depreciation expense booked in the loss from discontinued operations).

In order to ensure that its assets are carried at no more than their recoverable amount, Technicolor evaluates at each reporting date certain indicators (see note 13) that would result, if applicable, in the calculation of an impairment test. The recoverable amount of an asset or group of assets may require the Group to use estimates to assess the future cash flows expected to arise from the asset or group of assets and a suitable discount rate in order to calculate present value. Any negative change in relation to the operating performance or the expected future cash flows of individual assets or group of assets will change the expected recoverable amount of these assets or groups of assets and therefore may require a write-down of their carrying amount.

As of December 31, 2015, the Group reviewed its triggering indicators and determined that some amortizable assets and cash generating units may have lost value. Consequently, it performed impairment tests for these assets or group of assets (see notes 12 and 13). The impairment booked in 2015 on PPE and amortizable intangible assets amounts to €2 million and €23 million, respectively (see note 8). These amounts exclude impairment loss of tangible assets in the frame of a restructuring plan that amounted to €5 million in 2015.

Consequently, as of December 31, 2015, the net carrying amount of PPE and intangible assets with finite useful lives amounted to €299 million and €209 million, respectively.

3.2 Impairment tests of goodwill and intangible assets with indefinite useful lives

The Group reviews annually goodwill and other indefinite-lived intangible assets for impairment in accordance with the accounting policy stated in note 13. Such review requires management to make material judgments and estimates.

Technicolor's management believes its policies relating to such annual impairment testing are critical accounting policies involving critical accounting estimates because determining the recoverable amount of cash-generating units requires (i) determining the appropriate discount rate to be used to discount future expected cash flows of the cash-generating unit and (ii) estimating the value of the operating cash flows including their terminal value, the growth rate of the revenues generated by the assets tested for impairment, the operating margin rates of underlying assets for related future periods and the royalty rates for trademarks. These assumptions used by the Group for the determination of the recoverable amount are described in note 13.

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

The impairment tests performed in 2015 resulted in no impairment. The impairment tests performed in 2014 resulted in an impairment charge of €47 million related to DVD Services division goodwill.

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

As of December 31, 2015, the net book value of goodwill and trademarks amounted to €1,221 million and €245 million, respectively.

3.3 Deferred tax

Management judgment is required to determine the Group's deferred tax assets and liabilities as stated in note 10. When a specific subsidiary has a history of recent losses, future positive taxable income is assumed improbable, unless the asset recognition can be supported for reasons such as (i) the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future, and/or (ii) the expectation of exceptional gains or (iii) future income to be derived from long-term contracts. The Group considered tax-planning in assessing whether deferred tax assets should be recognized.

In 2015, taking into account updated forecasts within the French tax group and 2015 consumption, French deferred tax assets remained stable compared to the deferred tax assets recognized as at December 31, 2014. The deferred tax assets correspond to a usage by 2029 which represents the estimated Licensing activity's predictable taxable income period based on existing and future licensing programs.

As of December 31, 2015, the Group recorded deferred tax liabilities of €126 million and €365 million of deferred tax assets reflecting management's estimates of their recoverable amount.

3.4 Post-employment benefits

The Group's determination of its pension and post-retirement benefits obligations, expenses and OCI impacts for defined benefit plans is dependent on the use of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in note 25 and include, among others, the discount rate and annual rate of increase in future compensation levels. Assumptions regarding pension and post-retirement benefits obligations are based on actual historical experience and external data.

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

As of December 31, 2015, the post-employment benefits provision amounted to €382 million. The present value of the obligation amounted to €585 million, the fair value of plan assets amounted to €203 million. For the year ended December 31, 2015, net pension expense was €11 million, compared to €12 million in 2014 (see details in note 25).

3.5 Provisions and litigation

Technicolor's management is required to make judgments about provisions and contingencies, including the probability of pending and potential future litigation outcomes that, by their nature, are dependent on future events that are inherently uncertain. In making its determinations of likely outcomes of litigation and tax matters, management considers the opinion of outside counsel knowledgeable about each matter, as well as developments in case law. See note 33 for a description of the significant legal proceedings and contingencies for the Group.

3.6 Determination of royalties payable

In the normal course of its business, the Group may use certain technology protected by patents owned by third parties. In the majority of cases, the amount of royalties payable to these third parties for the use of this technology will be defined in a formal licensing contract. In some cases, and particularly in the early years of an emerging technology when the ownership of intellectual property rights may not yet be ascertained, management's judgement is required to determine the probability of a third party asserting its rights and the likely cost of using the technology when such assertion is probable. In making its evaluation, management considers past experience with comparable technology and / or with the particular technology owner. The royalties payable are presented within the captions "Other current liabilities" and "Other non-current liabilities" in the Group's balance sheet (see note 28).

4. Scope of consolidation

Scope and consolidation method

Subsidiaries

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

Associates

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

Joint ventures

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

For the years ended December 31, 2015 and 2014, Technicolor's consolidated financial statements include the accounts of all investments in subsidiaries, jointly controlled entities and associates, the main ones being listed in note 36 and summarized below.

	As of December 31, 2015				As of December 31, 2014			
Number of companies	**Europe (*)**	**France**	**U.S.**	**Others**	**Europe (*)**	**France**	**U.S.**	**Others**
Parent company and consolidated subsidiaries	44	21	25	39	39	18	17	38
Companies accounted for under the equity method	-	1	5	4	1	1	2	5
Sub-total by region	***44***	***22***	***30***	***43***	***40***	***19***	***19***	***43***
TOTAL	**139**				**121**			

(*) Except France

Interest in subsidiaries with minority holders

There has been no significant change during 2015 and 2014 in non-controlling interest.

4.1 Acquisitions and disposals

(a) In 2015

- ***Main business acquisitions***

The following acquisitions are fully consolidated and accounted for by applying the acquisition method of IFRS 3 ''business combination" (see Note 13).

Ouido Productions

On January 21, 2015, Technicolor acquired 51% of Ouido Productions ("Ouido"), a Paris-based animation company, with 6 permanent employees. This acquisition is included into the Entertainment Services segment.

The investment took the form of a capital increase by €1 million. According to the shareholder's agreement, Technicolor will purchase the remaining 49% stake in January 2016 at a price depending on the performance of the company in issuing new animated series, up to a maximum of €8 million (fixed amount of €1 million to be paid in January 2016 and a maximum earn-out of €7 million to be paid by 2021).

The purchase price including the probable earn-out is estimated at €5 million after discount. A debt of €5 million was recognized because of the put granted to non-controlling interest. As the net assets acquired represent €(1) million, a preliminary goodwill of €7 million has been recognized and is primarily related to synergies that Technicolor anticipates following the integration of this business into the Production Services division.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2015 is not significant.

The impacts of this transaction are detailed below:

(in million euros)	**Acquirees' carrying amount before combination**	**Capital increase subscribed by Technicolor**	**Fair value adjustments**	**Fair value**
Net asset acquired				
Intangible assets	10	-	(6)	4
Trade receivables & other assets	2	-	1	3
Cash	-	1	-	1
Borrowings	(4)	-	-	(4)
Trade payables & other liabilities	(6)	-	1	(5)
Total net asset acquired	**2**	**1**	**(4)**	**(1)**

Initial capital increase from January 2015	1
Purchase price acquisition to be paid (including earn- out payments' estimates)	5
Total purchase consideration paid (including initial capital increase)	**6**
Preliminary Goodwill (as of December 31, 2015)	**7**

Mikros Image

On June 5, 2015, Technicolor acquired Mikros Image (Mikros), a French leading VFX and Animation company mainly located in France and Canada, which counts around 260 permanent employees. This acquisition is included into the Entertainment Services segment.

The estimated purchase price was valued at €14 million as of June 5, 2015 (after net indebtedness and working capital estimated adjustments) reduced by a post-closing adjustment of €1 million. As part of the purchase price, €12 million have been paid to Mediacontech (the seller) at the closing date and €1 million put in an escrow account to cover a liability guarantee.

A purchase price allocation at fair value has been performed to identify tangible and intangible assets and liabilities, with the excess of the purchase price over such identifiable assets and liabilities allocated to goodwill. The goodwill of €8 million is primarily related to synergies that Technicolor anticipates following the integration of this business into the Production Services division.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2015 is not significant. Final allocation will take place by June 30, 2016.

The impacts of this transaction as of December 2015 are detailed below:

(in million euros)	**Acquirees' carrying amount before combination**	**Fair value adjustments**	**Fair value**
Net asset acquired			
Property, plant and equipment	3	-	3
Intangible assets	2	2	4
Trade receivables & other assets	14	-	14
Cash	1	-	1
Borrowings	(3)	-	(3)
Trade payables & other liabilities	(14)	-	(14)
Total net asset acquired	**3**	**2**	**5**
Purchase price paid (after post-closing adjustment)			13
Total purchase consideration paid			**13**
Preliminary Goodwill (as of December 31, 2015)			**8**

Cisco Connected Devices

On November 20, 2015 Technicolor acquired the Cisco Connected Devices Business ("CCD") for a total consideration of U.S. $532 million after initial price adjustment on working capital (in accordance with the agreement) in a combination of cash and shares (equivalent to €498 million at November 20, 2015 exchange rate and fair value of Technicolor shares issued). Cisco received U.S. $372 million in cash (equivalent to €348 million at November 20, 2015 exchange rate) and 21,418,140 Technicolor newly issued shares equivalent to €150 million at fair value (i.e. quotation of Technicolor share as of November 20, 2015). This acquisition is included into the Connected Home segment.

This acquisition of CCD Business was structured as an asset deal which includes only certain assets but does not include certain elements of working capital such as Trade account receivables or Trade account payable and does not include any pension liabilities or other long term liabilities. Approximately 730 employees have been offered positions within Technicolor following the completion of the transaction, excluding employees in any corporate or support functions.

In parallel, Technicolor and Cisco entered into a strategic partnership that will allow both companies to develop and deliver next generation video and broadband technologies, with cooperation on Internet of Things (IoT) solutions and services.

The unaudited opening balance sheet of assets and liabilities of the business acquired presented hereunder is translated into euros using the official exchange rate as of November 20, 2015 (i.e. €1 = U.S. $1.069).

No allocation at fair value has been performed yet considering the early stage of the acquisition and the complexity of the valuation of the acquired assets (technology, customer relationships, etc.). Accordingly the difference between the total consideration paid and the carrying value of the acquired assets and liabilities assumed has been fully recorded in Goodwill for an amount of €474 million.

Final allocation with the help of valuation expert will take place in June 2016. In addition, the audit of the opening balance sheet is not finalized yet. Any adjustment that would result of this audit would impact the final purchase price allocation.

The transaction is detailed below:

(in million euros)	**Acquirees' carrying amount before combination**
Net asset acquired	
Property, plant and equipment	6
Intangible assets	-
Trade receivables & other assets	92
Cash	-
Borrowings	-
Trade payables & other liabilities	(74)
Total net asset acquired	**24**
Purchase price paid (before post-closing adjustment)	498
Total purchase consideration paid	**498**
Preliminary Goodwill (at the acquisition date)	**474**

According to the agreements, Cisco is contractually performing several transition services for Technicolor (such as logistics, invoicing, information system etc.) for different durations that could range from 3 to 18 months depending on categories of services provided and integration ramp up of the business into Technicolor.

Technicolor's consolidated financial statements include the results of operations of this activity from November 21, 2015, contributing to a revenue of €86 million and an adjusted EBITDA of €2 million.

Due to the timing of the operation, the transition process had just started as of December 2015 and the contribution since November 21, 2015 is not representative of a recurring activity level expected from this business for the months to come.

The Mill

On September 15, 2015 Technicolor acquired The London-based group The Mill, the world's largest visual effects and content creation studio for the advertising industry, for a total consideration of £48 million (equivalent to €66 million at September 15, 2015 exchange rate) paid in cash to the existing shareholders of The Mill Group. In addition and in accordance with the agreement, Technicolor paid the assumed The Mill debt amounting to U.S. $98 million and £74 million (equivalent to €187 million at September 15, 2015 exchange rate). This acquisition is included into the Entertainment Services segment.

The opening balance sheet of The Mill group and its affiliates hereunder presented is converted into euros using the official exchange rate as September 15, 2015 (i.e. €1 = 0.733 GBP).

No allocation at fair value has been performed yet considering the early stage of the acquisition and the complexity of the valuation of the acquired assets (trademark, customer relationships, etc.). Accordingly the difference between the total consideration paid and the carrying value of the acquired assets and liabilities assumed has been fully recorded in Goodwill for an amount of €214 million.

Final allocation with the help of valuation expert will take place in June 2016. In addition, the audit of the opening balance sheet is not finalized yet. Any adjustment that would result of this audit would impact the final purchase price allocation.

The transaction is detailed below:

(in million euros)	**Acquirees' carrying amount before combination**
Net asset acquired	
Property, plant and equipment	22
Intangible assets	-
Trade receivables & other assets	37
Cash	7
Borrowings[(1)]	(187)
Trade payables & other liabilities	(27)
Total net asset acquired	**(148)**
Purchase price paid (before post-closing adjustment)	66
Total purchase consideration paid	**66**
Preliminary Goodwill (at the acquisition date)	**214**

(1) In accordance with the agreement, the debt assumed of The Mill was fully paid by Technicolor at the date of acquisition.

The Technicolor's consolidated financial statements include the results of operations of The Mill from September 16, 2015, contributing to a revenue of €51 million and an EBITDA of €9 million.

North America optical disc replication and distribution business (DVD and Blu-ray™) acquired from Cinram

On November 12, 2015 Technicolor acquired for U.S. $44 million (equivalent to €40 million at November 12, 2015 exchange rate) relevant North American optical disc manufacturing and distribution business from Cinram Group, Inc to serve two large studio customers. In addition and in accordance with the agreement, Technicolor paid the assumed debts amounting to U.S. $21 million (equivalent to €19 million at November 12, 2015 exchange rate). The transaction has been entirely funded out of available cash. This acquisition is included into the Entertainment Services segment.

The opening balance sheet of the business acquired is presented hereunder into euros using the official exchange rate as November 12, 2015 (i.e. U.S. €1 = U.S. $1.0772).

No allocation at fair value has been performed yet considering the early stage of the acquisition and the complexity of the valuation of the acquired assets (customer relationships, etc.). Accordingly the difference between the total consideration paid and the carrying value of the acquired assets and liabilities assumed has been fully recorded in Goodwill for an amount of €43 million.

Final allocation with the help of valuation expert will take place in June 2016. In addition, the audit of the opening balance sheet is not finalized yet. Any adjustment that would result of this audit would impact the final purchase price allocation.

The transaction is detailed below:

(in million euros)	**Acquirees' carrying amount before combination**
Net asset acquired	
Property, plant and equipment	20
Intangible assets	-
Trade receivables & other assets	55
Cash	-
Borrowings(1)	(19)
Trade payables & other liabilities	(59)
Total net asset acquired	**(3)**
Purchase price paid (before post-closing adjustment)	40
Total purchase consideration paid	**40**
Preliminary Goodwill (at the acquisition date)	**43**

(1) In accordance with the agreement, the debt assumed of Cinram activities acquired was fully paid by Technicolor at the date of acquisition.

The Technicolor's consolidated financial statements include the results of operations from November 13, 2015, contributing to a revenue of €39 million and an EBITDA of €1 million.

- ***Pro-forma selected statement of income information***

The selected pro forma financial information below relates to the income statement for the twelve-month period ended December 31, 2015 and reflects the acquisitions of the Cisco Connected Devices Business ("CDD") and The Mill plc ("The Mill"), together the "Acquisitions", as if they had been effective as of January 1, 2015.

Pro forma adjustments related to the selected pro forma information of the income statement are computed assuming the Acquisitions were completed on January 1, 2015. All pro forma adjustments are directly attributable to the Acquisitions. These adjustments have been prepared and computed based on available information.

Only adjustments that was expected to have a continuing effect on Technicolor's consolidated financial statements have been taken into account. For instance, the Pro Forma Information does not reflect any special items such as payments pursuant to restructuring and integration costs that may be incurred as a result of the Acquisitions. The Pro Forma Information does not include any economies of scale that may result from synergies and cost savings.

No reclassifications were made to align the acquisitions available historical financial information with Technicolor's financial statement presentation and to IFRS standards (except for the goodwill amortization of the Mill accounted for under UK Gaap which has been eliminated), but no presentation or other accounting differences that could have a material impact on the Pro Forma Information presented have been identified.

(in millions of euros)	**Audited financial information for Technicolor for the twelve-month period ended December 31, 2015**	**Unaudited historical financial information for CCD for the January 1, 2015 to November 20, 2015 period prior to the acquisition by Technicolor [(a)]**	**Unaudited historical financial information for The Mill for the January 1, 2015 to September 15, 2015 period prior to acquisition by Technicolor [(b)]**	**Unaudited pro forma adjustments [(c)]**	**Unaudited pro forma of the income statement for the twelve-month period ended December 31, 2015**
Revenues	3,652	1,535	130	-	**5,317**
Profit (loss) from continuing operations before tax and net finance income (expense)	264	99	16	14	**393**
Adjusted EBITDA [(d)] from continuing operations	565	104	21	14	**704**
Interests expenses	(72)	-	(11)	(8)	**(91)**

(a) The financial information for the period January 1, 2015 to November 20, 2015 presented is unaudited and has been extracted from financial information provided by Cisco, as adjusted for fiscal year-end and translated from US dollars into euro. CCD did not operate as a separate segment or business unit within the Cisco group.

(b) The financial information presented for the period January 1, 2015 to September 15, 2015, is unaudited and has been extracted from the financial statements of The Mill group, as translated from pounds sterling into euro.

(c) For CCD, the major pro forma adjustment come from the fact that Cisco, the parent company, allocated its own corporate and transversal function costs to all divisions including CCD, which are therefore included in the CCD historical financial information. Such costs have been eliminated and replaced by an estimated amount, based on Technicolor's own ratio of corporate costs and transversal functions applicable to its Connected Home segment, decreasing corporate and transversal function costs by €19 million. Moreover in order to take in consideration the costs relating to the selling team which has not been transferred to Technicolor, the selling costs have been increased by €5 million. For more detail on such adjustments please refer to the 2014 annual report update published on September 18, 2015.

Additionally, an adjustment has been made to record the interest costs related to the financing of the Acquisitions as if it occurred as of January 1, 2015, which were computed using an effective interest rate of 6.62% for the twelve-month period.

(d) Adjusted EBITDA corresponds to the profit (loss) from continuing operations before tax and net financial income (expense),net of other income (expense), depreciation and amortization (including impact of provision for risks, litigation and warranties).

- ***Main disposals***

Digital Cinema

On June 4, 2015, Technicolor has partnered its Digital Cinema activity with Deluxe. Under this agreement, Technicolor sold to Deluxe its worldwide activities (except France) in Digital Cinema for a minimum consideration of U.S. $24 million (equivalent to €19 million after discount at the average rate of 2015), payable over three years. The fixed assets transferred to the partner amounted to €7 million, and Technicolor contributed for €4 million in cash. The total gain related to this disposal amounted to €5 million as of December 31, 2015, after deduction of fees paid for €(1) million. Around 260 permanent employees were transferred.

The impacts of this transaction are detailed below:

(€ in millions)	**Digital Cinema**
Net assets disposed of	
Fixed assets	(7)
Cash contribution to the partner	(4)
Total net liabilities / (assets) disposed of	**(11)**
Deferred income recognized on the use of Technicolor Trademark	**(2)**
Disposal proceeds	**19**
Costs linked to the disposal	(1)
CTA recycled in the statement of operations	-
Gain on shares disposed of	**5**

IZON Media LLC

On June 30, 2015, Technicolor sold its subsidiary IZON Media LLC ("IZON") to Stratacache, a U.S.-based entity specialized in digital signage, for a purchase price of U.S. $1.65 million (€1.5 million at the average rate of 2015), which may be subject to a post-closing working capital adjustment.

IZON had 111 permanent employees as of December 31, 2014.

The impacts of this transaction are detailed below:

(€ in millions)	**IZON Media LLC**
Net assets disposed of	
Trade receivables	3
Other assets	1
Trade payables	(1)
Other liabilities	(3)
Total net liabilities / (assets) disposed of	**-**
Cash consideration received	2
Working capital adjustment	-
Total disposal proceeds	**2**
Costs linked to the disposal	-
CTA recycled in the statement of operations	(2)
Loss on shares disposed of	**-**

(b) In 2014

- ***Main business acquisitions***

On September 4, 2014 Technicolor acquired Mr. X, Inc., a leading North American provider of visual effects to premier television and international film clients, comprising its business in Canada (two entities, Mr. X, Inc. and Mr. X Production Services Inc., both in Toronto) and its facility in the US (Mr. X Gotham LLC in New-York). The purchase price was valued at 15 million of Canadian dollars (equivalent to €10 million at transaction rate), including a probable earn-out of 2.6 million of Canadian dollars.

The purchase price was composed of:
- a first installment of 7.4 million of Canadian dollars which has been paid up front, on September 4, 2014;
- two installments of 1 million of Canadian dollars each which are deferred to 12 months and 18 months after closing;
- a price adjustment of 3 million of Canadian dollars corresponding to the refunding to the seller of tax credits received by Mr. X in respect of the 2012 and 2013 fiscal years;
- up to 3.5 million of Canadian dollars (discounted value of 2.6 million of Canadian dollars) of probable earn-outs payable to the vendor.

The goodwill of 2 million of Canadian dollars (equivalent to €2 million at transaction rate) is primarily related to synergies that Technicolor anticipates following the integration of this business into the Production Services division.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to December 31, 2014 is not significant.

The impacts of this transaction as of December 2014 are detailed below:

(€ in millions)	**Acquirees' carrying amount before acquisition**	**Fair value adjustments**	**Fair value**
Net asset acquired			
Intangible fixed assets (Trade Name)	-	2	2
Tangible fixed assets	4	(2)	2
Tax credit	4	-	4
Other assets incl. cash	2	-	2
Other liabilities	(2)	-	(2)
Total net asset acquired	**8**	**-**	**8**
Purchase consideration paid as of December 31, 2014			6
Purchase consideration to be paid (including earn out payments' estimates)			4
Total Purchase price			**10**
Goodwill (amount as of December 31, 2014)			**2**

- ***Main disposals***

No disposal had significant impact in the Group 2014 consolidated financial statements.

4.2 Significant judgements and assumptions

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

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

Since June 2013 Tech Finance is fully consolidated. Tech Finance only relevant activity is to lend the funds it gets from third parties to Technicolor. Any material changes to Tech Finance debt and loan could only be initiated by Technicolor that would decide to early reimburse or amend the characteristics of its debt. Additionally, Tech Finance revenues do not allow to conduct and fund any other sort of activities.

Management has analyzed its influence in Tech Finance in accordance with IFRS 10's control definition and guidance. It has concluded, further to the analysis on power, return and the ability to use the power to affect returns of Tech Finance that this special purpose vehicle should remain in the Group's scope. Tech Finance assets and liabilities are only those related to the Debt (see note 23).

Technicolor, with 51% interest in Ouido Productions, applied the full consolidation method because Technicolor has the control over the activity of this affiliate.

5. Information by operating segments and by geographic areas

Revenues

Revenue is measured at the fair value of the amount received or to be received, after deduction of any trade discounts or volume rebates allowed by the Group, including customer contract advances amortization. When the impact of deferred payment is significant, the fair value of the revenue is determined by discounting all future payments.

Sales of goods

Related revenue is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, which generally occurs at the time of shipment.

Services agreements

The Group signs contracts which award to the Group a customer's business within a particular territory over the specified contract period (generally over 1 to 5 years). The contracts contain provisions that establish pricing terms for services and volumes to be provided and other terms and conditions. Revenue is recognized when the entity has transferred to the customer the major risk and rewards of ownership, which generally occurs, depending on contract terms, upon duplication or delivery.

Royalties

Patent licensing agreements generally state that a specified royalty amount is earned at the time of shipment of each product to a third-party by a licensee. The gross royalty amount is determined on a quarterly basis and in accordance with the license agreement.

5.1 *Information about geographical areas*

(€ in millions)	France	U.K.	Rest of Europe	U.S.	Rest of Americas	Asia-Pacific	TOTAL
December 31, 2015							
Revenues (1)	1,050	208	309	1,395	501	189	**3,652**
Segment assets	781	365	117	1,671	313	118	**3,365**
Non-current assets (2)	382	309	8	1,128	155	73	**2,055**
December 31, 2014							
Revenues (1)	907	162	282	1,302	507	172	**3,332**
Segment assets	514	137	109	1,144	250	127	**2,281**
Non-current assets (2)	190	90	8	800	124	70	**1,282**

(1) Revenues are classified according to the location of the entity that invoices the customer.
(2) Non-current assets exclude financial instruments, deferred tax assets, equity investments, non-current loans and collateral cash and security deposits.

5.2 *Information by business segment*

The Group's Executive Committee makes its operating decisions and assesses performances on the basis of three types of activities. These are therefore the reportable operating segments under IFRS 8: Technology, Connected Home and Entertainment Services. All the remaining activities (including unallocated Corporate functions) are grouped in a segment "Other" as a reconciling item.

- **Technology**

Technology segment is organized around the following divisions:

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

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

- **Connected Home**

Connected Home segment offers a wide range of solutions to Pay-TV operators and network service providers for the delivery of digital entertainment, data, voice and smart home services, through the design and supply of products such as digital set-top boxes, broadband gateways, managed wireless tablets, and other connected devices, as well as software solutions for multi-device communication and related professional services.

- **Entertainment Services**

Entertainment Services segment is organized around the following divisions:

- DVD Services;
- Production Services that comprises the Group's Visual Effects, Animation and Postproduction activities.

The Entertainment Services segment supports content creators from creation to postproduction (Production Services), while offering global packaged media solutions (DVD Services).

- **"Other"** segment is as follows:
    - Unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as Sourcing, Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and that cannot be strictly assigned to a particular business within the three operating segments;
    - IZON Media. Following the disposal of the activity IZON completed in June 2015, the Group transferred the IZON activity, formerly reported as part of Entertainment Services segment, to the Other segment.

The following comments are applicable to the two tables below:

- The Technology segment generates substantially all of its revenue from royalties. Entertainment Services and Connected Home generate their revenue from the sale of goods and services;
- The caption “EBITDA adjusted” corresponds to the profit (loss) from continuing operations before tax and net financial income (expense), net of other income (expense), depreciation and amortization (including impact of provision for risks, litigation and warranties);
- The caption "Profit (loss) from continuing operations before tax and net financial income (expense)" does not include intercompany items;
- The captions "Amortization of customer relationships" and "Other depreciation and amortization" only relate to continuing operations;
- The caption "Other non-cash income (expense)" includes mainly the net variation of provisions without cash impact;
- The caption "Other segment assets" includes advances to suppliers and to customers and excludes cash and cash equivalents;
- The caption "Total segment assets" includes all operating assets used by a segment and consists principally of receivables, inventories, property, plant and equipment, intangible assets and goodwill, net of depreciation and provisions. Segment assets do not include income tax assets and cash;
- The caption "Unallocated assets" includes mainly financial assets, current accounts with associates and joint ventures, income tax assets, cash and cash equivalents and assets classified as held for sale;
- The caption "Unallocated liabilities" includes mainly financial and income tax liabilities and liabilities classified as held for sale;
- The caption "Net capital expenditures" includes cash used relating to tangible and intangible capital expenditures, net of cash received from tangible and intangible asset disposals;
- The caption "Capital employed" is defined as being the aggregate of both net tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (with the exception of provisions including those related to employee benefits, income tax, payables on acquisition of companies and payables to suppliers of PPE and intangible assets);

As of December 31, 2015, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment represent more than 10% of the Group’s consolidated revenues (respectively €391 million and €369 million). As of December 31, 2014, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment represented more than 10% of the Group’s consolidated revenues (respectively €394 million and €365 million).

(€ in millions)	Technology	Connected Home	Entertainment Services (1)	Other (1)	Consolidation Adjustments	Total
	Year ended December 31, 2015					
Statement of operations items						
Revenues	511	1,451	1,676	14	-	**3,652**
Intersegment sales	-	2	4	1	(7)	-
EBITDA adjusted	**377**	**76**	**192**	**(80)**	**-**	**565**
Profit (loss) from continuing operations before tax and net financial income (expense)	**339**	**(10)**	**25**	**(90)**	**-**	**264**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(12)	-	-	(12)
Amortization of contract advances and up-front prepaid discounts	-	-	(22)	-	-	(22)
Other depreciation and amortization	(20)	(30)	(98)	(3)	-	(151)
Net impairment losses on non-current operating assets (2)	(12)	(11)	(4)	-	-	(27)
Other non-cash income (expense)	(4)	(14)	(26)	5	-	(39)
Statement of financial position items						
Assets						
Operating segment assets	127	681	955	8	-	1,771
Goodwill	-	516	705	-	-	1,221
Other segment assets	84	104	146	39	-	373
Total segment assets	**211**	**1,301**	**1,806**	**47**	**-**	**3,365**
Investments in associates	-	1	1	14	-	16
Unallocated assets						920
Total consolidated assets						**4,301**
Liabilities						
Segment liabilities	156	832	699	460	-	2,147
Unallocated liabilities						1,488
Total consolidated liabilities (without equity)						3,635
Other information						
Net capital expenditures	(9)	(44)	(52)	(1)	-	(106)
Capital employed	81	52	574	(64)	-	643

(1) Following the disposal of the activity IZON completed in June 2015, the Group transferred the IZON activity, formerly reported as part of Entertainment Services segment, to the Other segment.

(2) See note 8.

(€ in millions)	Technology	Connected Home	Entertainment Services [(1)]	Other [(1)]	Consolidation Adjustments	Total
	Year ended December 31, 2014					
Statement of operations items						
Revenues	490	1,382	1,432	28	-	**3,332**
Intersegment sales	-	2	3	1	(6)	-
EBITDA adjusted	**359**	**77**	**191**	**(77)**	**-**	**550**
Profit (loss) from continuing operations before tax and net financial income (expense)	**340**	**34**	**9**	**(81)**	**-**	**302**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(10)	-	-	(10)
Amortization of contract advances and up-front prepaid discounts	-	-	(24)	-	-	(24)
Other depreciation and amortization	(16)	(39)	(81)	(3)	-	(139)
Net impairment losses on non-current operating assets [(2)]	-	-	(48)	-	-	(48)
Other non-cash income (expense)	(3)	(16)	(19)	(3)	-	(41)
Statement of financial position items						
Assets						
Operating segment assets	129	418	878	14	-	1,439
Goodwill	-	50	398	-	-	448
Other segment assets	189	76	109	20	-	394
Total segment assets	**318**	**544**	**1,385**	**34**	**-**	**2,281**
Investments in associates	-	1	-	9	-	10
Unallocated assets						774
Total consolidated assets						**3,065**
Liabilities						
Segment liabilities	201	549	579	467	-	1,796
Unallocated liabilities						1,050
Total consolidated liabilities (without equity)						2,846
Other information						
Net capital expenditures	(12)	(33)	(62)	-	-	(107)
Capital employed	140	20	570	(35)	-	695

(1) Following the disposal of the activity IZON completed in June 2015, the Group transferred the IZON activity, formerly reported as part of Entertainment Services segment, to the Other segment. Accordingly the information above has been restated for 2014

(2) See note 8.

6. Selling and administrative expenses and other income (expense)

(€ in millions)	2015	2014
Selling and marketing expenses	(105)	(98)
General and administrative expenses	(226)	(217)
Selling and administrative expenses	**(331)**	**(315)**
Other income (expense) (1)	**(45)**	**7**

(1) The line "Other income (expense)" mainly includes :

- In 2015:
  - €18 million related to a settlement in Connected Home segment.
  - €8 million related to Brazil antitrust settlement.
  - €24 million on fees related to acquisitions.
  - a gain of €5 million on disposal of Digital Cinema.

- In 2014: a gain on disposal of available-for-sale financial asset.

7. Research and development expenses

(€ in millions)	2015	2014
Research and development expenses, gross	(158)	(147)
Capitalized development projects	34	27
Amortization of capitalized development projets	(28)	(34)
Subsidies (1)	24	18
Research and development expenses, net	**(128)**	**(136)**

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

8. Net impairment losses on non-current operating assets

Impairment of intangible assets, goodwill and PPE

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

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units (CGU) or groups of cash-generating units (hereafter called "goodwill reporting units" (GRU)) that represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

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

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

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

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

For determining the recoverable value, the Group uses estimates of future pre-tax discounted cash flows generated by the asset including a terminal value when appropriate. These flows are consistent with the most recent budgets *approved by the Board of Directors of the Group. Estimated cash flows are discounted using pre-tax long-term market rates, reflecting the time value of money and the specific risks of the assets. Methodology and assumptions used by the Group are detailed in note 13.*

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

(€ in millions)	**Technology**	**Connected Home**	**Entertainment Services**	**TOTAL**
2015				
Impairment loss on goodwill (1)	-	-	-	-
Impairment losses on intangible assets(3)	(12)	(11)	-	(23)
Impairment losses on tangible assets	-	-	(2)	(2)
Impairment losses on contract advances and up-front prepaid discount	-	-	(2)	(2)
Impairment losses on non-current operating assets (2)	**(12)**	**(11)**	**(4)**	**(27)**
Impairment reversal on intangible assets	-	-	-	-
Net impairment losses on non-current operating assets (2)	**(12)**	**(11)**	**(4)**	**(27)**
2014				
Impairment loss on goodwill (1)	-	-	(47)	(47)
Impairment losses on intangible assets	-	-	-	-
Impairment losses on tangible assets	-	-	(1)	(1)
Impairment losses on non-current operating assets (2)	**-**	**-**	**(48)**	**(48)**
Impairment reversal on intangible assets	-	-	-	-
Net impairment losses on non-current operating assets (2)	**-**	**-**	**(48)**	**(48)**

(1) In 2014 related to DVD Services (see note 13).

(2) In addition to these impairment expenses, €5 million and €1 million respectively have been written-off as part of a restructuring plan in 2015 and 2014. Total net impairment of assets amounts therefore to €32 million and €49 million in 2015 and 2014 respectively.

(3) Related to depreciation of M-GO long-term assets (€12 million) and capitalized development costs within Connected Home segment (€11 million).

9. Net financial income (expense)

(€ in millions)	**2015**	**2014**
Interest income	9	10
Interest expense	(72)	(75)
Interest expense, net (1)	**(63)**	**(65)**
Interest expense on defined benefit liability, net	(8)	(11)
Acceleration of amortization of the effective interest rate on the debt (2)	-	(20)
Foreign exchange gain / (loss)	(5)	(11)
Other	(11)	(10)
Other financial income (expense), net	**(24)**	**(52)**
Net financial income (expense)	**(87)**	**(117)**

(1) In 2015 interest expense includes €14 million (€12 million in 2014) due to the difference between the effective interest rate and the nominal rate of the debt.

(2) In 2014, debt prepayments triggered a reversal of the IFRS adjustment (gain resulting from the debt restructuring in 2010 and from the Term Loan Debt issuance in 2013) while new issuances of Term Loan Debt in April 2014 created additional positive adjustment. At December 31, 2014, the IFRS adjustment is only related to the Term Loan Debt maturing in 2020.

10. Income tax

Deferred and current income taxes

Deferred taxes result from:

- Temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the Group consolidated balance sheets; and

- The carry forward of unused tax losses and tax credits.

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

All deferred tax liabilities are recorded except:

- When the deferred tax liability results from the initial recognition of goodwill, or from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and

- For taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the Group is able to control the timing of the reversal of the temporary differences and when it is probable that these temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recorded:

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

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

The recoverable amount of the deferred tax assets is reviewed at each balance sheet date and adjusted to take into account the level of taxable profit available to allow the benefit of part or all of the deferred tax assets to be utilized (see note 3.3).

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

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

10.1 Income tax in the profit or loss statement

(a) Income tax expense

The income tax expense can be analyzed as follows:

(€ in millions)	**2015**	**2014**
Current income tax		
France	(34)	(25)
Foreign	(22)	(24)
Total current income tax	**(56)**	**(49)**
Deferred income tax		
France	-	-
Foreign	1	1
Total deferred income tax	**1**	**1**
Income tax (expense) on continuing operations	**(55)**	**(48)**

In 2015 and 2014, the current income tax charge was notably the result of current taxes due in France, Mexico, Brazil, the U.K. and Australia, as well as withholding taxes, which were mostly credited against taxes payable in France.

In France, the current income tax reflects income taxes payable due to the limitation of the usage of tax losses carried forward, withholding taxes on income earned by our licensing activities and the local tax "CVAE".

(b) Group tax proof

The following table shows reconciliation of the expected tax expense – using the French corporate tax rate of 38%– and the reported tax expense. The 38% tax rate is payable by companies with revenues over €250 million. The reconciling items are described below:

(€ in millions)	2015	2014
Profit (loss) from continuing operations	**121**	**137**
Income tax	(55)	(48)
Share of profit (loss) from associates	(1)	-
Pre-tax accounting income on continuing operations	**177**	**185**
	38%	*38%*
Expected tax (expense) income	**(67)**	**(70)**
Effect of unused tax losses and tax offsets not recognized as deferred tax assets (1)	(17)	(26)
Effect of different tax rates applied (2)	53	51
Effect of change in applicable tax rate	(3)	-
Effect of permanent differences	(4)	5
Withholding taxes not recovered (3)	(1)	(5)
Tax credits	-	1
Other, net (4)	(16)	(4)
Effective tax expense on continuing operations	**(55)**	**(48)**

(1) In 2015 and 2014, relates mainly to the depreciation of the deferred tax assets of the U.S partially offset by the release of depreciation in France due to the extension of Licensing visibility for one additional year (see note 3.3).

(2) In 2015, the mother company benefited from reduced rate taxation, resulting in a tax benefit of €32 million related to the licensing revenue (€27 million in 2014).

(3) Related to withholding tax paid on licensing revenues but not refunded through current income tax in France and in the U.S.

(4) In 2015 comprises €7 million related to "CVAE" of French entities (€6 million in 2014).

10.2 Tax position in the statement of financial position

(a) Change in net deferred taxes

(€ in millions)	Deferred tax assets	Deferred tax liabilities	Total, net deferred tax assets
At January 1, 2014	**364**	**(130)**	**234**
Changes impacting continuing profit or loss	(34)	35	1
Other movement	12	(11)	1
Year ended December 31, 2014	**342**	**(106)**	**236**
Changes impacting continuing profit or loss	14	(13)	1
Other movement	9	(7)	2
Year ended December 31, 2015	**365**	**(126)**	**239**

(b) Source of deferred taxes

(€ in millions)	2015	2014
Tax losses carried forward	**1,569**	**1,476**
Tax effect of temporary differences related to:		
Property, plant and equipment	29	40
Goodwill	1	4
Intangible assets	(75)	(68)
Investments and other non-current assets	(67)	(52)
Inventories	(10)	3
Receivables and other current assets	22	12
Borrowings	201	161
Retirement benefit obligations	71	60
Restructuring provisions	6	14
Other provisions	13	22
Other liabilities current and non-current	84	75
Total deferred tax on temporary differences	**275**	**271**
Deferred tax assets / (liabilities) before netting	**1,844**	**1,747**
Valuation allowances on deferred tax assets	(1,605)	(1,511)
Net deferred tax assets / (liabilities)	**239**	**236**

As shown above, the main temporary difference for the Group is related to tax losses carry forward, which will mostly expire beyond 2020 (€4,299 million on a total of €4,377 million at year-end 2015). Unused tax losses arise mainly from France, United States and Germany locations.

11. Discontinued operations and held for sale operations

Assets held for sale

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

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of (by sale or otherwise) or is held for sale. To be disclosed as discontinued, the operation must have been stopped or be classified as "asset held for sale". The component discontinued is clearly distinguishable operationally and for reporting purposes. It represents a separate major line of business (or geographical area of business), is part of a single major plan of disposal or is a subsidiary acquired exclusively for resale.

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

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

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

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

11.1 Discontinued operations

For the year 2015, there has been no change in discontinued perimeter compared to 2014.

It relates to remaining subsequent impacts of activities disposed of or abandoned such as Grass Valley from 2009, Silicon Solutions businesses, Audio-Video Accessories businesses (AVA), TV business and Cathode Tubes activities from 2004 and 2005.

In 2015, the loss of €43 million from discontinued operations consists mainly of settlements of some risk and litigation which were related to businesses discontinued several years ago (see note 33).

In 2014, the loss from discontinued operations is mainly made of legal fees and depreciation for risk and litigation.

Cash flows used by discontinued perimeter in 2015 and 2014 are as follows:

(€ in millions)	2015	2014
Profit (Loss) from discontinued operations	**(43)**	**(9)**
Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations:		
Net changes in provisions	3	(4)
(Profit) / Loss on asset sales	(2)	1
Other non-cash items (including tax)	18	1
Changes in working capital and other assets and liabilities	1	(4)
Net operating cash used in discontinued operations (I)	**(23)**	**(15)**
Net cash impact from sale of investments	-	(3)
Net investing cash used in discontinued operations (II)	**-**	**(3)**
Net financing cash used in discontinued operations (III)	**-**	**-**
Net decrease in cash and cash equivalents (I+II+III)	**(23)**	**(18)**

11.2 Assets and liabilities held for sale

The assets and liabilities attributable to the operations not yet sold as of December 31, 2015 and December 31, 2014 have been classified as held for sale in the Group consolidated statements of financial position and presented separately from other assets and liabilities.

As of December 31, 2014, there was no activity classified as held for sale.

As of December 31, 2015, the M-GO activity was classified as held for sale. This business has been sold on January 29, 2016 (see note 35). As this activity was small compared to the Group’s financial statements, it was therefore not classified as discontinued and is presented in the statement of operations of Technology (see note 5).

12. Property, plant and equipment

Property, Plant and Equipment (PPE)

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

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

Leases

Leases which transfer substantially all risks and rewards incidental to the ownership of the leased asset are classified as finance leases. This transfer is based on different indicators analyzed such as (i) the transfer of ownership at the end of the lease, (ii) the existence of a bargain price option in the agreement, (iii) the fact that the lease term is for the major part of the economic life of the asset, or (iv) the present value of minimum lease payments amounts to substantially all of the fair value of the leased asset. The assets held under finance leases are capitalized and the corresponding financial liability is accounted for by the Group. Leases which are not classified as finance leases are *operating leases. The payments related to these contracts are recorded as expenses on a straight-line basis over the lease term.*

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

(€ in millions)	**Land**	**Buildings**	**Machinery & Equipment**	**Other Tangible Assets**(1)	**TOTAL**
At December 31, 2013, Net	**5**	**28**	**157**	**103**	**293**
Cost	*5*	*73*	*996*	*258*	*1,332*
Accumulated depreciation	-	*(45)*	*(839)*	*(155)*	*(1,039)*
2014					
Exchange differences	-	1	14	9	24
Additions	-	-	12	38	50
Acquisitions of businesses(3)	-	-	2	-	2
Disposals	-	-	(1)	-	(1)
Disposals of businesses(5)	(2)	-	-	-	(2)
Depreciation charge	-	(3)	(55)	(22)	(80)
Impairment loss(2)	-	-	(1)	(1)	(2)
Other(4)	-	-	35	(35)	-
At December 31, 2014, Net	**3**	**26**	**163**	**92**	**284**
Cost	*3*	*54*	*1,026*	*269*	*1,352*
Accumulated depreciation	-	*(28)*	*(863)*	*(177)*	*(1,068)*
2015					
Exchange differences	-	1	8	7	16
Additions	-	-	7	50	57
Acquisitions of businesses(3)	-	-	34	17	51
Disposals	-	-	-	(1)	(1)
Disposals of businesses(5)	-	-	(6)	-	(6)
Depreciation charge	-	(3)	(58)	(29)	(90)
Impairment loss(2)	-	-	(2)	(5)	(7)
Assets classified as held for sale	-	-	-	(1)	(1)
Other(4)	-	-	24	(25)	(1)
At December 31, 2015, Net	**3**	**24**	**170**	**105**	**302**
Cost	*3*	*57*	*1,181*	*354*	*1,595*
Accumulated depreciation	-	*(33)*	*(1,011)*	*(249)*	*(1,293)*

(1) Includes assets in progress.
(2) In 2015 and 2014, it also includes an impairment of respectively €5 million and €1 million in the frame of a restructuring plan which is not included in the impairment losses on non-current operating assets disclosed in note 8).
(3) In 2015 related to the acquisition of Mikros Image for €3 million, CCD for €6 million, The Mill for €22 million and Cinram North America activities for €20 million. In 2014 related to the acquisition of Mr. X, Inc.
(4) Corresponds mainly to the transfer of tangible assets in progress to Machinery and Equipment.
(5) In 2015, mainly related to the disposal of Digital Cinema activities. In 2014, mainly related to the liquidation of Production Services activities in Italy.

13. Goodwill and other intangible assets

Business combinations and goodwill

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

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

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

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

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

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

Intangible assets

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

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

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

Intangible assets considered to have a finite useful life are amortized over their estimated useful lives and their value written down in the case of any impairment loss. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. Depending on the nature and the use of the intangible assets, the amortization of these assets is included either in "Cost of sales", "Selling and administrative expenses", "Other income (expense)" or "Research and development expenses".

Patents and trademarks

Patents are amortized on a straight-line basis over the expected period of use.

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

In 2014 the Group has asked an independent valuation of the fair value of the Technicolor Trademark by Sorgem a leading firm in the field of brand and intangible assets financial valuation. IAS 36 mentions that the recoverable value of an asset, is the highest of its market value or value in use. This valuation confirmed that the fair market value of Technicolor trademark is above its net book value.The recent acquisitions strengthened the fair value of the trademark for 2015.

The values of the other trademarks acquired through business combinations have been assessed based on the value in use using a royalty relief methodology.

Customer relationships

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

Other intangible assets

This caption comprises mainly capitalized development projects, acquired or internally developed software and acquired technologies.

Research and development projects:

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

(€ in millions)	**Patents & Trademark**	**Customer Relationships**	**Other intangibles(1)**	**Total Intangible Assets**	**Goodwill**
At December 31, 2013, Net	**238**	**55**	**82**	**375**	**450**
Cost	*577*	*283*	*298*	*1,158*	
Accumulated depreciation	*(339)*	*(228)*	*(216)*	*(783)*	
2014					
Exchange differences	31	5	8	44	43
Additions	97	-	33	130	-
Acquisitions of businesses	2	-	-	2	2
Depreciation charge	(23)	(10)	(39)	(72)	-
Impairment loss(2)	-	-	-	-	(47)
Other	-	-	(3)	(3)	-
At December 31, 2014, Net	**345**	**50**	**81**	**476**	**448**
Cost	*715*	*317*	*254*	*1,286*	
Accumulated depreciation	*(370)*	*(267)*	*(173)*	*(810)*	
2015					
Exchange differences	31	4	6	41	26
Additions	1	-	47	48	1
Acquisitions of businesses	2	-	6	8	746
Depreciation charge	(22)	(12)	(42)	(76)	-
Impairment loss(2)	-	-	(23)	(23)	-
Assets classified as held for sale	-	-	(20)	(20)	-
Other	-	-	-	-	-
At December 31, 2015, Net	**357**	**42**	**55**	**454**	**1,221**
Cost	*776*	*284*	*260*	*1,320*	
Accumulated depreciation	*(419)*	*(242)*	*(205)*	*(866)*	

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

(2) Impairment loss regarding other intangibles in 2015 is related to M-GO (€12 million) and Connected Home (€11 million). Impairment of goodwill in 2014 is detailed in note 13.2 hereafter.

13.1 *Customer relationships*

As of December 31, 2015 and 2014 management didn't identify any triggering event that may result in a loss of value of such assets.

13.2 *Trademarks and Goodwill*

The following table provides the allocation of the significant amounts of goodwill and trademarks to each significant Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2015.

	2015					2014				
	Goodwill			Technicolor Trademark	Other trademarks	Goodwill			Technicolor Trademark	Other trademarks
(€ in millions)	Goodwill before impairment[1]	Impairment of the period	Net Amount	Net amount	Net amount[2]	Goodwill before impairment[1]	Impairment of the period	Net Amount	Net amount	Net amount[2]
Entertainment Services										
DVD Services	407	-	407		-	379	(47)	332		-
Production Services	298	-	298		6	66	-	66		4
Connected Home	516	-	516		-	50	-	50		-
Technology	-	-	-		33	-	-	-		33
TOTAL	**1,221**	**-**	**1,221**	**206**	**39**	**495**	**(47)**	**448**	**185**	**37**

(1) Goodwill on businesses acquired in 2015 are preliminary and before purchase price allocation that will be finalized in 2016.
(2) Includes:
- Moving Picture Company® (MPC) trademark, Mr. X® trademark and Mikros® trademark in the Production Services goodwill reporting unit;
- THOMSON® trademark and the license to use the RCA® trademark in the Technology goodwill reporting unit.

(a) *Trademarks*

As of December 31, 2015, trademarks total €245 million and consist mainly of Technicolor®, RCA®, THOMSON®, MPC®, Mr. X®, and Mikros®.

	Technicolor®	RCA®	Total
Method used to determine the recoverable amount	Fair market value by an independent valuation	Discounted cash flows	
Description of key assumptions		Budget and cash flow projections	
Period for projected future cash flows		5 years	
Growth rate used to extrapolate cash flow projections beyond projection period		0%	
Post-tax discount rate applied as of December 31, 2015		8%	
Net amount of trademarks	**206**	**29**	**235**
Other trademarks			**10**
Total net amount of trademarks			**245**

- For Technicolor® trademark, its fair market value is above its net book value.
- For RCA® trademark, no reasonably expected change in assumptions would result in any impairment.

(b) Goodwill

Impairment tests of goodwill are carried out based on groups of Cash-Generating Units (hereafter called "Goodwill Reporting Units" (GRU)):

- In the Entertainment Services segment, 2 GRU are considered:
  - DVD Services.
  - Production Services. In 2014, this GRU regrouped former GRUs Creation Services and Digital Production which have been merged by end of 2014 into the same common Management structure. This reorganization was governed by the common strategy on clients' development and offers and by operational synergies.
- The Connected Home segment is considered as a single GRU.
- The Technology segment is considered as a single GRU.

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

	Entertainment Services		Connected Home
	DVD Services	Production Services	
Basis used to determine the recoverable amount	Fair Value (1)	Fair Value(2)	Fair Value(2)
Description of key assumptions	Budget and cash flow projections		
Period for projected future cash flows	(*)	5 years	5 years
Growth rate used to extrapolate cash flow projections beyond projection period:			
- As of December 31, 2015	(*)	2%	0.3%
- As of December 31, 2014	(*)	2%	2%
Post-tax discount rate applied:			
- As of December 31, 2015(3)	8%	8%	11%
- As of December 31, 2014	8%	8%	10%

(1) In the absence of a binding sale agreement at closing date, of an active market and of comparable recent transactions for any of our goodwill reporting units, we used discounted cash flow projections to estimate fair value less costs to sell. Technicolor management considers that fair value less costs to sell is the most appropriate method to estimate the value of its businesses as it takes into account the future restructuring the Group will need to make to adapt to a quickly changing technological environment. Such restructuring would be taken into account by any market participant given the economic environment of the businesses the Group evolves in.

(2) Production Services and Connected Home recoverable value have been based on fair value this year in order to take into consideration the future integration, reorganization and restructuring due to new acquired businesses.

(3) The corresponding pre-tax discount rates are within a range from 11.5% to 17.2%.

(*) The main activities of the DVD Services division has been considered to have a finite life, determined on the expected timing for the obsolescence of the underlying technology of these activities. Accordingly, no terminal value has been applied for these activities. A growth rate of 2% has been applied to the remaining activities within DVD Services.

The Group didn't record any impairment charge on goodwill as of December 31, 2015.

The Group recorded as of December 31, 2014 an impairment charge of €47 million on goodwill related to DVD Services division. This impairment was triggered by adverse market trend evolution.

Sensitivity of recoverable amounts at December 31, 2015

For DVD Services, as the fair value is slightly higher than the book value as of December 31, 2015, any negative change in the main assumptions would bring the recoverable value below the book value. An increase of 1 point in the post-tax discount rate assumption would reduce the fair value of €36 million bringing it up to an amount approximating its book value. Additional to these elements, the main assumptions that drive DVD Services recoverable value include the evolution of the DVD and Blu-rayTM markets volume over the projection period, the selling prices of these products and the capacity of DVD Services to adapt its cost structure to a quickly changing market environment.

For other GRU no reasonably expected change in assumptions would result in any impairment.

14. Customer contract advances and up-front prepaid discount

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

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

Contract advances and up-front prepaid discount amounted to €39 million and €53 million as of December 2015 and December 2014 respectively.

15. Investments

15.1 Investments in associates and joint ventures

The Group has investments accounted for using the equity method (see note 36).

Details of investments in associates and joint ventures are summarized below:

	Group's share of associates' and joint ventures net assets		Group's share of associates' and joint ventures profit (loss)	
(€ in millions)	**2015**	**2014**	**2015**	**2014**
Main investment in associates	13	9	3	(2)
Main investment in joint ventures	3	1	(4)	2
Total	**16**	**10**	**(1)**	**-**

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

15.2 Investments and available-for-sale financial assets

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Within the Group, available-for-sale financial assets consist mainly of investments held in unlisted entities. Available-for-sale financial assets are subsequently carried at fair value and changes in the fair value are recognized in Other Comprehensive Income. The foreign exchange differences on monetary securities (debt instruments) denominated in a foreign currency are recognized in profit or loss. When securities are sold or impaired, the accumulated fair value adjustments recognized previously through Other Comprehensive Income are recycled through profit or loss in the line item "Other financial income (expense)" in the statement of operations.

Interest on available-for-sale securities calculated using the effective interest rate method is recognized in the statement of operations. Dividends on available-for-sale equity instruments are recognized in the statement of operations when the Group's right to receive payments is established.

<u>Derecognition</u>

Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Fair value measurement

The Group establishes fair value of the unlisted securities by using valuation techniques. These include the use of recent arm's length transactions (when available), reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline (more than 9 months) in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative negative changes in fair value – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from Other Comprehensive Income in equity and recognized as an expense in the statement of operations. Impairment losses recognized in the statement of operations on financial instruments classified as available-for-sale are not reversed through the statement of operations, except if the instruments are disposed of.

Investments and available-for-sale financial assets amounted to €22 million and €8 million as of December 2015 and December 2014 respectively.

16. Inventories

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

(€ in millions)	2015	2014
Raw materials	40	23
Work in progress	22	11
Finished goods and purchased goods for resale(1)	271	70
Gross value	**333**	**104**
Less: valuation allowance	(22)	(5)
Total	**311**	**99**

(1) increase mainly related to the inventories within the CCD business acquired for €93 million.

17. Trade accounts and notes receivable & Trade accounts and notes payable

Trade receivables and payables

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

The Group assesses at each balance sheet date whether there is any objective evidence that a trade receivable is impaired. If any such evidence exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

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

(€ in millions)	2015	2014
Trade accounts and notes receivable	723	607
Less: valuation allowance	(19)	(27)
Total trade accounts and notes receivable(1)	**704**	**580**

(1) Including €70 million and €59 million which are past due respectively as of December 31, 2015 and December 31, 2014 for which no valuation allowance was recorded as the amount is still considered recoverable.

The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets (€704 million as of December 31, 2015 compared to €580 million as of December 31,2014).

18. Other current and non-current assets

Financial assets *(excluding available-for-sale financial assets, see note 15)*

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Except for financial assets at fair value through profit or loss, financial assets are recognized at fair value plus transaction costs at the date when the Group commits to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months after the consolidated statement of financial position date. Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in fair value, including interest and dividend income, are presented in the statement of operations within "Other financial income (expense)", in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current asset under "Trade accounts and notes receivable" except for maturities greater than 12 months after the balance sheet date loans and receivables are classified as non-current assets. Loans and receivables are, subsequent to initial recognition, carried at amortized cost using the effective interest method.

(€ in millions)	2015	2014
Other non-current assets	54	37
Other current assets	300	326
Total other assets	**354**	**363**
Detail of other current assets		
Value added tax receivable	38	33
Research tax credit and subsidies	33	33
Prepaid expenses	43	39
Other current assets (*)	186	221
Total Other current assets	**300**	**326**

(*) As of December 31, 2015 and December 31, 2014 other current assets include €48 million and €140 million of accrued royalty income respectively. The decrease is mainly related to the slowdown of MPEG LA licensing program.

19. Cash, cash equivalents, cash collateral and security deposits

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, i.e. investments that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Cash collateral and security deposits represent cash granted to third parties to secure credit facilities and other obligations of the Group.

(€ in millions)	2015	2014
Cash	213	113
Cash equivalents	172	215
Total	**385**	**328**
Cash collateral and security deposits (1)	**38**	**36**

(1) Cash to secure credit facilities and other obligations of the Group, out of which the current portion amounts to €15 million as of December 31, 2015 and €21 million as of December 31, 2014. Some cash collaterals for U.S. entities are classified as current because of their short maturity but are renewed automatically for periods of 12 months.

See note 21.2 for more information on average interest and maturity of deposits.

20. Shareholders' equity

Classification as debt or equity

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

Equity instruments

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

Equity transaction costs

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

20.1 Changes in share capital

On June 8, 2015, the share capital of Technicolor was increased by 738,205 new shares of €1 each in order to deliver the free shares vested under the management long-term incentive plan (LTIP 2011) share based plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in-capital by €738,205.

Between May 23, 2015 and December 31, 2015, as part of the 2015 Management Incentive Plan, some share subscription options were exercised, giving rise to the creation of 5,002,790 new shares at an average price of €3.33 euros for a total €16,651,582 corresponding to an increase in the share capital of €5,002,790 and additional paid-in-capital by €11,648,792.

On November 17, 2015 Technicolor issued 48 376 485 new shares in a capital increase with preferential subscription rights at a price of €4.7 per share and representing a gross proceeds of €227,369,479.

On November 20, 2015 Technicolor issued 21,418,140 new shares through a reserved capital increase to Cisco Systems, Inc. and representing a gross amount of €150 million (at Fair value of Technicolor shares as of November 20, 2015) in partial payment of the acquisition of CCD.

As of December 31, 2015, Technicolor's share capital amounted to €411,443,290 divided into 411,443,290 fully paid-up shares, each with a nominal value of €1.00.

As of December 31, 2015, and to the Company's knowledge, the following entities held more than 5% of the Company' share capital:

- The Caisse des Dépôts et Consignations declared that it held, jointly with Bpifrance Participations SA, 8.00% of the share capital and 8.01% of the voting rights of the Company. The Caisse des Dépôts et Consignations has not disclosed that it has crossed a statutory threshold since then.
- Cisco Systems, Inc. declared that it held 5.21% of the share capital and voting rights of the Company.

(In euros, except number of shares)	Number of shares	Per value	Euros
Share Capital as of December 31, 2013	**335,709,392**	**1**	**335,709,392**
Share capital increased by issuance of new shares	198,278	1	198,278
Share Capital as of December 31, 2014	**335,907,670**	**1**	**335,907,670**
Share capital increased by issuance of new shares for LTIP purpose (1)	738,205	**1**	**738,205**
Share capital increased by issuance of new shares for MIP purpose (2)	5,002,790	**1**	**5,002,790**
Share capital Increase with preferential subscription rights(3)	48,376,485	**1**	**48,376,485**
Share capital increase reserved to Cisco Systems Inc(4)	21,418,140	**1**	**21,418,140**
Share Capital as of December 31, 2015	**411,443,290**	**1**	**411,443,290**

(1) The share capital of Technicolor was increased by 738,205 new shares of €1 each in order to deliver the free shares vested under the LTIP 2011 share based plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in capital by 738,205€ (see note 27).

(2) The share capital was increase by 5,002,790 new shares as part of the Management Incentive Plan (MIP 2010 and MIP 2015) stock option plan.

(3) Technicolor issued 48,376,485 new shares in a capital increase with preferential subscription rights at a price of €4.7 per share and representing a gross proceeds of €227,369,479 including the gross value of the share premium. The settlement of this capital increase was finalized on November 17, 2015.

(4) The acquisition of CCD was partially paid on November 20, 2015 with 21,418,140 Technicolor new shares corresponding to €150 million at fair value of Technicolor shares as of November 20, 2015.

20.2 Treasury shares

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

	2015	2014
Number of Treasury shares at opening(1)	**644,331**	**485,603**
Treasury shares delivered (2)	(250)	(114,034)
Treasury shares acquired (disposed of) (3)	(242,557)	272,762
Number of Treasury shares at closing	**401,524**	**644,331**

(1) Global amount of Treasury shares, including the ones purchased in the frame of the Share Management Agreement.

(2) In 2014, as part of the MIP 2010, 114,034 shares were delivered to employees. In 2015, 250 free shares were delivered as part of a Free Share Plan (see note 27.1).

(3) The Combined Shareholder's Meetings on May 23, 2013, May 22, 2014 and April 9, 2015 authorized the implementation of a share repurchase program. Accordingly, in 2015, 2,322,443 shares were repurchased for a total amount of €14,399,859 and 2,565,000 shares were sold for a total amount of €15,927,303 (in 2014, number of treasury shares were increased by 272,762 for a total amount of €1,204,077).

20.3 Subordinated perpetual notes

On September 26, 2005, Technicolor issued subordinated perpetual notes (TSS) in a nominal amount of €500 million. No derivative was identified because the provisions of the notes fall outside the scope of the definition of a derivative under IAS 39 (the “change of control” event represents a non-financial event excluded from the definition of a derivative under IAS 39).

Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes were recorded under IFRS in shareholder’s equity for the net value received of €492 million (issue price less offering discount and fees). The notes could be redeemed at Technicolor's option at par on September 25, 2015 and at each interest payment date thereafter.

Further to the restructuring of the group’s debt in 2010, the characteristics of the notes are now as follows:
- they are not repayable other than (i) at Technicolor’s sole option, since September 2015 or following specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in the course of the 2010 debt restructuring.

20.4 Dividends and distributions

The Group did not pay any dividend in 2014. The Shareholders’ Meeting held on April 9, 2015 has voted the payment of a dividend of €0.05 per share for the fiscal year 2014. The amount of €17 million has been paid to shareholders on May 22, 2015.

20.5 Non-controlling interests

In 2015 and 2014, there was no significant change in non-controlling interests.

20.6 Net equity hedging reserve

As of December 31, 2015, a loss of €1.4 million on hedging instruments was recognized in OCI, compared to a loss of €0.4 million recognized in OCI in 2014 (See note 21).

21. Financial Instruments and Management of Financial Risks

21.1 Risk Management Objectives and Policies

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

Technicolor’s financial market risks and liquidity risk are managed centrally by its Group treasury department in France. One regional treasury department in Ontario-California (United States) reports to the Group treasury. The treasury department is part of the Group finance department and reports to the Chief Financial Officer. Total staffing of Group treasury department is 6 persons.

Management of financial risks by the Group treasury is done in accordance with Group policies and procedures which cover, among other aspects, responsibilities, authorizations, limits, permitted instruments and reporting. All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, to the Investment Committee and to the Executif of Committee via various reports showing the company’s exposures to these risks with details of the transactions undertaken to reduce these risks. Financial risks are closely monitored through specific limits and authorizations approved by the Investment Committee for each type of transaction, and controlled by the Group Internal Control Department.

To reduce interest rate and currency exchange rate risk, the Group enters into hedging transactions using derivative instruments.

With regard to derivative instruments, Technicolor’s policy is not to use derivatives for any purpose other than for hedging its commercial and financial exposures. This policy does not permit the Group or its subsidiaries to take speculative market positions.

Credit risk on trade receivable is managed by each segment based on policies that take into account the credit quality and history of customers. From time to time, the Group may decide to insure or factor without recourse trade receivables in order to manage underlying credit risk.

The Group's derivative and cash transaction counterparties are limited to highly rated financial institutions. Moreover the Group has policies limiting the maximum amount of exposure to any single counterparty.

21.2 Market Risk management

(a) Foreign exchange risk

Translation Risk

The Group's consolidated financial statements are presented in euro. Thus, assets, liabilities, revenues and expenses denominated in currencies other than euro must be translated into euro at the applicable exchange rate to be included in the consolidated financial statements.

Increases and decreases in the value of the euro can have an impact on the value in euro of the Group's non-euro assets, liabilities, revenues and expenses, even if the value of these items has not changed in their original currency.

The Group's largest foreign currency translation exposure is the euro against the U.S. dollar due to a significant portion of the net revenues of the Group, as well as a portion of its operating income being in subsidiaries that use the U.S. dollar as their functional currency. This reflects the strong presence of Technicolor in the United States, particularly with the Entertainment Services and Connected Home segments. As a result, fluctuations in the U.S. dollar/euro exchange rate may have a significant translation impact on the Group's revenues and to a lesser extent on profit/(loss) from continuing operations before tax and net finance costs. In 2015, exchange rate fluctuations of all currencies had a positive impact of €240 million on revenue and a negative impact of €35 million on profit/(loss) from continuing operations before tax and net finance costs. These translation impacts in 2015 versus 2014 were mainly due to the U.S. dollar (average rate versus the euro appreciated by 20% compared to 2014). The Group estimates that its sensitivity to translation risk has not significantly changed since the end of 2015.

The Group's policy is not to hedge translation risk. Translation risk is measured by consolidating the Group's exposures and by doing sensitivity analyses on the main exposures.

Transaction Risk

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

The Group's main transaction risk is its U.S. dollar exposure versus euro. After offsetting the U.S. dollar revenues of its European activities with the U.S. dollar costs related to purchases of finished goods and components by its European affiliates, the net U.S. dollar exposure versus euros for continuing operations was net revenue of U.S. $447 million in 2015 (net revenue of U.S. $403 million in 2014).

In order to reduce the currency exposure on commercial transactions, the Group's subsidiaries seek to denominate their costs either in the same currencies as their sales or in specific cases in currencies that they believe are not likely to increase in value compared with the currencies in which sales are made. Subsidiaries regularly report to the Group treasury department their projected foreign currency needs and receipts which then reduces the overall exposure by netting purchases and sales in each currency on a global basis. Exposures that remain after this process are generally hedged with banks using foreign currency forward contracts. These hedges are recorded as cash flow hedges under IFRS, as described further in note 22 "Derivative Financial Instruments" to these consolidated financial statements.

Because of the different nature of the Group's U.S. dollar exposure related to its Licensing division (mainly a U.S. dollar sales exposure) compared to the U.S. dollar exposures of its other divisions, the Group may manage the U.S. dollar Licensing exposure separately.

For products with a short business cycle, the Group's policy is to hedge on a short-term basis up to six months. For products and services which are sold on a longer-term basis, including those of the Licensing and Production Services divisions as well as certain exposures in the Connected Home segment, hedges may be put in place for periods greater than six months.

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

Risk on investments in Foreign Subsidiaries

The Group's general policy is to examine and hedge on a case by case basis the currency risk on its investments in foreign subsidiaries. The variations in the euro value of investments in foreign subsidiaries are booked under "Cumulative translation adjustment" in the Group's consolidated statement of financial position. At December 31, 2015 only a small hedge of this type was outstanding.

Currency Swaps

In order to match the currencies that Technicolor's group treasury department borrows with the currencies that it lends, Technicolor may enter into currency swaps primarily (i) to convert euro borrowings into U.S. dollars which are lent to the Group's U.S. subsidiaries and (ii) to convert U.S. dollars borrowed externally or from the Group's U.S. subsidiaries into euros. The forward points on these currency swaps are accounted for as interest, were a charge of 1 million euro in 2015 and were nil in 2014.

Sensitivity Analysis

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

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

2015 *(€ in millions)*	**Transaction**	**Translation**	**Total**
Profit from continuing operations before tax and net finance costs (1)	40	(16)	24
Equity Impact (cumulative translation adjustment) (2)			53

2014 *(€ in millions)*	**Transaction**	**Translation**	**Total**
Profit from continuing operations before tax and net finance costs(1)	30	(10)	20
Equity Impact (cumulative translation adjustment)(2)			8

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

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

(b) Interest rate risk

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

The Group's policy is for all subsidiaries to borrow from, and invest excess cash with, the Group treasury department, which in turn satisfies the net cash needs by borrowing from external sources. Subsidiaries that are unable to enter into transactions with Group treasury because of local laws or regulations borrow from or invest directly with local banks in accordance with the policies and rules established by the treasury department.

Interest rate risk is measured by consolidating the Group's deposit and debt positions and performing sensitivity analysis. All of the Group's non-current debt is currently at floating interest rate.

At the nominal interest rates of the Term Loan Debt cash interest charges for a full year (at the December 31, 2015 exchange rate) would be €67 million on the amount of the Term Loan Debt of €1,351 million (nominal amount rather than the IFRS amount in the consolidated statement of financial position) compared to total gross cash interest charges for 2015 of €57 million. In 2014 total gross cash interest charges were €66 million. Sensitivity of the Group's interest charges to interest rate movements is shown hereafter.

Interest rate operations

No interest rate hedging operations are outstanding at December 31, 2015.

Effective interest rates

The average effective interest rates on the Group's consolidated debt are as follows:

	2015	2014
Average interest rate on borrowings	6.69%	7.85%
Average interest rate after interest rate hedging	6.69%	7.85%
Average interest rate after currency swaps and interest rate hedging	6.76%	7.85%

The average effective interest rate in 2015 on the Group's consolidated deposits was 3.12% (3.15% in 2014). These deposits generally have a maturity of less than 1 month.

Sensitivity to interest rate movements

Interest rate movements impact the price of fixed rate financial assets and liabilities held at fair value and the interest income and expense of variable rate financial assets and liabilities. The Group has no significant fixed rate financial assets and liabilities held at fair value.

The average percentage of the Group's debt in 2015 and 2014 at floating rates taking into account interest rate hedging operations is as shown below. The Group considers all debt with interest rates fixed for remaining periods of less than one year to be at floating rate. A threshold of one year is pertinent as it represents the limit between current and non-current debt.

(€ in millions)	2015	2014
Average debt	1,062	944
Percentage at floating rate (*)	99%	99%

(*) Includes €1,019 million of floating rate debt for which the reference rate has a 1% floor

The Group's average deposits in 2015 amounted to €329 million, 100% at floating rate.

The Group's debt primarily consists of its Term Loan Debt in U.S. dollars and in euros the interest rate on which is based on Libor and Euribor respectively, both with a floor of 1.00%. The Group's deposits are primarily in U.S. dollars and in euros. The Group believes a 1% fluctuation in interest rates is reasonably possible in a given year and the tables below show the maximum annual impact of such a movement.

	Maximum impact over one year on the net exposure as of December 31, 2015 of a variation versus current rates (*)	
(€ in millions)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	(3)	(3)
Impact of interest rate variation of -1%	(1)	(1)

(*) At December 31, 2015, 3 month Euribor and 3 month Libor were -0.131% and 0.613% respectively.

	Maximum impact over one year on the net exposure as of December 31, 2014 (after hedging) of a variation versus current rates (*)	
(€ in millions)	Impact on cash net interest	Impact on equity before taxes
Impact of interest rate variation of +1%	0	0
Impact of interest rate variation of -1%	(2)	(2)

(*) At December 31, 2014, 3 month Euribor and 3 month Libor were 0.078% and 0.256% respectively.

21.3 *Liquidity Risk management and management of Financing and Capital Structure*

Liquidity risk is the risk of being unable to raise funds in the financial markets necessary to meet upcoming obligations. In order to reduce this risk, the Group pursues policies with the objectives of having continued uninterrupted access to the financial markets at reasonable conditions. These policies are developed based on regular reviews and analysis of its capital structure, including the relative proportion of debt and equity in the context of market conditions and the Group's financial projections. Among other things these reviews take into account the Group's debt maturity schedule, covenants, projected cash flows and financing needs. To implement these policies, the Group uses various long-term and committed financings which may include equity, debt, subordinated debt and committed credit lines. For further information about the details of the Group's equity and debt please refer to notes 20 and 23. For a discussion of the Group's credit lines see note 23.3 (d).

Technicolor's access to financial markets was negatively impacted by its *Sauvegarde* proceeding initiated in 2009 but the debt restructuring in 2010, the capital increases in 2012 and the improvement in its financial results allowed the Group to improve its access to the financial markets and refinance its debt in 2013 and 2014. The Group came out of *Sauvegarde* in June 2014.

In 2015 the Group reduced the interest rate and renegotiated certain conditions in a repricing transaction of its Term Loan Debt issued in 2013 and 2014. In addition, the Group raised $200 million and €197 million of additional Term Loan Debt as well as €227 million of new shares in order to finance the acquisitions of Cisco Connected Devices and The Mill.

The tables below show the future contractual cash flow obligations due on the Group's debt. The interest rate flows due on floating rate instruments are calculated based on the rates in effect at December 31, 2015 and December 31, 2014, respectively.

	At December 31, 2015						
(€ in millions)	**2016**	**2017**	**2018**	**2019**	**2020**	**There after**	**Total**
Floating rate Term Loan Debt – principal	69	69	69	70	1,074	-	**1,351**
Floating rate Term Loan Debt – accrued interest	11	-	-	-	-	-	**11**
Other debt – principal and accrued interest	6	1	1	-	-	-	**8**
Total debt principal payments	**86**	**70**	**70**	**70**	**1,074**	**-**	**1,370**
IFRS Adjustment							**(77)**
Debt in IFRS							**1,293**
Floating rate Term Loan Debt – interest	67	64	60	57	37	-	**285**
Total interest payments	**67**	**64**	**60**	**57**	**37**	**-**	**285**

	At December 31, 2014						
(€ in millions)	**2015**	**2016**	**2017**	**2018**	**2019**	**There after**	**Total**
Floating rate Term Loan Debt – principal	49	49	49	49	49	709	**954**
Floating rate Term Loan Debt – accrued interest	9	-	-	-	-	-	**9**
Other debt – principal and accrued interest	1	-	1	3	3	2	**10**
Total debt principal payments	**59**	**49**	**50**	**52**	**52**	**711**	**973**
IFRS Adjustment							**(62)**
Debt in IFRS							**911**
Floating rate Term Loan Debt – interest	43	50	47	44	41	27	**252**
Total interest payments	**43**	**50**	**47**	**44**	**41**	**27**	**252**

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

21.4 Equity market risk management

At December 31, 2015 and 2014, Technicolor had no outstanding equity derivatives on its own shares.

21.5 Credit and counterparty risk management

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

The maximum credit risk exposure on the Group's cash and cash equivalents was €385 million at December 31, 2015. The Group minimizes this risk by limiting the deposits made with any single bank and by making deposits primarily with banks that have strong credit ratings or occasionally by investing in diversified, highly liquid money market funds. The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets.

The financial instruments used by the Group to manage its interest rate and currency exposure are all undertaken with counterparts having an investment grade rating. Credit risk on such transactions is minimized by the foreign exchange policy of trading short term operations. The marked-to-market carrying values is therefore a good proxy of the maximum credit risk. Most of the foreign exchange operations are dealt with financial counterparties that have a credit rating of A-1.

The table below gives the percentage of outstanding cash deposits by counterparty credit rating:

Cash deposit: Counterparty's rating (according to Standard & Poor's)	**2015**	**2014**
A-1+	10%	14%
A-1	77%	55%
A-2	3%	1%
A-3	-	30%
B	9%	-
Money Market funds	-	-
Non rated financial institutions	1%	-
Total	**100%**	**100%**

22. Derivative Financial Instruments

The Group may use derivatives as hedging instruments for hedges of foreign currency risks, changes in interest rates and equity market risks. These instruments may include agreements for interest rate and currency swaps, options and forward contracts. If hedge accounting criteria are met, they are accounted for in accordance with hedge accounting.

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

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

Derivative instruments qualify for hedge accounting when:

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

The effects of hedge accounting are as follows:

- For fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet at fair value. The gain or loss from remeasuring the hedged item at fair value is recognized in profit or loss and is offset by the effective portion of the loss or gain from remeasuring the hedging instrument at fair value.
- For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income (OCI), because the change in the fair value of the hedged portion of the underlying item is not recognized in the balance sheet, and the ineffective portion of the gain or loss on the hedging instrument, if any, is recognized in profit or loss. Amounts recognized in OCI are subsequently recognized in profit or loss in the same period or periods during which the hedged transaction affects profit or loss. Such periods are

generally less than 6 months except for the licensing activity and certain activities linked to long-term contracts where the period is generally up to two years.
The termination of hedge accounting may occur if the underlying hedged item does not materialize or if there is a voluntary revocation of the hedging relationship at the termination or the arrival of maturity of the hedging instrument. The accounting consequences are then as follows:
- In case of cash flow hedges, the amounts recorded in other comprehensive income are taken to profit or loss in the case of the disappearance of the hedged item.
- In all cases, the result on the hedging instrument is taken into profit or loss when the hedging relationship is terminated.
Subsequent changes in value of the hedging instrument, if it remains outstanding, are recognized in profit or loss.

Derivatives not designated as hedging instruments are measured at fair value. Subsequent changes in fair value are recognized in profit or loss.

As described in note 21 the Group uses derivatives to reduce market risk. Technicolor uses principally forward foreign currency operations to hedge foreign exchange risk.

22.1 Cash Flow Hedges

Forward foreign currency operations hedging forecast exposures of commercial purchases and sales in foreign currencies are designated as cash flow hedges.

During 2015, of the result on hedging instruments recognized in OCI at December 31, 2014, a loss of €0.4 million was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At December 31, 2015, a loss of €1.4 million on hedging instruments was recognized in OCI.

In 2015 a total of €64 million in forecasted transactions for which hedge accounting had been applied did not occur and as a result the hedges were cancelled resulting in a loss of €2 million.

22.2 Fair Value Hedges

Forward foreign currency operations hedging accounts payable and accounts receivable in foreign currencies are designated as fair value hedges. At December 31, 2015 there was a gain of €6.7 million on the outstanding hedging instruments and a loss of €6.7 million on the hedged items.

22.3 Ineffectiveness recognized in profit and loss

The forward points on the foreign currency hedges described above are excluded from the hedging relationship and are recognized in profit and loss. In 2015 and 2014 this impact was a loss of €1.3 million and a gain of €0.3 million, respectively, booked in “Other financial income (expense), net”.

Ineffectiveness of interest rate options is recognized in profit and loss. The impact was nil in 2015 and 2014.

23. Borrowings

Borrowings are initially recognized at fair value. Borrowings are subsequently stated at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. More information is provided in below.

The Group's debt consists primarily of Term Loan Debt in U.S. dollars and in euros, issued by Tech Finance & Co. S.C.A in 2013, 2014 and 2015 and maturing 2020. The Term Loan Debt issued in 2013 was raised to partially refinance the Group's Reinstated Debt. In 2014 additional Term Loan Debt was issued via an exchange transaction and all of the Term Loan Debt was amended in a repricing transaction. Subsequently the Group's remaining Reinstated Debt was completely repaid in 2014. In June 2015, Technicolor repriced U.S. $763 million and €301 million of its Term Loan Debt at new pricing of Libor/Euribor + 400bps subject to a 1% Libor/Euribor floor, a 50bps reduction from the previous pricing. Additional Term Loan Debt in the amounts of $200 million and €197 million were issued in September and November 2015 to fund the acquisition of The Mill and in part the acquisition of the CCD (see note 1.2 "Main events of the period").

23.1 Analysis by nature

(€ in millions)	**December 31, 2015**	**December 31, 2014**
Debt due to financial institutions	1,277	892
Bank overdrafts	-	-
Other financial debt	5	10
Accrued interest	11	9
Debt under IFRS	**1,293**	**911**
Total non-current	*1,207*	*852*
Total current	*86*	*59*

23.2 Summary of debt

Details of the Group's debt (under IFRS) as of December 31, 2015 are given in the table below:

(in million currency)	**Currency**	**Nominal Amount**	**IFRS Amount (1)**	**Type of rate**	**Nominal rate (2)**	**Effective rate (2)**	**Repayment Type**	**Final maturity**
Term Loan Debt	USD	942	894	Floating (3)	5.00%	6.42%	Amortizing	July 10, 2020
Term Loan Debt	EUR	490	456	Floating (4)	5.00%	6.98%	Amortizing	July 10, 2020
Total Term Loan Debt	**EUR**	**1,351**	**1,274**		**5.00%**	**6.62%**		
Total Other Debts (5)	**EUR**	**19**	**19**		**1.98%**	**1.98%**		
TOTAL	**EUR**	**1,370**	**1,293**		**4.96%**	**6.55%**		

(1) In the consolidated statement of financial position the Term Loan Debt was initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.
(2) Rates as of December 31, 2015.
(3) 3 month Libor with a floor of 1.00% + 400bp.
(4) 3 month Euribor with a floor of 1.00% + 400bp.
(5) Of which €11 million are accrued interest.

23.3 Main features of the Group's borrowings

(a) Analysis by maturity

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

(€ in millions)	December 31, 2015	December 31, 2014
Less than 1 month	30	22
Between 1 and 6 months	20	12
Between 6 months and less than 1 year	36	25
Total current debt less than 1 year	**86**	**59**
Between 1 and 2 years	70	49
Between 2 and 3 years	70	50
Between 3 and 4 years	70	52
Between 4 and 5 years	1,074	52
Over 5 years	-	711
Total non-current debt	**1,284**	**914**
Total nominal debt	**1,370**	**973**
IFRS Adjustment (1)	**(77)**	**(62)**
Debt under IFRS	**1,293**	**911**

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

(b) Interest rate characteristics

All of the Group's debt is at floating rate.

(c) Analysis of borrowings by currency

(€ in millions)	December 31, 2015	December 31, 2014
Euro	465	296
U.S. Dollar	826	615
Other currencies	*2*	-
Debt under IFRS	**1,293**	**911**

(d) Undrawn Credit Lines

(€ in millions)	December 31, 2015	December 31, 2014
Undrawn, committed lines expiring in more than one year	214	203

The Group has a receivables backed committed credit facility in an amount of $125 million (€114 million at the December 31, 2015 exchange rate) which matures in 2019 and a €100 million revolving credit facility (the "RCF") maturing in 2018. Neither was drawn at December 31, 2015. The availability of the receivables backed credit line varies depending on the amount of receivables. In addition in January 2016 the Group entered into a new three year revolving credit facility in an amount of €125 million (the "New RCF").

(e) Financial Covenants and Other Limitations

The limitations under the Term Loan Debt as amended in 2014 and 2015, the RCF as amended in 2015 and the New RCF entered into in January 2016 are described below.

<u>Security Package</u>

The Term Loan Debt, the RCF and the New RCF benefit from a security package consisting of share pledges, pledges of certain intra-group loans and of material cash pooling bank accounts.

Mandatory Prepayments under the Term Loan Debt

Technicolor is required to prepay the outstanding Term Loan Debt in certain circumstances, including the following:

- *asset disposal:* the net proceeds in respect of any disposal of any of its assets to an unaffiliated third party will be applied, subject to a minimum threshold, to repay the outstanding Term Loan Debt unless the proceeds are reinvested in assets useful for its business within 365 days.
- *excess cashflow* means:
  - the Group's cashflow which comprises the aggregate of net cash from operating and investing activities, minus (i) committed amounts under binding contracts to be paid for investments or capital expenditures in the next twelve months, plus (ii) the amount deducted from cashflow in for the previous year, less (iii) cash proceeds from sales of marketable securities, plus (iv) cash payments for purchases of marketable securities, minus (v) net proceeds from asset disposals and from casualty events required to prepay the Term Loan Debt, minus (vi) interest received, plus (vii) interest paid, plus (viii) loans granted to/minus loans reimbursed by third parties and minus (ix) any profit in cash flow in a subsidiary or joint venture which cannot be distributed,
  - less total funding costs, which comprise the aggregate of interest paid during the year plus all scheduled repayments of debt and all voluntary or mandatory prepayments of Term Loan Debt during the year.

  A percentage of Technicolor's excess cashflow (which is defined above) must be applied to prepay the Term Loan Debt. The applicable percentage depends on the leverage ratio of the Group:

Leverage Ratio	%
> 1.00	50%
<= 1.00 and > 0.50	25%
<= 0.50	0%

- *change of control*: upon the occurrence of a change of control of Technicolor (see "Change of Control Provisions" below), all term loans under the Term Loan Debt will become immediately due and payable; and
- *other*: net proceeds in respect of any payment related to a Casualty Event, shall in each case be applied to the repayment of the Term Loan Debt subject to certain minimum thresholds.

Voluntary Prepayments under the Term Loan Debt

Under the terms of the Term Loan Debt, Technicolor can at its election prepay all or part of its outstanding term loans. All prepayments can be done at par without penalty except prepayments on or before June 5, 2016 that are in connection with a repricing of the Term Loan Debt or a replacement by new term loans must be made at 101% of principal amount.

Covenants

The Term Loan Debt and the New RCF contain a single affirmative financial covenant which requires that the total gross nominal debt be no more than 4.00 times EBITDA on a trailing twelve month basis ("leverage covenant") on June 30 and December 31 of each financial year.

The RCF contains a single affirmative financial covenant that requires that total net nominal debt be not more than 2.25 times EBITDA on a trailing twelve month basis ("RCF leverage covenant"). This covenant is only applicable if there is a drawing under the RCF on June 30 or December 31 of each financial year.

The total gross and net debt of these two covenants are calculated on the basis of the entire Group perimeter.

For the purposes of the covenants, EBITDA means the IFRS amounts for the entire Group of "Consolidated profit before tax and net finance costs" before "Other income (expense)" and excluding the impact (to the extent otherwise included in consolidated profit) of:

- depreciation, amortization and impairment of assets;
- transaction costs (related to the refinancing);
- restructuring costs;
- fair value adjustments;
- changes in provisions;
- any gain or loss against book value arising on the disposal (not made in the ordinary course of trading) or revaluation of any asset; and
- extraordinary and exceptional items.

Leverage covenant

Total gross debt of the Group at December 31, 2015 must be no more than 4.00 times the EBITDA of the Group for the twelve months ending December 31, 2015. For the calculation of the gross debt, the nominal debt of the Group is used and the debt in foreign currencies is valued at the closing exchange rate at December 31, 2015.

Gross Debt	€1,370 million
EBITDA*	€559 million
Gross Ratio Debt / EBITDA	2.45:1.00

Since 2.45 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

** EBITDA in respect of the leverage covenant definition*

RCF leverage covenant

Since the Group had no drawings outstanding under the RCF at December 31, 2015 this covenant does not apply.

Other Restrictions of the Term Loan Debt and the New RCF

In addition to certain information provision covenants, the agreements governing the Term Loan Debt and the New RCF include certain negative covenants that restrict the ability of Technicolor and certain of its subsidiaries to undertake various actions. These negative covenants restrict the ability of Technicolor and certain of its subsidiaries, subject in each case to certain exceptions and limitations, to (among other things):

- create or grant security interests that secure financial indebtedness or other obligations of the Group on any of its present or future assets;
- incur additional financial indebtedness:
  - in excess of €50 million or 2% of consolidated assets for capital leases;
  - in excess of the greater €300 million or 50% of EBITDA for credit facility debt;
  - for all subsidiaries in excess of a basket of €100 million (excluding credit facilities and capital leases);
  - for Technicolor SA if the ratio of EBITDA to fixed charges is above a certain ratio;
  - for Thomson Licensing SAS: no additional indebtedness allowed except for drawings on the RCF and certain permitted financial indebtedness including, among others, debt under the subsidiary basket of €100 million mentioned above;
- enter into interest rate or currency hedging agreements other than for non-speculative purposes;
- enter into material transactions or arrangements with affiliates for an amount in excess of €20 million unless on an arms-length basis and if greater than €40 million approved by the Board of Directors;
- make restricted payments, if certain ratios are not met, in a cumulative amount, starting from the date of the 2015 repricing amendment over the remaining life of the Term Loan Debt greater than €150 million, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- make investments in joint ventures not controlled by the Group except to the extent the Group's consolidated leverage ratio is under a threshold and if above the threshold subject to a cumulative €100 million basket over the life of the Term Loan Debt and with certain carve-outs;
- amalgamate, merge or consolidate with or into any other person except if this other person is controlled by the Group.

The investments made by the Group (see note 31.1 for further information) in 2015 were in full compliance with the restrictions described above.

Other Restrictions of the RCF

In addition to certain information provision covenants, the agreement governing the RCF includes certain negative covenants that restrict the ability of Thomson Licensing SAS and Technicolor SA to undertake various actions. These negative covenants restrict their ability, subject in each case to certain exceptions and limitations (among other things):

- to substantially change the general nature of the business of Thomson Licensing SAS or of the Technicolor Group taken as whole;
- for Thomson Licensing SAS to make distributions.

Change of control provisions

Under the terms of the documentation of the Term Loan Debt, the RCF and the New RCF, the outstanding principal amounts under these instruments will become immediately due and payable upon an occurrence of a change of control of Technicolor.

Intercreditor Agreement

To establish the relative rights of certain of their creditors under the Term Loan Debt, the RCF and the New RCF, the Debt Parties, the agents representing the lenders under the Term Loan Debt, RCF and New RCF agreements and the collateral agent entered into an intercreditor agreement.

Events of Default

The Term Loan Debt, the RCF and the New RCF also contain certain events of default, the occurrence of which provides creditors with the ability to immediately demand payment of all or a portion of the outstanding amounts. These events of default apply in whole or in part to Technicolor SA, Thomson Licensing SAS and Tech Finance as parties to one or more of the RCF, the New RCF and the Term Loan Debt and related intragroup borrowings and lendings.

Collectively these entities are referred to as the “Debt Parties”.

The events of default pursuant to these debt instruments include, among other things, and subject to certain exceptions and grace periods:

- non-payment of any amount due under the debt instruments or any permitted hedging agreements;
- failure by the Debt Parties to comply with its material obligations and undertakings, including the financial covenants, of the debt instrument(s) to which it is party;
- certain events of insolvency;
- any auditor’s report qualification made to the Debt Parties’ ability to continue as a going concern or the accuracy of the information given;
- failure by any Debt Parties to comply with the material obligations under the intercreditor agreement of the Term Loan Debt;
- non-payment of any financial indebtedness of any Group Member in excess of €25 million;
- default under any other financial indebtedness of any Group Member in excess of €25 million that gives the relevant creditor or creditors the right to accelerate the date for payment of such indebtedness;
- creditors’ proceedings for any assets in excess of €25 million that are not discharged within 60 days;
- any security enforcement of Debt Parties or certain other material subsidiaries or group of subsidiaries in excess of €25 million that is not set aside within a maximum of 60 days;
- change of control; and
- any event which has a material adverse effect on Technicolor or Thomson Licensing under the RCF.

(f) Carrying amount of the Term Loan Debt

IFRS analysis of the 2015 repricing transaction and issuance of new Term Loan Debt

The repricing performed in 2015 was executed with existing lenders and accounted for as a modification of the existing debt (no substantial change to the existing contract). All of the fees incurred in this transaction (€6 million) were booked as an IFRS adjustment to the carrying amount of the Term Loan Debt.

The fees incurred in the new Term Loan Debt issuances in September and November (€18 million) were booked as an IFRS adjustment to the carrying amount of the additional Term Loan Debt.

Carrying amount of the Term Loan Debt

The IFRS value of the Term Loan Debt is the nominal amount of the Term Loan Debt reduced by transaction costs as adjusted by the effective interest rate (EIR) method as well as any adjustments due to debt prepayments. The evolution of the IFRS discount in 2015, that is, the difference between the nominal and IFRS amount of the Term Loan Debt, is as follows:

(€ in millions)	
IFRS discount of the Term Loan Debt as of December 31, 2014	**(62)**
Transaction costs related to the 2015 repricing	(6)
Transaction costs related to the Term Loan Debt issuance in 2015	(18)
2014 EIR effect and variation due to exchange rates	9
IFRS discount of the Term Loan Debt as of December 31, 2015	**(77)**

This IFRS discount of €77 million will be charged to interest over the remaining life of the Term Loan Debt using the effective interest rate method. The current weighted average effective interest rate of the Term Loan Debt is 6.62%.

24. Fair value measurement

24.1 Fair value of financial instruments

(a) Accounting category and values on the Statement of Financial position

December 31, 2015 *(€ in millions)*	Accounting Categories					Fair Value			
	Fair value through P&L (incl. derivative instruments)	Available-for-sale assets	Payables and receivables	Debt at amortized cost	Consolidated statement of financial position value	Quoted Price	Internal model with observable parameters	Internal model with non-observable parameters	Fair Value
						Level 1	Level 2	Level 3	
Investments and available-for-sale financial assets	-	22	-	-	22	-	22	-	22
Derivative financial instruments (current and non-current assets)	3	-	-	-	3	-	3	-	3
Trade accounts and notes receivable	-	-	704	-	704				704
Borrowings	-	-	-	1,293	1,293				1,376
Derivative financial instruments (current and non-current liabilities)	1	-	-	-	1				1
Trade accounts and notes payable	-	-	746	-	746				746

December 31, 2014 *(€ in millions)*	Accounting Categories					Fair Value			
	Fair value through P&L (incl. derivative instruments)	Available for sale assets	Payables and receivables	Debt at amortized cost	Consolidated statement of financial position value	Quoted Price	Internal model with observable parameters	Internal model with non-observable parameters	Fair Value
						Level 1	Level 2	Level 3	
Investments and available-for-sale financial assets	-	8	-	-	8	-	8	-	8
Derivative financial instruments (current and non-current assets)	2	-	-	-	2	-	2	-	2
Trade accounts and notes receivable	-	-	580	-	580				580
Borrowings	-	-	-	911	911				970
Derivative financial instruments (current and non-current liabilities)	4	-	-	-	4				4
Trade accounts and notes payable	-	-	502	-	502				502

Valuation methods are described in note 2.3.

(b) Fair value of derivatives

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

The Group's financial derivatives are governed by standard ISDA (International Swaps and Derivatives Association, Inc.), Master Agreements or similar master agreements customary in the French market.

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

(€ in millions)	**December 31, 2015**		**December 31, 2014**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts - cash flow and fair value hedges	2.8	1.3	1.9	4.0
Total current	**2.8**	**1.3**	**1.9**	**4.0**
Total	**2.8**	**1.3**	**1.9**	**4.0**

24.2 Fair value measurement of non-financial assets

Non-financial assets are initially recognized at acquisition costs or manufacturing costs including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Long term assets are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

In 2015, the Group recognized impairment charges for intangible assets with finite useful lives within the Technology and Connected Home segments.

In 2014, the Group recognized impairment charges for goodwill due to adverse market trend evolution for DVD Services.

25. Retirement benefit obligations

Post-employment obligations

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

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

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

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

Defined benefit costs are classified as follows:
- *Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) to be recognized in profit or loss;*
- *Net interest expense or income, to be recognized as financial expense and financial income (see note 9);*
- *Remeasurement.*

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

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

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

Other long-term benefits

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

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

25.1 Summary of the provisions and plans description

(€ in millions)	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2015	2014	2015	2014	2015	2014
Opening provision	**407**	**350**	**7**	**6**	**414**	**356**
Net periodic pension cost	11	15	-	-	11	15
Curtailment gain	-	(3)	-	-	-	(3)
Benefits paid and contributions	(29)	(28)	-	-	(29)	(28)
Change in perimeter	1	(2)	-	-	1	(2)
Actuarial (gains) losses recognized in OCI	(21)	69	-	1	(21)	70
Currency translation differences	6	6	-	-	6	6
Closing provision	**375**	**407**	**7**	**7**	**382**	**414**
Of which current	*29*	*30*	*-*	*-*	*29*	*30*
Of which non-current	*346*	*377*	*7*	*7*	*353*	*384*

(a) Defined contribution plans

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

The total contributions paid by Technicolor amounted to €19 million in 2015 (€19 million in 2014).

(b) Defined benefit plans

These plans mainly cover pension benefits, retirement indemnities and medical post-retirement benefits.

Pension benefits and retirements indemnities

Pension plans maintained by the Group are mainly the following:

- **In Germany**, employees are covered by several vested unfunded defined benefit and defined contribution pension plans. These plans mainly provide employees with retirement annuities and disability benefits. Employees participate in plan based on final pay and services. The pension plans are no longer available to new entrants.
  The retirement age is between 60 and 63 years old.
- **In the United States**, the employees of Technicolor are covered by a defined benefit pension plan. Technicolor mainly operates two defined benefit pension plans: a cash balance pension plan that covers substantially all non-union employees, funded through a trust fund, and an additional pension plan for executive employees, closed to new participants. Benefits are equal to a percentage of the plan Member's earnings each year plus a guaranteed rate of return on earned benefits until retirement.
  A hard freeze occurred over 2009 on U.S. pension plans. The rights as of January 1, 2010 remain vested but no additional pay-based credits are added to the cash balance account under the Plans. Interest credit, however, continue to be added to employees' account.

  The retirement age is 65 years old.
- **In the U.K.**, Technicolor mainly maintains a dedicated funded pension plan, which provides retirement annuity benefits. This plan is no longer available to new entrants.

  The retirement age is 65 years old.
- **In France**, the Group is legally required to pay lump sums to employees when they retire. The amounts paid are defined by the collective bargaining agreement in force and depend on years of service within the Group and employee's salary at retirement.

  The retirement age is 62 years old (the average retirement age observed by the Social Security is 64).
- **In other countries**, Technicolor maintains non funded pension plans in Mexico and in Japan. The benefits are mainly based on employee's pensionable salary and length of service.

Medical Post-retirement benefits

In the U.S. & in Canada, Technicolor provided to certain employees a post-retirement medical plan. The medical plan in the U.S. includes basic medical and dental benefits and has been closed to new entrants in 1992. The medical plan in Canada includes life insurance, health and dental care benefit coverage and was closed to new entrants in 2009.

In 2015, the geographical breakdown of such net obligations was as follows:

(€ in millions)	**Germany**	**U.S.**	**U.K.**	**France**	**Others**	**Total**
Present value of defined benefit obligation	288	143	127	18	9	**585**
Fair value of plan assets	-	(92)	(111)	-	-	**(203)**
Retirement benefit obligations	**288**	**51**	**16**	**18**	**9**	**382**
Cash flows	(20)	(6)	(3)	-	-	(29)
Average duration (in years)	11	9	18	13	12	12

In addition, the Group pays an average yearly funding contribution to the plan assets for around €9 million (see note 25.4).

(c) Multi-employer plan

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

The average expense incurred each year is less than €1 million.

25.2 Elements of the Statement of Operations and Other Comprehensive Income

(a) Statement of Operations

(€ in millions)	**Pension plan benefits**		**Medical Post-retirement benefits**		**TOTAL**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Service cost:						
- Current service cost	(3)	(4)	-	-	(3)	(4)
- Past service cost and gain from settlements	-	3	-	-	-	3
Financial interest expense, net:						
- Interest cost on DBO	(16)	(19)	-	-	(16)	(19)
- Interest income on plan assets	8	8	-	-	8	8
Components of defined benefit costs recognized in profit or loss	**(11)**	**(12)**	**-**	**-**	**(11)**	**(12)**

(b) Other Comprehensive Income (OCI)

(€ in millions)	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2015	2014	2015	2014	2015	2014
Opening					**(167)**	**(97)**
Actuarial gains/(losses) arisen on plan assets:						
- due to the return on plan assets	(8)	3	-	-	(8)	3
Actuarial gains/(losses) arisen on benefit obligation:						
- due to changes in demographic assumptions	1	(2)	-	-	1	(2)
- due to changes in financial assumptions [1]	12	(70)	-	(1)	12	(71)
- due to experience adjustments	16	-	-	-	16	-
Components of defined benefit costs recognized in OCI	**21**	**(69)**	**-**	**(1)**	**21**	**(70)**
Closing					**(146)**	**(167)**

(1) In 2015, the increase in discount rates (see note 25.5) led to actuarial gains amounting to €12 million when, in 2014, the decrease in discount rates resulted in actuarial losses for €(71) million.

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

(€ in millions)	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2015	2014	2015	2014	2015	2014
Benefit obligation at opening	**(601)**	**(523)**	**(7)**	**(6)**	**(608)**	**(529)**
Current service cost	(3)	(4)	-	-	(3)	(4)
Interest cost	(16)	(18)	-	-	(16)	(18)
Remeasurement - actuarial gains / (losses) arising from:						
- changes in demographic assumptions	1	(2)	-	-	1	(2)
- changes in financial assumptions	12	(70)	-	(1)	12	(71)
- experience adjustments	16	-	-	-	16	-
Past service cost, including gains / (losses) on curtailments	-	3	-	-	-	3
Benefits paid	36	34	-	-	36	34
Currency translation adjustments	(22)	(23)	-	-	(22)	(23)
Change in perimeter [1]	(1)	2	-	-	(1)	2
Benefit obligation at closing	**(578)**	**(601)**	**(7)**	**(7)**	**(585)**	**(608)**
Benefit obligation wholly or partly funded	*(257)*	*(250)*	-	-	*(257)*	*(250)*
Benefit obligation wholly unfunded	*(321)*	*(351)*	*(7)*	*(7)*	*(328)*	*(358)*
Fair value of plan assets at opening	**194**	**173**	-	-	**194**	**173**
Interest income	8	7	-	-	8	7
Remeasurement gains / (losses)	(8)	3	-	-	(8)	3
Employer contribution	10	8	-	-	10	8
Benefits paid	(17)	(14)	-	-	(17)	(14)
Currency translation adjustments	16	17	-	-	16	17
Fair value of plan assets at closing	**203**	**194**	-	-	**203**	**194**
Retirement benefit obligations	**(375)**	**(407)**	**(7)**	**(7)**	**(382)**	**(414)**

(1) In 2015, changes in perimeter are mainly related to the acquisition of Mikros Image (€1 million). In 2014, changes in perimeter are mainly due to the deconsolidation of Italian entities.

The Group expects the overall 2016 benefits paid to be equal to €34 million for defined benefits plans, of which €21 million directly by the company to the employees and €13 million by the plans.

25.4 Plan assets

(a) Funding policy and strategy

When defined benefit plans are funded, mainly in the U.S. and in the 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 with regard to investment policy. The average yearly funding contribution is GBP 2 million (€3 million at 2015 average rate).

In the U.S., Technicolor's policy is to contribute on an annual basis in an amount that is at least sufficient to meet the minimum legal requirements of the U.S. law. The average yearly contribution is 6 million of U.S. dollars (€5 million at 2015 average rate).

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

- In the U.S., as the pension plan is frozen, the investment strategy aims to increase the funded ratio toward termination liability while simultaneously attempting to minimize the volatility of the funded ratio (currently funded ratio is above 70%). Asset mix is based on 34% equity instruments and 66% bonds and cash equivalents. Over the past several years, the return of the plan has on average exceeded the expected return.
- In the U.K. the funded status is above 80%. Asset mix is based on 35% of insurance contracts that cover obligations with pensioners, 26% of equity instruments, 15% of bonds and cash equivalents and 23% of properties. The annualized performance of the plan exceeds the expected return on a 3-year basis.

(b) Disaggregation of the fair value by category

(in % and € in millions)	**Plan assets allocation at December 31**		**Fair value of plan assets at December 31**	
	2015	**2014**	**2015**	**2014**
Cash and cash equivalents	2%	2%	4	4
Equity investments	30%	33%	61	64
Debt securities	36%	32%	73	62
Properties	13%	12%	26	24
Annuity contracts	19%	21%	39	40
Total	**100%**	**100%**	**203**	**194**

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

The 2015 actual return on plan assets amounts to less than €1 million (€10 million in 2014).

25.5 Assumptions used in actuarial calculations

	Pension plan benefits		**Medical post-retirement benefits**	
	2015	**2014**	**2015**	**2014**
Weighted average discount rate	2.8%	2.5%	3.7%	3.9%
Weighted average long-term rate of compensation increase	1.6%	1.7%	N/A	N/A

Discount rate methodology

The projected benefit cash flows under the U.S. schemes are discounted using a yield curve determined based on AA rated corporate bonds. The discount rates used for the Euro zone and the 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**
Euro zone	2.0%	0.4%	N/A
U.K.	3.7%	N/A	N/A
U.S.	3.6%	N/A	3.9%

25.6 Risk associated to the plans & sensitivity analysis

Pension plans are mainly exposed to:
- Longevity risk due to mortality assumption;
- Financial risks due to discount rate and salary increase rate assumptions.

Medical plans are mainly exposed to:
- Longevity risk due to mortality assumption;
- Financial risks due to discount rate and medical trend rate assumptions.

The sensitivity of the actuarial valuation is described below :
- If the discount rate is 0.25% higher, the obligation would decrease by €17 million;
- If the discount rate is 0.25% lower, the obligation would increase by €19 million;
- If the healthcare costs are 1% higher, the obligation would increase by less than €1 million;
- If the healthcare costs are 1% lower, the obligation would decrease by less than €1 million;
- If the salary increase rate is 0.25% higher, the obligation would increase by €1 million;
- If the salary increase rate is 0.25% lower, the obligation would decrease by €1 million.

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

26. Provisions for restructuring and other provisions

Provisions

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

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

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

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

Restructuring provisions

Provisions for restructuring costs are recognized when the Group has a constructive obligation towards third parties, which results from a decision made by the Group before the balance sheet date and supported by the following items:
- The existence of a detailed and finalized plan identifying the sites concerned, the location, the role and the approximate number of headcounts concerned, the nature of the expenses that are to be incurred and the effective date of the plan; and
- The announcement of this plan to those affected by it.

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

26.1 Restructuring provisions

(€ in millions)	2015	2014
Opening provisions	**36**	**59**
Current period additional provision (1)	41	29
Release (1)	(5)	(3)
Usage during the period	(49)	(45)
Currency translation adjustment and other movements	(3)	(4)
Closing provisions (2)	**20**	**36**
Of which current	*20*	*34*
Of which non-current	*-*	*2*

(1) Restructuring provisions, net of release, are mainly composed of termination costs related to continuing operations (for both employees and facilities).
(2) There is no provision related to environmental costs as of December 31, 2015, and €1 million as of December 31, 2014.

26.2 Other provisions

(€ in millions)	Warranty	Risk and litigation related to businesses disposed of	Other provisions related to continuing businesses (1)	Total (2)
As of January 1, 2015	**18**	**51**	**49**	**118**
Current period additional provision	15	18	10	43
Release	(8)	(11)	(10)	(29)
Usage during the period	(10)	(11)	(6)	(27)
Change in perimeter(3)	26	-	(2)	24
Currency translation adjustments and other	(1)	2	-	1
As of December 31, 2015	**40**	**49**	**41**	**130**
Of which current	*40*	*19*	*31*	*90*
Of which non-current	*-*	*30*	*10*	*40*

(1) Include mainly provisions for risk and litigation.
(2) Of which:
- €6 million for provisions related to litigation as of December 31, 2015, and €17 million as of December 31, 2014;
- €1 million for provisions related to environmental costs as of December 31, 2015, and €3 million as of December 31, 2014.

(3) Related to provisions for warranty from the Cisco Connected Devices Activity for €26 million.

27. Share-based compensation plans

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

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

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

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

27.1 Plans granted by Technicolor

- Under the thirteen resolution approved by the Shareholder's Meeting of May 22, 2008, the Board of Directors meeting of June 17, 2010 approved the implementation of a Mid Term Management Incentive Plan (MIP-SP1) granting non-market performance units made up of a combination of cash and stock options. Subject to the continuance of employment, the rights under the plan were vested on June 18, 2014 for each beneficiairy in the proportion set by the Board of Directors on February 21, 2013 following the determination of the level of achievement of the non-market performance conditions on December 31, 2012. As of December 31, 2015, 805,476 subscription options are still outstanding.

- Making use of the authorization given by the Shareholder's Meeting of June 8, 2011 in its fourteenth resolution, the Board of Directors of June 8, 2011 approved the implementation of a long-term incentive plan. This three-year plan provided for the granting of Performance Units made up of a combination of cash bonus and performance shares. Subject to the continuance of employment at vesting dates, the right to the delivery of the shares and the payment of the cash bonus were recorded in three annual steps, after review by the Board of Directors of the level of achievement of the market performance conditions and of the non-market conditions for the year ended December 31, 2011, December 31, 2012 and December 31, 2013.

  The number of shares definitively acquired by the beneficiaries were delivered on June 8, 2013 for beneficiaries with a two-year acquisition period and on June 8, 2015 for the beneficiaries with a four-year acquisition period.

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

  As of December 31, 2015, 16,080,097 subscription options are still outstanding (9,590,367 options, 4,520,245 options, 259,485 options and 1,710,000 options related respectively to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

- Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in it sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global free share plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor Group during the acquisition period, 125 Technicolor shares will be delivered to eligible employees at the end of the acquisition period. The plan is not subject to performance conditions.

  The compensation expense related to the Free Share Plan has been estimated with a pricing model similar to the one used for the other option plans. As of December 31, 2015, 1,022,250 free shares have been granted to employees.

As of December 31, 2015 the total number of outstanding stock options amounted to a maximum of 16,885,573 options and 1,022,250 free shares granted to employees and Directors. There are no more options granted to employees and Directors that are not in the scope of IFRS 2 because of IFRS 1 exemptions as the option life has expired in 2014.

The details of these options are disclosed hereafter.

	Type of plan	Grant date	Number of options initially granted	Number of options outstanding(2)	Initial number of beneficiaries	Vesting date	Contractual option life	Exercise price (2)	Estimated fair values of the options granted(2)
MIP (*) Options	Subscription options	June 17, 2010	1,216,700 (1)	805,476	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.29	€2.22
MIP 2015 Options (**)	Subscription options	May 23, 2013 and June 17, 2013	16,398,000	9,159,622	94	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	8 years	€3.19	€1.06
MIP 2015 Options (**)	Subscription options	October 24, 2013	200,000	207,588	1	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	8 years	€3.93	€1.40
MIP 2015 Options (**)	Subscription options	March 26, 2014	215,000	223,157	2	May 2015 (50%), May 2016 (25%) and May 2017 (25%)	8 years	€4.53	€1.73
MIP 2016 Options (**)	Subscription options	June 20, 2014	2,830,000	2,667,517	40	June 2016 (50%), June 2017 (25%) and June 2018 (25%)	8 years	€5.79	€1.82
MIP 2016 Options (**)	Subscription options	October 21, 2014	1,915,000	1,437,552	24	October 2016 (50%), October 2017 (25%) and October 2018 (25%)	8 years	€4.92	€1.45
MIP 2016 Options (**)	Subscription options	April 9, 2015	400,000	415,176	1	October 2016 (50%), October 2017 (25%) and October 2018 (25%)	8 years	€5.83	€1.88
MIP June 2017 Options (**)	Subscription options	June 26, 2015	250,000	259,485	2	June 2017(50%), June 2018 (25%) June 2019 (25%)	8 years	€5.88	€1.91
MIP October 2017 Options (**)	Subscription options	December 3, 2015	1,710,000	1,710,000	22	October 2017(50%), October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
Free Share Plan	Free shares (to be issued)	November 12, 2013	1,604,000	1,022,250	12,832	November 2017	-	-	€3.87

(*) Mid-Term Incentive Plan (MIP-SP1) (see description above).
(**) Management Incentive Plans (MIP) (see description above).
(1) Maximum potential number.
(2) Exercise prices and number of options outstanding were modified following the 2015 capital increases.

Movements in the number of options and free shares outstanding with their related weighted average exercise prices are as follows for 2015 and 2014:

	Number of options and free shares	Weighted Average Exercise Price *(in €)*
Outstanding as of December 31, 2013 (with an average remaining contractual life of 7 years – excluding free shares)	**19,535,773**	**5.60** *(ranging from 0 to 171)*
Of which exercisable	*321,167*	*111.60*
Granted	5,335,000	5.47
Delivered	(322,526)	-
Forfeited & other	(1,528,034)	15.69
Outstanding as of December 31, 2014 (with an average remaining contractual life of 7 years – excluding free shares)	**23,020,213**	**4.77** *(ranging from 0 to 171)*
Of which exercisable	*130,089*	*47.27*
Granted	2,360,000	6.76
Delivered (Free Share Plan)	(250)	-
Delivered (LTIP and MIP)	(5,744,815)	3.33
Adjusted following the 2015 capital increase (with PSR)	684 998	3.99
Forfeited & other	(2,412,323)	11.48
Outstanding as of December 31, 2015 (with an average remaining contractual life of 6 years – excluding free shares)	**17,907,823**	**4.43** *(ranging from 0 to 7)*
Of which exercisable	*3,251,110*	*4.03*

Significant assumptions used

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

	Stock options plan granted in								
(in % and in euro)	**December 2015**	**June 2015**	**April 2015**	**October 2014**	**June 2014**	**March 2014**	**October 2013**	**May & June 2013**	**June 2010**
Weighted average share price at measurement date	7.05	6.13	6.06	4.71	5.68	4.88	4.06	3.20	5.5
Weighted average exercise price	7.11	5.88	5.83	4.92	5.79	4.53	3.93	3.19	6.29
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%	52%
Expected option life (*)	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Risk free rate	0.12%	0.17%	0.17%	0.13%	0.31%	0.62%	0.77%	0.62%	1.85%
Expected dividend yield	0.7%	0.8%	0.8%	0%	0%	0%	0%	0%	0%
Fair value of option at measurement date	2.27	1.91	1.88	1.45	1.82	1.73	1.40	1.06	2.22

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

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

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

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

For the 2011 and 2010 free shares granted as part of the MIP and the LTIP, Technicolor considered an expected turnover of 4% based on historical data of related beneficiaries, an average initial share price of €5.2 in 2011 (€5.5 in 2010), and a dividend rate of 0% (in 2011 and 2010).

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

27.2 Compensation expenses charged to income

The compensation expenses charged to income for the services received during the period amount to €8 million and €9 million for the years ended December 31, 2015 and 2014, respectively. The counterpart of this expense has been credited fully to equity.

28. Other current and non-current liabilities

(€ in millions)	2015	2014
Total other non-current liabilities	**159**	**189**
Taxes payable	30	32
Current royalties	116	114
Payables for fixed assets	44	19
Other	351	242
Total other current liabilities	**541**	**407**

29. Earnings (Loss) per share

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

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

Potentially dilutive securities comprise:

- Outstanding options, if dilutive;

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

Diluted earnings (loss) per share

	2015	2014
Numerator:		
Adjusted profit (loss) "Group share" from continuing operations attributable to ordinary shareholders *(€ in millions)*	**125**	**141**
Denominator (*):		
Weighted shares *(in thousands)*(**)	**364,541**	**352,853**

(*) Weighted average number of share for basic earnings is 357,355 thousands shares in 2015 and 347,818 thousands shares in 2014.

Some of stock-options plans have no dilution impact due to stock price but could have a dilution impact in the future depending on the stock price evolution (see details of these plans in note 27).

(**) According to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted in 2015 and 2014 to take into account the share capital increase with preferential subscription rights that occurred on November 17, 2015.

30. Information on employees

The geographical breakdown of the number of employees at the end of the year is as follows:

	2015	2014
Europe	4,231	3,921
North America	7,790	5,681
Asia (1)	2,510	2,183
Other countries (2)	2,189	2,416
Total number of employees	**16,720**	**14,201**
Number of employees in entities accounted for under the equity method	352	344
(1) Of which India	*1,915*	*1,755*
(2) Of which Mexico	*1,395*	*1,418*

There were no employees reported under the discontinued perimeter as of December 31, 2015 and 2014.

The total "Employee benefits expenses" (including only employees in the consolidated entities) is detailed as follows:

(€ in millions)	2015	2014
Wages and salaries	748	677
Social security costs	92	88
Compensation expenses linked to share-base payments granted to Directors and employees (1)	8	9
Pension costs - defined benefit plans (4)	11	12
Termination benefits and other long-term benefits (2)	11	19
Total Employee benefits expenses (excluding defined contribution plans) (3)	**870**	**805**
Pension costs - defined contribution plans	19	19

(1) See note 27.2.
(2) These costs were presented in restructuring expenses within continuing operations in the consolidated statement of operations.
(3) The defined contribution expenses paid within a legal and mandatory social regime are included in Employee benefits expenses shown above.
(4) See note 25.2.

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31. Specific operations impacting the consolidated statement of cash flows

31.1 Acquisition and disposal of subsidiaries, associates and investments

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

(€ in millions)	2015	2014
Cisco Connected Devices	(357)	-
North America optical disc and replication and distribution business acquired from Cinram	(44)	-
The Mill	(258)	-
Mikros Image	(16)	-
Mr. X Inc	(2)	(7)
Other	(20)	(8)
Acquisition of investments	**(697)**	**(15)**
Less cash position of companies acquired	9	1
Acquisition of investments, net	**(688)**	**(14)**

Net cash impact from disposal of available-for-sale investments amounted to €2 million in 2015 and €10 million in 2014.

31.2 Cash impact of debt repricing and financing operations:

(€ in millions)	*Note*	2015	2014
Fees paid for debt repricing (1)	*(9)*	(25)	(26)
Reimbursement of borrowings to bank holders (2)	*(1)*	(62)	(182)
Total cash impact of the Group's debt		**(87)**	**(208)**
Increase of Capital (net of fees paid) (3)	*(1)*	227	-
Proceed from borrowings (4)	*(1)*	377	-
Total cash impact of new financing operations		**604**	**-**

(1) The fees paid directly linked to the debt repricing have been classified into financing cash flows. In 2015, it includes €6 million for 2015 repricing transaction and €18 million for the issuance of new Term Loan Debt. In 2014, it included €25 million related to 2014 repricing transaction.

(2) In 2015, in addition to debt contractual refunds, €7 million of other debts were reimbursed.

In 2014, in addition to debt repricing, €11 million were reimbursed to Finantia as part of the closing of the Sauvegarde Proceeding and €1 million of other debt were also reimbursed.

(3) Due to the net share capital increase on November 17, 2015 (Share capital increase of €227 million with the deduction of the fees paid after tax for €8 million), and the MIP/LTIP cash impact for €8 million.

(4) Mainly related to the issuance of new Term Loan Debt done on September and November 2015 for €374 million.

31.3 Changes in working capital and other assets and liabilities

As French tax authorities reimburse the Research tax credit (CIR) after a three-year period, Technicolor decided to sell its CIR to a financial institution in the first half of 2015. This sale occurred at the end of June and led to the derecognition of the €18 million receivable with the following counterparts:

- A cash receipt of €15 million;
- A €2 million receivable towards the financial institution, corresponding to the residual cash to be received when the French tax authorities reimburse the CIR in 2018; and
- A €1 million expense over the period.

The Group keeps a residual continuing involvement in the derecognized receivable due to the fiscal risk.

32. Contractual obligations and other commitments

32.1 Contractual obligations and commercial commitments

The following table provides information regarding the aggregate maturities of contractual obligations and commercial commitments as of December 31, 2015 for which the Group is either obliged or conditionally obliged to make future cash payments (contractual obligations related to the debt restructuring agreement is detailed in note 23). This table includes firm commitments that would result in unconditional or conditional future payments, but excludes all options since the latter are not considered as firm commitments or obligations. When an obligation leading to future payments can be cancelled through a penalty payment, the future payments included in the tables are those that management has determined most likely to occur.

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

- Subsidiaries within the Entertainment Services segment may provide guarantees to its customers on the products stored and then distributed against any risk or prejudice that may occur during manufacturing, storage or distribution. Such guarantees provided are covered by insurance and are therefore excluded from the table below.
- Guarantees provided for securing debt, capital leases, operating leases or any other obligations or commitments of other entities of the Group are not included as the related obligations are already included in the table below.

		Amount of commitments by maturity			
(€ in millions)	**2015**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
Unconditional future payments					
On-balance sheet obligations:					
Financial debt excluding finance leases (1)	1,368	86	140	1,142	-
Finance leases	2	-	1	1	-
Payables on acquisition and disposal of companies	27	20	5	2	-
Off-balance sheet obligations:					
Operating leases (2)	330	83	119	56	72
Other unconditional future payments (3)	59	36	17	3	3
Total Unconditional future payments (*)	**1,786**	**225**	**282**	**1,204**	**75**
Conditional future payments					
Off-balance sheet obligations:					
Guarantees given and other conditional future payments (4)	64	13	-	-	51
Total Conditional future payments (*)	**64**	**13**	**-**	**-**	**51**

(*) "Total Unconditional future payments" and "Total Conditional future payments" as of December 31, 2014 amounted respectively to €1,294 million and €68 million on continuing entities.

(1) Financial debt is reported here at its nominal value for its principal amount and accrued interest (IFRS value reported in the consolidated statement of financial position is €1,293 million, see note 23). Future interest expenses and the impact of interest rate swaps are not reported in this table. Currency swaps, hedging operations and foreign exchange options are described below in a separate table.
(2) Operating leases are described below in this note.
(3) Other unconditional future payments relate mainly to the maintenance costs associated with the lease.
(4) These guarantees comprise:
- Guarantees for customs duties and legal court proceedings for €0.2 million, comprising mainly duty deferment guarantees required by the customs administrations to benefit from customs duty deferments. Imported goods are normally taxed when they enter the territory. In the case of regular import flows, customs may grant an economic regime, under which a cumulated duty payment is made after a determined one-month credit period. The carrying value of this guarantee is to cover the duties to be paid during the credit period;
- Guarantees given to tax offices for €12 million related to ongoing tax litigations;
- A parental guarantee provided by Technicolor SA to secure the Section 75 debt;
- Various operational guarantees granted to customs administrations in order to be exempt from duties goods transiting through customs warehouses for re-exportation, and transit guarantees in order that taxes are paid on goods only at their final destination in the import country. The maturity of these bank guarantees match the one-month renewable term of the agreements.

Additional information:
- Guarantees and commitments received amount to €66 million as of December 31, 2015. This amount is mainly related to the royalties from licensees (patents, trademarks) within the Technology segment;
- The above table is only related to continuing entities. There are no more contractual obligations and commercial commitments taken by discontinued entities as of December 31, 2015.

32.2 Commitments related to financial instruments

Commitments related to financial instruments held by the Group generate both future cash payments and receipts. These commitments are disclosed in the following table as follows:

- Forward exchange contracts, swaps and options: for their related cash inflow and outflow amounts;
- Interest rate swaps: for the underlying nominal debt amounts.

(€ in millions)	**2015**
Currency swaps	368
Total commitments given	**368**
Currency swaps	368
Total commitments received	**368**

32.3 Commitments related to operating leases

At December 31, 2015, commitments related to future minimum and non-cancellable lease payments are detailed below:

(€ in millions)	**Minimum future lease payments** (1)	**Future lease payments commitments received** (2)	**Net value of future lease commitments**
2016	83	(4)	79
2017	67	(3)	64
2018	52	(3)	49
2019	34	(1)	33
2020	22	-	22
After 5 years	72	-	72
Total	**330**	**(11)**	**319**

(1) Minimum operating lease payments shown are not discounted.
(2) Includes mainly operating lease payments to be made by:
- Assystem, INC. Research, CCA International and GoPro for the subleasing of a part of the headquarter in France.
- Proservia for the subleasing of a part of the Rennes building in France.
- Picture Head and I.AM.MONEY, INC. for the subleasing of a part of Hollywood building in the U.S.
- Udemy for the subleasing of a part of the San-Francisco building in the U.S..

The above table includes the leases accrued as restructuring reserve for €1 million as of December 31, 2015.

The main operating leases relate to the headquarters in Issy-les-Moulineaux (France) and Indianapolis (U.S.):

- On April 22, 2008, Technicolor signed a commitment for an operating lease - its headquarters in France in Issy-les-Moulineaux near Paris for a duration of 9 years from November 2009;
- Technicolor USA, Inc. sold its office building (administration and technical services buildings) in March 2000 and subsequently leased back from the purchaser until 2012 and renewed until 2017.

The net operating lease expense in 2015 was €82 million (€87 million in rental expense and €5 million in rental income).

32.4 Security interests granted to secure the Term Loan Debt

The security package consisting notably of guarantees and security interests granted by the Company and subsidiaries to secure the Reinstated Debt was released when the Reinstated Debt was repaid on May 30, 2014.

On May 30, 2014, as provided for under the Term Loan Debt, a replacement security package consisting of share pledges, pledges of material intra-group loans and pledges of material cash-pooling accounts was put in place via Tech Finance to secure the Term Loan Debt.

Shares of subsidiaries pledged

On May 30, 2014, Technicolor SA pledged the shares of the following five subsidiaries: Gallo 8 SAS, Thomson Licensing SAS, Technicolor Delivery Technologies SAS, Technicolor Brasil Midia E Entretenimento Ltda, and Technicolor USA, Inc. to secure the Term Loan Debt.

Cash pooling accounts pledged

Pursuant to two different Cash Pooling Pledge Agreements, the cash pooling accounts of Technicolor SA in France and in the UK were pledged by Technicolor SA on May 30, 2014. The five pledged cash pooling agreements relate to the domestic and international centralization of Group Treasury, a multitarget balancing agreement, and three group treasurership standard agreements (in dollars US, euros and British pounds).

Intragroup loans pledged

Pursuant to an Intragroup Loans Receivables Pledge Agreement, on May 30 2014, Technicolor SA pledged Intragroup loans receivables from Technicolor Trademark Management, Technicolor Europe Ltd., Technicolor Videocassette Holdings (UK) Limited, Technicolor Entertainment Services France SAS, Technicolor Distribution Services France SARL, Technivision Ltd., Thomson multimedia Sales UK Ltd, Technicolor Delivery Technologies SAS, Technicolor USA, Inc., and Technicolor Australia Investments Ltd.

33. Contingencies

In the ordinary course of the business, the Group is involved in various legal proceedings and is subject to tax, customs and administrative regulation. The Group’s general policy is to accrue a reserve when a risk represents a contingent liability towards a third-party and when the probability of a loss is probable and it can be reasonably estimated. Significant pending legal matters include the following:

Anti-dumping duties

In a case pertaining to imports into the European Union by Technicolor subsidiaries of televisions manufactured by Technicolor in Thailand, Technicolor received reassessment notices in 2004 and 2005 relating to antidumping duties from customs authorities in the United Kingdom, Germany, France, and Italy.

Those cases are now definitively closed in France and in the United Kingdom but are still pending in Germany and Italy.

In France the French Supreme Court (*Cour de cassation*) cancelled on February 2, 2016 an adverse decision rendered by the Appeals Court of Paris, pursuant to which Technicolor paid a fine of €9.5 million (including VAT) in 2014. The French customs authority now has to pay back that full amount to Technicolor. This closes the case in France.

In the United Kingdom, Technicolor paid in July 2013 €1 million in full and final settlement of the reassessment, which closed the case in the United Kingdom.

In Italy, pursuant to an unfavorable decision by the Italian Supreme Court in September 2012, an Italian subsidiary of Technicolor was held liable for the payment of a €7.6 million reassessment to the customs authority. Technicolor considers the Supreme Court decision to be unlawful in view of European Community law and introduced an indemnity action against the Italian government.

In Germany, Technicolor is challenging the reassessment before German courts.

Poland tax Proceedings

To complete two requests for arbitrage on 2003 transfer prices between France and the United Kingdom on one side and Poland on the other side, Technicolor’s Polish entity, Technicolor Polska, submitted an €8 million tax refund request to the Polish Tax Authorities in June 2009. At the same time, the Polish Tax Authorities launched an audit on the entity’s 2003 income tax and 2004 withholding tax returns.

After lengthy proceedings, the Polish Tax Authorities issued provisional assessments in 2010 with respect to 2003 deductibility of research and development costs and 2004 withholding taxes resulting in additional taxes amounting to €10 million and interest amounting to €7 million. In the interim, Polish Tax Authorities had established a €17 million mortgage on Technicolor Polska's assets which prevented, as an indirect consequence, the statute of limitations from expiring. In May 2010, the Polish Tax Authorities launched another audit on the 2004 corporate income tax and 2005 withholding tax returns. In January 2011, they issued provisional assessments equivalent to the previous year assessments, i.e. deductibility of 2004 research and development costs and 2005 withholding taxes, amounting to €5 million in principal and €3 million in interest. In August 2011, the First Level Administrative Court of Warsaw rejected 98% of the 2010 assessments (on 2003 deductibility of research and development costs and 2004 withholding taxes) notified by the Polish Tax Authorities. In December 2011, this verdict became final as the Polish Tax Authorities did not appeal. The Polish Tax Administration decided to review the final aspects of the proceedings and has interviewed around 20 former employees. In June 2013, the Polish Tax Administration issued new assessments for tax year 2004, alleging that the 2003 research and development expenses are non-deductible, while they took the opposite position in 2010. In November 2013, the Polish tax authorities waived the 2004 and 2005 withholding taxes reassessments, for an amount of €8.9 million. At the beginning of 2014, the Polish tax authorities waived the 2004 Current Income Tax reassessments, for an amount of €3.5 million. The Polish Tax Authorities also launched an audit for tax year 2007 and issued a preliminary assessment for approximately €0.4 million without interest and Technicolor is challenging this assessment. Currently only one mortgage for €12.6 million related to 2003 Current Income Tax remains.

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

France VAT audit

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

Out of this principal amount, one VAT assessment amounting to €1.3 million, relates to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged. The other significant assessment involves the deduction of VAT by the Company as a mixed holding company for an amount of €3.7 million. In July 2013, the French tax authorities issued VAT assessments with respect to 2010 tax year on the same grounds as with respect to 2009, the two most significant of which being a €1.1 million assessment relating to the subsidy and a €7.5 million assessment relating to the deductibility of the "holding" VAT. In June 2014, a collegial tax commission decided to give up on the reassessments relating to the deductibility of the "holding" VAT (i.e. €3.7 million for 2009 and €7.5 million for 2010).

Following receipt of the recovery notice in September 2014, the Company paid the remaining assessments (i.e. €1.3 million and €1.1 million for 2009 and 2010 and €0.3 million of interest). The Company therefore filed a claim before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014).

On February 2015, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore the Company presented a claim before the administrative Tribunal of Cergy-Pontoise in April 2015. Following the receipt of an explicit rejection in May 2015, after the deadline had expired, the Company produced a complementary memorandum to the administrative Tribunal of Cergy-Pontoise in June 2015.

Taoyuan County Form RCA Employees' Solicitude Association

In April 2004, the Plaintiff, Taoyuan County Former RCA Employees' Solicitude Association (the "Association"), which is a non-profit entity composed of former RCA employees of Technicolor's subsidiary TCETVT (or heirs of former workers) who claim to have worked at TCETVT's former manufacturing facility in Taoyuan (the "Facility") filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against TCETVT and General Electric International, Inc. ("GEI"). The Association is alleging they were exposed to various contaminants while living and working at the facility, which allegedly caused them to suffer various diseases, including cancer, or caused them emotional distress from fear that living and working at the facility increased their risk of contracting diseases.

The Association originally claimed damages of NTD 2.7 billion (€75 million at the December 31, 2015 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against TCETVT, Technicolor SA, and TCE Bermuda for approximately NTD 564 million (€16 million at the December 31, 2015 exchange rate) plus interest. TCETVT, Technicolor SA and TCE Bermuda have appealed the ruling. The Association has also filed an appeal.

Technicolor considers that it is GE's legal and contractual obligation to indemnify Technicolor SA and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor Group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

Cathode Ray Tubes cases

United States

Technicolor has been defending among other defendants against the following three legal actions in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses):

- One class action brought by a group of direct purchasers of CRT that was filed in 2008. Technicolor SA was initially dropped as a named defendant when amended complaints were filed in the spring of 2009 and was brought back in the case in 2014;
- One class action brought by a group of indirect purchasers of CRT that was filed in 2008, which was subject to a tolling agreement until June 2015;
- Lawsuits brought in 2013 and 2014 against Technicolor SA, Technicolor USA and other defendants by 15 direct action plaintiffs (mostly US retailers), including Sharp Electronics; Best Buy Co., Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; Target Corporation and ViewSonic.

In 2015 and early 2016, Technicolor SA and Technicolor USA have succeeded in entering into settlement agreements with the direct purchasers class, the indirect purchasers class and a number of major direct action plaintiffs (Sears Roebuck, Kmart, Circuit City, Target and ViewSonic). The amount of these settlements has been taken into account as an exceptional charge in 2015 for €49 million, out of which €36 million will be paid in 2016.

This leaves Technicolor as a defendant in the US only against Sharp and Best Buy and a second group of direct plaintiffs with much smaller claims.

The Group sold the CPT business in 2005 and never had activity in the CDT business. At this time, Technicolor is unable to assess the outcome from the trials and the remaining potential liability.

Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. As appropriate and to the extent required, Technicolor USA and Technicolor SA will timely file responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian authorities that they were initiating an investigation of possible cartel activity within the CRT industry in Brazil. Finally, in October 2015, the Mexican authorities closed the investigations they had launched against Technicolor on similar grounds in 2009.

Environmental matters

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

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

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

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

34. Related party transactions

A party is related to the Group if:

- Directly or indirectly the party (i) controls, is controlled by or is under common control with the Group, (ii) has an interest in the Group that gives it significant influence over the Group;

- The party is an associate;

- The party is a joint venture in which the Group is a venture;

- The party or one of its Directors is a Member of the Board of Directors or of the Executive Committee of the Group or a close Member of the family of any individual referred to above.

34.1 Main transactions

(€ in millions)	2015	2014
Statement of financial position items		
Trade receivables		
SV Holdco	-	1
Other joint-ventures	1	1
Trade payables		
ST Microelectronics [(1)]	3	1
Trace VFX LLC	2	-
Other assets	-	-
Other liabilities	-	-
Statement of operations items		
Revenues		
SV Holdco	4	7
ST Microelectronics [(1)]	1	1
Expenses		
ST Microelectronics [(1)]	(18)	(26)
SDN [(3)]	(3)	-
Extraordinary items		
Technicolor Beijing[(2)]	-	(1)

(1) Mr. Lombard, Director of Technicolor, is Chairman of the Supervisory Board of ST Microelectronics since March 2011. As a consequence, ST Microelectronics is a related party of Technicolor.
(2) In 2014, the amount deals with depreciation of loan.
(3) SDN is now a related party of Technicolor since Cisco Systems Inc. (the parent company of SDN) holds 5.21% of the share capital of Technicolor.

There is no contractual obligation and other commitment with these related parties in 2015 and in 2014.

34.2 Key Management compensation

Directors' fees and compensation expenses (incl. Social security costs) amounted to €0.5 million and €0.7 million respectively in 2015 and 2014. The amounts due to Directors who are non-resident for French tax purposes are subject to a withholding tax. Fees due to Directors and advisors in respect to fiscal year 2015 will be paid in 2016.

Compensation expenses allocated by the Group to Members of the executive committee (including those who left this function during 2015 and 2014), during 2015 and 2014 are shown in the table below:

(€ in millions)	**2015**	**2014**
Short-term employee benefits (1)	13	13
Share-based payment	4	4
Total	**17**	**17**

(1) In case of retirement the Group has an obligation almost nil as of December 31, 2014 and 2015.

The Members of the executive committee can benefit from severance packages in case of an involuntary termination and in absence of fault, which represent a total estimated amount of 8 million.

35. Subsequent events

The M-GO business disposal has been finalized on January 29th, 2016 for a net proceed of $12 million (€11 million).

36. List of main consolidated subsidiaries

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

	% share held by Technicolor (% rounded to one decimal)	
COMPANY - (Country)	**2015**	**2014**
Fully consolidated		
Technicolor SA 1-5 rue Jeanne d'Arc, 92130 Issy-Les-Moulineaux (France)	Parent company	Parent company
Technology		
Thomson Licensing SAS (France)	100.0	100.0
Technicolor R&D France SNC (France)	100.0	100.0
Technicolor Trademark Management SAS (France)	100.0	100.0
RCA Trademark Management SAS (France)	100.0	100.0
Deutsche Thomson OHG (Germany)	100.0	100.0
Thomson Licensing LLC (USA)	100.0	100.0
MediaNaviCo LLC (USA)	89.6	85.6
Connected Home		
Technicolor Delivery Technologies SAS (France)	100.0	100.0
Technicolor Connected Home Rennes SNC (France)	100.0	100.0
Technicolor Brasil Midia E Entretenimento Ltda (Brasil)	100.0	100.0
Technicolor Connected Home USA LLC (USA)	100.0	100.0
Thomson Telecom Mexico, S.A. de C.V. (Mexico)	100.0	100.0
Comercializadora Thomson de Mexico S.A. de C.V. (Mexico)	100.0	100.0
Technicolor Connected Home Canada Inc. (Canada)	100.0	100.0
Technicolor Delivery Technologies Australia, Pty, Ltd (Australia)	100.0	100.0
Technicolor (China) Technology Co., Ltd. (China)	100.0	100.0
Technicolor Malaysia Sdn Bhd (Malaysia)	100.0	100.0
Connected Home Hong Kong Ltd. (Hong Kong)	100.0(**)	-
Technicolor Connected Home India Private Ltd. (India)	100.0	100.0
Entertainement Services		
Technicolor Distribution Services France SARL (France)	100.0	100.0
Technicolor Entertainment Services France SAS (France)	100.0	100.0
Mikros Image SAS (France)	100.0(*)	-
Ouido Productions SAS (France)	51.0(*)	-
MTC (France)	100.0(*)	-
Technicolor Polska Sp.Z.o.o. (Polska)	100.0	100.0
The Moving Picture Company Ltd. (MPC) (UK)	100.0	100.0
Technicolor Disc Services International Ltd. (Hammersmith) (UK)	100.0	100.0
Technicolor Video Services (UK) Ltd. (UK)	100.0	100.0
Thomson Multimedia Distribution (Netherlands) BV (Netherlands)	100.0	100.0
Technicolor Ltd. (UK)	100.0	100.0
The Mill (Facility) Ltd. (UK)	100.0(*)	-
Badger Bidco Limited (UK)	100.0(*)	-
Technicolor USA Inc. (USA)	100.0	100.0
Technicolor Videocassette of Michigan, Inc. (USA)	100.0	100.0
Technicolor Home Entertainment Services Inc. (USA)	100.0	100.0
Technicolor Creative Services USA Inc. (USA)	100.0	100.0
Technicolor Canada Inc. (Canada)	100.0	100.0
Technicolor Home Entertainment Services de Mexico S. de R.L. de C.V. (Mexico)	100.0	100.0
Technicolor Mexicana, S. de R.L. de C.V. (Mexico)	100.0	100.0
Mr. X Inc. (Canada)	100.0	100.0
Technicolor Global Logistics, LLC (USA)	100.0	100.0
Technicolor Home Entertainment Services Canada ULC (Canada)	100.0(**)	-
Technicolor Home Entertainment Services Southeast, LLC (USA)	100.0(**)	-
Technicolor Holdings of Canada Inc (Canada)	100.0	100.0
TECHNICOLOR Holdings USA, Inc. (USA)	100.0	100.0
The Mill Group Inc. (USA)	100.0(*)	-
Beam Tv Inc. (USA)	100.0(*)	-
Badger USA,Inc (USA)	100.0(*)	-

MPC (Shanghai) Digital technology CO., Ltd (China)	89.8(**)	-
Technicolor, Pty, Ltd. (Australia)	100.0	100.0
Technicolor India Privat Ltd. (India)	100.0	100.0
Technicolor Distribution Australia, Pty. Ltd. (Australia)	100.0	100.0
Technicolor Audio Visual Systems Ltd (UK)	0.0(**)	100.0
Direct Home Entertainment Ltd - TechnicolorDirect.com (UK)	0.0(**)	100.0
Technicolor Vidtronics Ltd (UK)	0.0(**)	100.0
Blondes Films Limited (UK)	0.0(**)	100.0
The Moving Picture Company Holdings Limited (UK)	0.0(**)	100.0
Corporate		
Gallo 8 SAS (France)	100.0	100.0
Sté Fr.d'Invest.et d'Arbitrage - Sofia (France)	100.0	100.0
Technicolor Treasury USA LLC (USA)	100.0(**)	-
Technicolor Asia Pacific Investments Pte. Ltd. (Singapore)	100.0	100.0
Other		
IZON Media, LLC (U.S.)	0.0(*)	100.0
Accounted for under the equity method		
SV Holdco, LLC (USA)	17.5	17.5
TechFund Capital Europe (France)	19.8	19.8
Technicolor SFG Technology Co. Ltd (China)	49.0	49.0
HEVC Advance LLC (USA)	20.0(**)	-
Trace VFX LLC (Canada)	20.0(*)	-
PRN Polska (Polska)	0.0(**)	50.0
Technicolor (Beijing) Visual Technology Co., Ltd	0.0(**)	50.0

(*) Entities acquired or sold by the Group (see Note 4.1)
(**) Entities created, sold, liquidated or deconsolidated for reorganization purpose