Interim report for the group June 2013 condensed consolidated financial statements

This is a free translation into English of the French "rapport financier semestriel" and is provided solely for the convenience of English speaking users.
This is the report on the group for the first half 2013 condensed consolidated accounts which are prepared in compliance with *articles L 451-1-2 III* of the *Code monétaire et financier 222-4 et suivants* of the *Règlement Général de l'Autorité des Marchés Financiers.*

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

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

Mr. Frederic Rose, Chief Executive Officer, Technicolor.

I - 2 Attestation

« I certify that, to the best of my knowledge, the financial statements presented in the half-yearly financial report, have been prepared in accordance with the applicable set of accounting standards, and give a true and fair view of the assets and liabilities, financial position and results of the Company and of its consolidated subsidiaries, and that the half-yearly report on the activity, fairly presents an accurate picture of the important events which occurred during the first six months of the fiscal year, their effects on the financial statements and describe the main risks and uncertainties for the remaining six months».

Issy-les-Moulineaux, July 26, 2013

Frederic Rose
Chief Executive Officer, Technicolor

II. GROUP INTERIM MANAGEMENT REPORT THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

II.1 Presentation on financial results for the first half of 2013 published on July 26th, 2013

Technicolor announced in a press release dated July 26th, 2013 its financial results for the first half of 2013. Earnings before interests and taxes (EBIT) amounted to €87 million compared to €115 million in the first half of 2012. Revenues amounted to €1,589 compared to €1,646 million in the first half of 2012. Net finance expenses totaled €72 million in the first half of 2013 compared to €116 million the first half of 2012. The income tax charge for the six months ended June 30, 2013 amounts to €20 million (€21 million in the first half of 2012). Net profit from discontinued operations reached €16 millions in the first half of 2013 and were nil for the six months ended June 30, 2012. Net result amounted to a profit of €6 million in the first half of 2013 compared to a loss of € 26 million in the first half of 2013.

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

Highlights of financial results for the first half of 2013

- Revenue growth at constant scope[1] and currency: up 3.1% at €1.6 billion, driven by solid performances of Connected Home and Entertainment Services segments, excluding legacy activities.
- Adjusted EBITDA[2] at €207 million, up 11% year-on-year at constant scope. Margin increase of 1.0 point (on a reported basis) compared to the first half of 2012.
- Net profit of €6 million, up from a net loss of €26 million in the first half of 2012.
- Group Free cash flow[3] of €24 million, despite legacy litigation costs (EU antitrust fine in particular).
- Net debt at nominal value (non IFRS) of €837 million at end June 2013, a reduction of €2 million compared to end December 2012. Refinancing successfully completed in July 2013.

	Second Quarter			First Half		
In € million	**2012**	**2013**	*Change, reported*	**2012**	**2013**	*Change, reported*
Group revenues from continuing operations	846	814	*(3.8)%*	1,646	1,589	*(3.5)%*
Change at constant currency (%)		*(0.8)%*			*(1.9)%*	
Change at constant rate and scope (%)		*+4.0%*			*+3.1%*	
Adjusted EBITDA from continuing operations				198	207	*+4.6%*
As a % of revenues				*12.0%*	*13.0%*	*+1.0pt*
Group net income				(26)	6	*+32*
Group free cash flow				2	24	*+22*
Cash position				397[4]	370	*(27)*
Net debt IFRS				718[4]	731	*+13*
Net debt non IFRS				839[4]	837	*(2)*

[1] Excluding the Broadcast Services and the SmartVision (television-over-IP) businesses, sold in 2012, and the Cirpack softswitch operations (voice-over-IP), sold in 2013. Those activities contributed €81 million of revenues in the first half of 2012 (no contribution in the first half of 2013).

[2] EBIT from continuing operations excluding other income (expense) and D&A (including impact of provisions for risks, litigations and warranties).

[3] Free Cash Flow from both continuing operations and discontinued operations.

[4] As of 31 December 31, 2012

Q2 2013 revenue highlights

In the second quarter of 2013, Group revenues from continuing operations amounted to €814 million, up 0.9% at constant scope and current currency and up 4.0% at constant scope and currency compared to the second quarter of 2012[5].

- **Technology:** Another quarter of revenues above €100 million, driven by the breadth and the strength of Technicolor's licensing programs.
- **Entertainment Services:** Increased revenues year-on-year excluding legacy activities[6], reflecting the return to growth of Digital Production and a sustained performance of DVD Services.
- **Connected Home:** Fifth consecutive quarter of double-digit year-on-year growth in revenues, driven by continued momentum in the emerging markets and further improvement in overall product mix.

Update on Amplify 2015

- **Technology** launched several new initiatives to expand its licensing activities, notably in the field of smartphones. The agreement with Sony in that area significantly reinforces Technicolor's ability to monetize its extensive IP portfolio for key technologies used in mobile devices. In addition, the pace of contributions to standards was strong in the first half of 2013, in particular for MPEG HEVC and MPEG-H audio standards.
- **Entertainment Services** recorded good performance across its core activities and continued to improve its operating margin through ongoing cost initiatives and efficiency improvement programs.
- **Connected Home** pursued its focus on customer wins and market share gains strengthening its sales pipeline, in particular in EMEA, while further demonstrating its leading technological edge in Wi-Fi, Ultra Broadband and Vectoring.
- **Further improvement of the financial structure through a successful refinancing**

Technicolor successfully completed its refinancing transaction on July 12, allowing the Group to borrow new funds at a lower interest rate, effectively extend its debt maturity and significantly increase its financial flexibility. The implementation of this new debt structure is another important step in the improvement of the Group's financial structure

The Group put in place a new €100 million 5-year revolving credit facility as part of the refinancing transaction.

2013 objectives confirmed

- Growth of adjusted EBITDA between 5% to 10% compared to FY 2012 adjusted EBITDA at constant scope[7] (€498 million):
  - Licensing adjusted EBITDA broadly stable vs. FY 2012 assuming another year of strong contracts;
  - Continued improvement of Connected Home adjusted EBITDA and return to positive free cash flow generation;
  - Improved profitability in Entertainment Services, reflecting cost actions implemented in H2 2012;
- Strong growth in Free Cash Flow, above 30%, before one-off payments for legacy litigation (in particular the EU antitrust fine for €38.6 million).

[5] On a reported basis, including disposals, revenues were down 3.8% at current currency and down 0.8% at constant currency.
[6] Mainly photochemical film and compression and authoring activities
[7] Adjusted EBITDA at constant scope excluding the Broadcast Services and the SmartVision (television-over-IP) businesses, sold in 2012, and the Cirpack softswitch operations (voice-over-IP), sold in 2013.

Net debt to adjusted EBITDA ratio objective

- Given the refinancing impact on the IFRS adjustment and the related transaction costs, the net debt (IFRS) to adjusted EBITDA ratio target announced in February (below 1.25x) is no longer relevant . The Group has decided to shift to a nominal value based ratio going forward, given that both the financial covenant in the Group's new debt and its Amplify 2015 goals are based on nominal debt ratios.
- The Group expects to achieve a net debt (at nominal value) to adjusted EBITDA ratio below 1.6x at the end of December 2013. With respect to Amplify 2015, the Group now targets to achieve a net debt to adjusted EBITDA ratio below 1.0x at the end of December 2015 (versus 1.1x previously), taking into account the positive impact of the refinancing on its free cash flow generation.

Second quarter and first half 2013 financial highlights

Summary of consolidated first half 2013 results (unaudited)

Technicolor is presenting, in addition to published results and with the aim of providing a more comparable view of the evolution of its operating performance compared with the first half of 2012, a set of adjusted indicators that exclude the following items as per the statement of operations of our interim consolidated financial statements:

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

These adjustments, the reconciliation of which is detailed on page 16, amounted to an impact on Group EBIT from continuing operations of €(24) million in the first half of 2013 (€22 million in H1 2012).

	Second Quarter			First Half		
In € million	**2012**	**2013**	*Change, reported*	**2012**	**2013**	*Change, reported*
Group revenues from continuing operations	846	814	*(3.8)%*	1,646	1,589	*(3.5)%*
Change at constant currency (%)		*(0.8)%*			*(1.9)%*	
Change at constant currency and scope (%)		*+4.0%*			*+3.1%*	
Adjusted EBITDA from continuing operations				198	207	*+4.6%*
As a % of revenues				*12.0%*	*13.0%*	*+1.0pt*
Adjusted EBIT from continuing operations				93	111	*+19.1%*
As a % of revenues				*5.7%*	*7.0%*	*+1.3pt*
EBIT from continuing operations				115	87	*(27)*
Financial result				(116)	(72)	*+44*
Share of loss from associates				(4)	(5)	*(1)*
Income tax				(21)	(20)	*+1*
Profit/(loss) from continuing operations				(26)	(10)	*+16*
Profit from discontinued operations				0	16	*+16*
Net income				(26)	6	*+32*
Operating cash flow from continuing operations[8]				101	125	*+24*
Group free cash flow				2	24	*+22*
Net debt IFRS				718[9]	731	*+13*
Net debt non IFRS				839[9]	837	*(2)*

[8] Operating cash flow from continuing operations is defined as adjusted EBITDA minus net capex and restructuring cash out.

[9] As of December 31, 2012

Growth in revenues at constant scope and increased operating profitability in H1 2013

- In the first half of 2013, Group revenues from continuing operations amounted to €1,589 million, up 1.5% at constant scope and current currency and up 3.1% at constant scope and currency compared to the first half of 2012[10], due to solid performances of Connected Home and Entertainment Services.
- In the first half of 2013, gross margin amounted to €346 million, represented 21.8% of revenues, an improvement of 0.5 point year-on-year.
- Adjusted EBITDA from continuing operations reached €207 million, up 11% year-on-year at constant scope, a 1.1 point margin improvement compared to the first half of 2012.
- The improvement in adjusted EBITDA resulted from very good levels of activity in volume-driven activities, combined with tight cost containment at corporate level and across the segments.

Net result improved by €32 million in H1 2013 versus H1 2012

- Adjusted EBIT from continuing operations amounted to €111 million in the first half of 2013 compared to €93 million in the first half of 2012, a 1.3 point margin improvement, reflecting growth in adjusted EBITDA and lower depreciation & amortization expenses.
- EBIT from continuing operations reached €87 million in the first half of 2013 compared to €115 million in the first half of 2012, which included a €41 million curtailment gain related to US retirement benefit obligations. Restructuring costs amounted to €19 million in the first half of 2013 (H1 2012: €8 million), mainly related to the downsizing of the Group's legacy activities in the Entertainment Services segment.
- Financial result totaled €(72) million in the first half of 2013 compared to €(116) million in the first half of 2012, which included one-off effects related to the capital increases. Net interest charges amounted to €63 million in the first half of 2013 (H1 2012: €76 million).
- Net result amounted to a profit of €6 million in the first half of 2013 compared to a loss of €26 million in the first half of 2012.

Operating Cash Flow from continuing operations up 24% in H1 2013

- Operating cash flow from continuing operations amounted to €125 million in the first half of 2013, an increase of €24 million compared with the first half of 2012, and represented 7.9% of revenues, a year-on-year improvement of 1.8 point. Cash outflow for net capital expenditures totaled €52 million in the first half of 2013 (H1 2012: €74 million), a €22 million year-on-year decrease resulting from a strict control in Entertainment Services and lower capitalized R&D both in Connected Home and Technology segments. Cash outflow related to restructuring reached €30 million in the first half of 2013, an increase of €7 million year-on-year (H1 2012: €23 million), reflecting restructuring in legacy activities and DVD Services and further streamlining in Connected Home and support functions.

[10] On a reported basis, including disposals, revenues were down 3.5% at current currency and down 1.9% at constant currency.

Improved Group Free Cash Flow in H1 2013

- The Group posted positive Free Cash Flow of €24 million in the first half of 2013, up from €2 million in the first half of 2012, despite payment of the EU antitrust fine (€38.6 million) and a previously disclosed litigation cost (€17.3 million). This performance reflected double-digit growth in operating cash flow from continuing operations, combined with a tight management of working capital, despite the strong level of activity, and the reduction in cash financial charges resulting from last year's capital increases. The Group generated positive Free Cash Flow for the fifth consecutive half.
- Group Free Cash Flow was impacted by the following items:
  - Working capital variation was positive at €19 million in H1 2013;
  - Cash financial charges amounted to €51 million in H1 2013;
  - Other cash charges, mainly related to tax and pensions, totaled €30 million;
  - Free Cash Flow from discontinued activities amounted to €(38) million, mainly resulting from the EU antitrust fine payment.

Cash position and financial debt

- Nominal gross debt (non IFRS) amounted to €1,207 million (€1,101 million IFRS) at end June 2013 compared to €1,236 million (€1,115 million IFRS) at end December 2012, a reduction of €29 million, reflecting in particular normal senior debt repayments of €36 million and negative forex impact.
- The Group's cash position amounted to €370 million at end June 2013 compared to €397 million at end December 2012, reflecting free cash flow generation of €24 million in the first half of 2013, senior debt reimbursement for €(36) million and others for €(15) million, including forex.
- Net debt at nominal value (non IFRS) amounted to €837 million at end June 2013, broadly stable compared to €839 million at end December 2012.
- Net debt as per interim consolidated financial statements (IFRS) amounted to €731 million at end June 2013 compared to €718 million at end December 2012.

Financial covenants

On 30 June 2013, the Group met its financial covenants. In the context of the refinancing, these covenants, which were linked to the existing debt, have been removed and not replaced. A leverage covenant is attached to the new debt and a cross default agreement will apply to the remaining existing debt in event of default.

Covenant*		**Actual on 30 June 2013**
Interest cover	EBITDA/Financial Interests above 3.70x	5.11x
Leverage	Net debt/EBITDA below 2.30x	1.39x
Capital expenditure		N/A (tested only at year end)
		New Debt
Leverage ratio	Gross debt**/ EBITDA below 3.5x	2.32x

** For the calculation of covenants, the definition of EBITDA as per the credit agreements is the same as the definition of Adjusted EBITDA detailed in appendix on page 16, except for some perimeter differences.*

*** Nominal Gross Debt at 30 June 2013*

Second quarter and first half of 2013 segment review

Summary of Group financial indicators by segment (unaudited)

In € million	Q2 2012	Q2 2013	H1 2012	H1 2013
Group revenues from continuing operations	**846**	**814**	**1,646**	**1,589**
Change as reported (%)		*(3.8)%*		*(3.5)%*
Change at constant currency (%)		*(0.8)%*		*(1.9)%*
o/w Technology	115	101	236	227
Change as reported (%)		*(11.8)%*		*(4.0)%*
Change at constant currency (%)		*(5.2)%*		*(3.3)%*
o/w Entertainment Services	362	356	757	732
Change as reported (%)		*(1.5)%*		*(3.3)%*
Change at constant currency (%)		*+0.6%*		*(2.5)%*
o/w Connected Home	330	356	572	630
Change as reported (%)		*+7.8%*		*+10.0%*
Change at constant currency (%)		*+10.8%*		*+13.1%*
Digital Delivery (activities disposed)	39	0	81	0
Adjusted EBITDA from continuing operations			**198**	**207**
Change as reported (%)				*+4.6%*
As % of revenues			*12.0%*	*13.0%*
o/w Technology			178	164
Change as reported (%)				*(8.1)%*
As % of revenues			*75.4%*	*72.2%*
o/w Entertainment Services			67	84
Change as reported (%)				*+25.9%*
As % of revenues			*8.8%*	*11.5%*
o/w Connected Home			(12)	2
Change as reported (%)				*nm*
As % of revenues			*(2.0%)*	*0.3%*
Digital Delivery (activities disposed)			11	0
Adjusted EBIT from continuing operations			**93**	**111**
As % of revenues			*5.7%*	*7.0%*
o/w Technology			176	159
As % of revenues			*74.4%*	*70.0%*
o/w Entertainment Services			(12)	14
As % of revenues			*(1.6)%*	*2.0%*
o/w Connected Home			(32)	(18)
As % of revenues			*(5.6)%*	*(2.8)%*
Digital Delivery (activities disposed)			12	0

Technology

Technology financial indicators

In € million	Q2 2012	Q2 2013	H1 2012	H1 2013
Revenues	115	101	236	227
Change as reported (%)		*(11.8)%*		*(4.0)%*
Change at constant currency (%)		*(5.2)%*		*(3.3)%*
o/w Licensing revenues	114	101	235	226
Change as reported (%)		*(11.5)%*		*(3.8)%*
Change at constant currency (%)		*(4.9)%*		*(3.0%)*
Adjusted EBITDA			178	164
Change as reported (%)				*(8.1)%*
As % of revenues			*75.4%*	*72.2%*
Adjusted EBIT			176	159
As % of revenues			*74.4%*	*70.0%*
EBIT			178	158
As % of revenues			*75.5%*	*69.5%*

In the second quarter of 2013, Technology revenues amounted to €101 million, down 5.2% at constant currency compared to the second quarter of 2012. The breadth and the strength of the Group's licensing programs secured another quarter of revenues above €100 million, with Licensing revenues of €101 million in the second quarter of 2013, down 4.9% at constant currency as compared to the strong double digit growth recorded in the second quarter of 2012. This performance resulted from a negative dollar impact and some softness in the Consumer Electronics market, leading to lower revenues across its various licensing programs.

In the first half of 2013, Technology revenues totaled €227 million, down 4.0% at current currency and down 3.3% at constant currency compared to the first half of 2012. Licensing revenues were €226 million, reflecting a limited decrease of 3.0% at constant currency. Adjusted EBITDA for the Technology segment reached €164 million, or 72.2% of revenues, down 3.2 points year-on-year, as slightly improved Licensing margin of 88% was offset by increased operating expenses for M-GO.

Technology – Q2 2013 Business Highlights

Boris Teksler has been named President of the Technology Group, assuming responsibilities for both Research & Innovation and Intellectual Property & Licensing activities of the Group. His experience in protecting assets and driving focused innovation will strongly support the continued development of the Technology segment.

Regarding new strategic initiatives, the Group recently announced a significant intellectual property collaboration with Sony for smartphones, a licensing agreement which strengthens its strategic patent licensing initiative in the field of mobile devices. The combined portfolio covers a wide range of technologies found in leading smartphones and will offer the industry a comprehensive license to this unified portfolio.

In Technology Licensing, Technicolor has awarded the first 4K Image Certification to Marseille Networks for its system on chip to deliver content on 4K televisions. A first milestone has been reached with the signing of Toshiba as the first Blu-ray™ player manufacturer to be awarded 4K Image Certification by Technicolor.

During the quarter, the Group pressed its implication in standards with various contributions, especially in the MPEG High Efficiency Video Coding ("HEVC") standard. In particular, Technicolor proposes to improve the HEVC standard with support for more colors and bit depth for higher image quality and fidelity. Following through on its commitment to broadly support the industry in developing the quality of media delivered, synchronized contributions to application specifications such as DVB and ATSC for the transmission of UHDTV video on satellite, cable, IP or terrestrial networks has also been made. Recognizing the value of an immersive experience for consumers, Technicolor demonstrated through formal listening tests, the sound quality consumers would be able to enjoy from the Technicolor contributions made to the MPEG-H audio standard.

As a key enabler for 4K and UHDTV and its capacity to double compression efficiency versus other standards such as MPEG-4, the sustained and significant involvement of Technology teams in this MPEG standard is a key asset both for Entertainment Services and Connected Home segments.

Entertainment Services

Entertainment Services financial indicators

In € million	Q2 2012	Q2 2013	H1 2012	H1 2013
Revenues	362	356	757	732
Change as reported (%)		*(1.5)%*		*(3.3)%*
Change at constant currency (%)		*+0.6%*		*(2.5)%*
Revenues excluding legacy activities*	314	328	658	680
Change as reported (%)		*+4.6%*		*+3.4%*
Change at constant currency (%)		*+6.9%*		*+4.2%*
Adjusted EBITDA			67	84
Change as reported (%)				*+25.9%*
As % of revenues			*8.8%*	*11.5%*
Adjusted EBIT			(12)	14
As % of revenues			*(1.6)%*	*2.0%*
EBIT			(17)	(1)
As % of revenues			*(2.3)%*	*(0.1)%*

** Legacy activities include mainly photochemical film and compression & authoring activities*

In the first half of 2013, Entertainment Services revenues amounted to €732 million, down 3.3% at current currency and down 2.5% at constant currency compared to the first half of 2012. Excluding legacy activities, Entertainment Services revenues increased by 4.2% at constant currency compared to the first half of 2012, as a result of strong performance in DVD Services associated with higher volumes and solid growth in Digital Creative Services. Adjusted EBITDA amounted to €84 million, or 11.5% of revenues, up 2.7 points year-over-year, driven by improved DVD Services results.

- In DVD Services, a total of 601 million discs were replicated in the first half of 2013, a 8% rise year-on-year, supported by resiliency of Standard Definition DVD, and continued growth in Blu-ray™. In the first half of 2013, DVD Services benefited from total disc volume growth, product mix improvement associated with greater Blu-ray™ volumes, as well as the impact of ongoing cost savings initiatives and efficiency improvement programs.
- Creative Services revenues decreased in the first half of 2013 compared to the first half of 2012, as a result of a drop in legacy activities. Digital Creative Services posted broadly stable revenues, driven by the return to growth of Digital Production in the second quarter, due to a strong level of activity in VFX for feature films, and the continued growth of other Digital Creative Services. In the first half of 2013, the revenue drop in legacy activities was mitigated by the related variable cost structure and additional cost cutting measures across the Group. Digital Creative Services margin improved, excluding the Italy-based operations that have been strongly affected by the significant weakness of local market.

DVD Services – Q2 2013 Revenue Highlights

In the second quarter of 2013, combined Standard Definition DVD and Blu-ray™ volumes rose by 7% compared to the second quarter of 2012, leading to overall year-on-year volume growth of almost 8% for the first half of 2013. Blu-ray™ disc volumes demonstrated continued double-digit growth in the second quarter (+67%), while Standard Definition DVD volumes were stable, with slight growth in North America offsetting some softness in Europe. Disc replication for the quarter was driven by a number of major new release titles, including *42* (Warner), *Oz, the Great and Powerful* (Disney), *Identity Thief* (Universal), and *G.I. Joe: Retaliation* (Paramount). Games volumes declined slightly (down 1.4 million units), as a result of a smaller number of new title releases year-on-year. The second quarter is traditionally the lightest period of the year for major studio and game new releases, and the continuing volume growth experienced in the quarter demonstrated ongoing broad consumer appeal of packaged media products.

DVD volumes

In million units	Q2 2012	Q2 2013	H1 2012	H1 2013
Total DVD volumes	**262**	**279**	**559**	**601**
Change (%)		*+7%*		*+8%*
o/w SD-DVD (Standard Definition DVD)	221	221	469	470
Change (%)		*+0%*		*+0%*
o/w BD (Blu-ray™)	27	45	54	99
Change (%)		*+67%*		*+83%*
o/w Games	9	8	25	20
Change (%)		*(15)%*		*(22)%*
o/w Software	5	5	10	12
Change (%)		*+5%*		*+21%*

Creative Services – Q2 2013 Revenue Highlights

In the second quarter of 2013, Creative Services recorded a year-on-year decline in revenues, due to a 40% revenue drop at constant currency in legacy activities. Excluding legacy activities, Creative Services revenues grew compared to the second quarter of 2012. The continuing focus of Digital Post Production and Digital Distribution Services activities on their core strengths, in particular Video and Sound activities in Post Production and work on digital content libraries in Distribution, combined with the return to growth of Digital Production resulted in a solid year-on-year revenue expansion in the quarter.

Digital Creative Services

- **Digital Production** activities posted a solid revenue increase in the second quarter of 2013 compared to the second quarter of 2012, driven by a return to growth in Visual Effects ("VFX") for feature films, which grew double-digits in the quarter, benefiting from a strong workload across all facilities. During the second quarter, VFX teams completed work on *World War Z* (Paramount) and *The Lone Ranger* (Disney), while continuing work on *Maleficent* (Disney), *Percy Jackson: Sea of Monsters* (Fox), as well as *300: Rise of an Empire* (Warner). The teams also started new projects, including *Guardians of the Galaxy* (Marvel/Disney) and *Godzilla* (Warner/Legendary).

- **Digital Post Production** revenues increased in the second quarter of 2013 compared to the second quarter of 2012, lifted by a good level of activity in the US, especially in Theatrical and Broadcast Post work. This good performance fully offset the persistent weakness of European markets, which mainly affected Italian operations and Sound & Versioning activities in the UK and France. During the quarter, Digital Post Production teams continued to work on feature films such as *World War Z* (Paramount), *Delivery Man* (BVI) *and The Smurfs 2* (Sony) in Theatrical, and on successful TV series such as *Mad Men Season 5* (AMC), *True Blood Season 6* (HBO) and *Dexter Season 8* (Showtime) in Broadcast.

- **Digital Distribution Services** revenues decreased slightly in the second quarter of 2013 compared to the second quarter of 2012, due to further decline in Localization Services (subtitling) in North America and a lower level of activity in the UK, partially offset by continuing work on digital content libraries for major Studios and distributors, Video-on-Demand and over-the-top aggregators in the US.

- **Digital Cinema** activities recorded a slight increase in revenues in the second quarter of 2013 compared to the second quarter of 2012, as the launch of the business in France and solid volume growth in the UK helped to offset increasing competition in the US. Digital screen penetration is now at 93% in North America and 80% in Europe.

Legacy activities

Legacy activities continued to significantly decline in the second quarter of 2013, with the ongoing digital conversion of theatres. Legacy activities accounted only for approximately 3% of Group revenues in the first half of 2013 compared to approximately 6% in the first half of 2012.

Connected Home

Following the sale of Broadcast Services and SmartVision (television-over-IP) businesses in 2012, and the disposal of Cirpack softswitch operations (voice-over-IP) in 2013, the Group renamed the existing "Digital Delivery" segment to "Connected Home". The business review is focused on Connected Home.

Connected Home financial indicators

In € million	**Q2 2012**	**Q2 2013**	**H1 2012**	**H1 2013**
Revenues	330	356	572	630
Change, as reported (%)		*+7.8%*		*+10.0%*
Change at constant currency (%)		*+10.8%*		*+13.1%*
Adjusted EBITDA			(12)	2
As % of revenues			*(2.0)%*	*0.3%*
Adjusted EBIT			(32)	(18)
As % of revenues			*(5.6)%*	*(2.8)%*
EBIT			(33)	(20)
As % of revenues			*(5.8)%*	*(3.2)%*

In the first half of 2013, Connected Home revenues totaled €630 million, up 10.0% at current currency and up 13.1% at constant currency compared to the first half of 2012. This sustained performance mainly reflected continued strong volume growth across the emerging markets, particularly in Brazil and India, as well as further improvement in overall product mix, led by the North American Cable market.

Global shipments in Europe grew slightly during the period, amid persistent economic softness across the region, and recent customer wins will start to positively impact revenue growth in the second half of 2013. Revenues in North America were principally affected by the phase-out of some Satellite products and the decline of digital-to-analog Cable adaptor deliveries as compared to the first half of 2012, while shipments of new products started as expected during the second quarter, and in particular in June. The introduction of new, higher-end devices will generate strong growth in the region in the second half of 2013. Based on the current backlog, Connected Home will grow revenues in all regions on a full year basis.

In the first half of 2013, Adjusted EBITDA amounted to €2 million, an increase of €13 million compared to the first half of 2012, supported by sustained top-line growth and improved gross margin. The continuous optimization of Connected Home operations generated further cost savings, as expected, and resulted in a gross margin of 11.7% in the first half of 2013, a 1.1 percentage point increase compared to the first half of 2012. The strong revenue performance, good execution of the turnaround plan and tight management of working capital resulted in a positive free cash flow for Connected Home in the second quarter of 2013, comforting the Group's objective to generate a positive free cash flow for the full year.

Connected Home – Q2 2013 Revenue Highlights

In the second quarter of 2013, Connected Home revenues were €356 million, up 10.8% at constant currency compared to the second quarter of 2012, marking the fifth consecutive quarter of double-digit year-on-year expansion. This performance reflected continued strong demand across Latin America and Asia-Pacific, relatively stable shipments to European customers amid difficult market conditions, as well as the benefit of new product deployments on overall mix in North America, despite lower volumes.

- In **North America,** Connected Home product volumes fell in the second quarter of 2013, but registered a sequential improvement over the first quarter of 2013, reflecting a drop in set top box shipments related to the phase-out of some Satellite products and reduced deliveries of digital-to-analog Cable adaptors, partly offset by strong growth in volumes of broadband Cable gateways. As expected, new product deployments started at the end of the quarter and shipments will accelerate in the second half. Overall product mix improved significantly year-on-year, driven by higher share of higher-end devices in Cable, partly offset by lower shipments of High Definition PVRs in Satellite.
- In **Latin America**, Connected Home product volumes recorded another quarter of double-digit growth, driven by continued strong demand across the region, particularly for Satellite and Cable devices. This performance also benefited from the rollout of new generation Satellite set top boxes, notably in Brazil. Overall product mix improved year-on-year, due to higher proportion of High Definition products.
- In **Europe, Middle-East and Africa**, Connected Home product volumes remained relatively stable in the second quarter of 2013, despite still difficult market environment, as sustained growth in shipments of Cable modems offset reduced deliveries of other product categories. Overall product mix was lower year-on-year, due notably to lower shipments of High Definition PVRs.
- In **Asia-Pacific**, Connected Home product volumes experienced buoyant growth in the second quarter of 2013, driven by strong shipments of Satellite set top boxes, especially in India, as well as increased deliveries of broadband Telecom gateways. Overall product mix improved strongly compared to last year, benefiting from the introduction of new devices for several customers during the quarter.

Connected Home product volumes

In million units	Q2 2012	Q2 2013	H1 2012	H1 2013
Total volumes*	**8.2**	**8.8**	**14.5**	**15.8**
Change (%)		*+7%*		*+9%*
o/w North America	2.0	1.3	4.0	*1.9*
Change (%)		*(34)%*		*(51)%*
o/w Latin America	3.6	*4.5*	6.1	*8.2*
Change (%)		*+27%*		*+35%*
o/w Europe, Middle-East and Africa	1.6	*1.6*	2.9	*2.9*
Change (%)		*(1)%*		*+1%*
o/w Asia-Pacific	1.0	*1.3*	1.5	*2.8*
Change (%)		*+33%*		*+83%*

** Including tablets and other connected devices.*

Summary of consolidated results at constant scope (unaudited)

Following the sale of the Broadcast Services and the SmartVision (television-over-IP or IPTV) businesses in 2012, and the disposal of Cirpack softswitch operations (voice-over-IP or VoIP) in 2013, Technicolor renamed the existing “Digital Delivery” segment “Connected Home”.

The following table provides proforma financial indicators for the first half of 2012 and the first half of 2013 (excluding Broadcast Services, IPTV and VoIP activities).

	Second Quarter			First Half		
In € million	**2012**	**2013**	*Change, reported*	**2012**	**2013**	*Change, reported*
Group revenues from continuing operations	807	814	*+0.9%*	1,566	1,589	*+1.5%*
Change at constant currency (%)		*+4.0%*			*+3.1%*	
Group gross margin				328	346	*18*
As a % of revenues				*20.9%*	*21.8%*	*+0.9pt*
Adjusted EBITDA from continuing operations				186	207	*+11.0%*
As a % of revenues				*11.9%*	*13.0%*	*+1.1pt*
Adjusted EBIT from continuing operations				81	111	*30*
As a % of revenues				*5.2%*	*7.0%*	*+1.8pt*
EBIT from continuing operations				111	89	*(22)*
As a % of revenues				*7.1%*	*5.6%*	*-1.5pt*

Reconciliation of adjusted indicators

Technicolor is presenting, in addition to published results and with the aim to provide a more comparable view of the evolution of its operating performance compared with the first half of 2012, a set of adjusted indicators that exclude the following items as per the statement of operations of our consolidated financial statements:

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

These adjustments, the reconciliation of which is detailed in the following table, amounted to an impact on Group EBIT from continuing operations of €(24) million in the first half of 2013 (€22 million in H1 2012).

In € million	**H1 2012**	**H1 2013**	***Change***
EBIT from continuing operations	**115**	**87**	***(27)***
Restructuring charges, net	(8)	(19)	*(11)*
Net impairment losses on non-current operating assets	(5)	(2)	*+3*
Other income / (expense)	35	(3)	*(38)*
Adjusted EBIT from continuing operations	**93**	**111**	***18***
As a % of revenues	*5.7%*	*7.0%*	*+1.3pt*
Depreciation and amortization (D&A)*	104	96	*(9)*
Adjusted EBITDA from continuing operations	**198**	**207**	***+9***
As a % of revenues	*12.0%*	*13.0%*	*+1.0pt*

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

Financial situation, balance sheet and indebtedness

Total assets decreased by €70 million in the first half of 2013 compared to December 2012 as a result of:

- a €55 million decrease of trade accounts payables due to the economic activity in the first half of 2013 and to the seasonal nature of the group's activity,
- a €27 million decrease of cash and cash equivalents driven by a positive net cash from operating activities (€76 million) despite the payment of the EU fine (-€38.6 million paid early 2013), -€59 million used by investing activities (included -€52 million of net capital expenditure), and - €36 million repayment of the reinstated debt.

Total equity and liabilities decreased by €70 million in the first half of 2013 compared to December 2012 mainly as a result of lower accrued employees expenses (€36 million) primarily due to the seasonal nature of the group's activity and the decrease of retirement benefit obligation (€20 million) due to the higher discount rates applied on the pension obligation compared to December 2012.

IFRS gross debt amounted to €1,101 million at end June 2013 (€1,207 million at nominal value), a reduction of €14 million compared to December 2012. This decrease is mainly explained by the payment of a €36 million installment of the reinstated debt, yet partially compensated for €15 million by the amortization of IFRS adjustment (though the IFRS effective rate method) recognized on the 2010 restructured debt.

Subsequent events since June 30, 2013

Significant subsequent events since June 30, 2013 are presented in note 26 to the interim condensed financial statements included in part III of this report. They are related to the completion of refinancing transaction on July 11, 2013 and the acceleration of the cash received from Francisco Partner on a promissory note (regarding Grass Valley Broadcast business disposed of in 2010).

II.2. Main risks and uncertainties for 2013 second half

Main risks and uncertainties for 2013 second half are detailed:

- in chapter « Risks factors » of the 2012 Annual Report registered with the *Autorité des Marchés Financiers* on April 16, 2013 and available on Group Web site www.technicolor.com ;
- and in notes 3 and 24 to the interim condensed financial statements included in part III of this report.

II.3. Related parties transactions

New related parties in the first half of 2013 are detailed in note 25 to the interim condensed financial statements included in part III of this report.

Moreover, Group transactions with related parties didn't have a significant impact on the financial position and statement of operations of the 2013 interim condensed financial statements.

III. JUNE 2013 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TECHNICOLOR UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2013

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UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(€ in millions)	*Note*	Six months ended June 30, 2013 Unaudited	Six months ended June 30, 2012 Unaudited
Continuing operations			
Revenues		1,589	1,646
Cost of sales		(1,243)	(1,295)
Gross margin		**346**	**351**
Selling and administrative expenses	*(6)*	(164)	(196)
Research and development expenses	*(7)*	(71)	(61)
Other income (expense)	*(6)*	(24)	21
Profit from continuing operations before tax and net finance income (expense)		**87**	**115**
Interest income	*(8)*	2	2
Interest expense	*(8)*	(65)	(78)
Other financial income (expense)	*(8)*	(9)	(40)
Net finance income (expense)		**(72)**	**(116)**
Share of loss from associates		(5)	(4)
Income tax	*(9)*	(20)	(21)
Profit (loss) from continuing operations		**(10)**	**(26)**
Discontinued operations			
Net profit from discontinued operations		16	-
Net income (loss)		**6**	**(26)**
Attributable to:			
- Equity Holders		8	(25)
- Non-controlling interests		(2)	(1)

(in euro, except number of shares)		Six months ended June 30, 2013 Unaudited	Six months ended June 30, 2012 Unaudited *(1)*
Weighted average number of shares outstanding (basic net of treasury stock)		334,962,901	229,671,152
Earnings (loss) per share from continuing operations	*(21)*		
- basic		(0.02)	(0.11)
- diluted		(0.02)	(0.11)
Earnings (loss) per share from discontinued operations			
- basic		0.04	-
- diluted		0.04	-
Total earnings (loss) per share			
- basic		0.02	(0.11)
- diluted		0.02	(0.11)

(1) For the year 2012, according to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted to take into account the share capital increase with preferential subscription rights that occurred on August 14, 2012.

The accompanying notes on pages 25 to 57 are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(€ in millions)	*Note*	Six months ended June 30, 2013 Unaudited	Six months ended June 30, 2012 Unaudited
Net income (loss) for the period		*6*	*(26)*
Items that will not be reclassified to profit or loss [1]			
Actuarial gains and (losses) on defined benefit plans	*(18)*	12	(40)
Items that may be reclassified subsequently to profit or loss			
Fair value gains (losses), gross of tax on available-for-sale financial assets :			
- fair value adjustments of the period		-	1
Fair value gains (losses), gross of tax on cash flow hedges :			
- on cash flow hedges before the hedged transactions affect profit or loss		1	(1)
Currency translation adjustments of the period			
- currency translation adjustments of the year		(21)	8
- reclassification adjustments on disposal or liquidation of a foreign operation [1]		-	(4)
Total other comprehensive loss [2]		*(8)*	*(36)*
Total comprehensive income (loss) for the period		**(2)**	**(62)**
Attributable to:			
- Equity holders of the parent		-	*(61)*
- Non-controlling interests		*(2)*	*(1)*

(1) Impact related to held for sale businesses is nil as of June 30, 2013 and June 30, 2012.

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

The accompanying notes on pages 25 to 57 are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(€ in millions)	*Note*	June 30, 2013 Unaudited	December 31, 2012 Audited
ASSETS			
Non-current assets:			
Property, plant and equipment		330	350
Goodwill	*(11)*	484	478
Other intangible assets	*(11)*	422	433
Investments in associates		15	18
Investments and available-for-sale financial assets		7	7
Contract advances and up-front prepaid discount		35	42
Deferred tax assets		387	388
Income tax receivable		21	20
Other non-current assets		68	66
Cash collateral and security deposits	*(12)*	16	15
Total non-current assets		**1,785**	**1,817**
Current assets:			
Inventories		142	112
Trade accounts and notes receivable		471	526
Income tax receivable		13	12
Other current assets		355	340
Cash collateral and security deposits	*(12)*	31	29
Cash and cash equivalents	*(12)*	370	397
Assets classified as held for sale		-	4
Total current assets		**1,382**	**1,420**
Total assets		**3,167**	**3,237**

The accompanying notes on pages 25 to 57 are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(€ in millions)	*Note*	**June 30, 2013 Unaudited**	**December 31, 2012 Audited**
EQUITY AND LIABILITIES			
Shareholders' equity:	*(13)*		
Common stock *(335,709,392 shares at June 30, 2013 with nominal value of €1 per share)*		335	335
Treasury shares		(156)	(156)
Additional paid-in capital		940	940
Subordinated perpetual notes		500	500
Other reserves		15	-
Retained earnings (accumulated deficit)		(1,133)	(1,142)
Cumulative translation adjustment		(261)	(240)
Shareholders' equity		**240**	**237**
Non-controlling interests		2	4
Total equity		**242**	**241**
Non-current liabilities:			
Borrowings	*(16)*	998	1,019
Retirement benefits obligations	*(18)*	336	353
Restructuring provisions	*(19)*	-	1
Other provisions	*(19)*	75	76
Deferred tax liabilities		156	158
Other non-current liabilities		94	96
Total non-current liabilities		**1,659**	**1,703**
Current liabilities :			
Borrowings	*(16)*	103	96
Retirement benefits obligations	*(18)*	32	35
Restructuring provisions	*(19)*	34	45
Other provisions	*(19)*	51	78
Trade accounts and notes payable		466	445
Accrued employee expenses		128	164
Income tax payable		12	13
Other current liabilities		440	414
Liabilities classified as held for sale		-	3
Total current liabilities		**1,266**	**1,293**
Total liabilities		**2,925**	**2,996**
Total equity and liabilities		**3,167**	**3,237**

The accompanying notes on pages 25 to 57 are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(€ in millions)	*Note*	Six months ended June 30, 2013 Unaudited	Six months ended June 30, 2012 Unaudited
Net income (loss)		**6**	**(26)**
Profit from discontinued operations		**16**	**-**
Profit (loss) from continuing operations		**(10)**	**(26)**
Summary adjustments to reconcile profit (loss) from continuing operations to cash generated from continuing operations			
Depreciation and amortization		94	104
Impairment of assets (net)		2	8
Net changes in provisions		(11)	(66)
(Profit) / loss on asset disposals		2	3
Interest (income) and expense		63	76
Other non cash items (including tax)		17	39
Changes in working capital and other assets and liabilities		27	22
Cash generated from continuing operations		**184**	**160**
Interest paid		(50)	(61)
Interest received		2	1
Income tax (paid) / received		(22)	(21)
Net operating cash generated from continuing activities		**114**	**79**
Net operating cash used in discontinued operations (*)		(38)	(3)
Net cash from operating activities (I)		**76**	**76**
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(22)*	(5)	(9)
Net cash impact from sale of investments		(1)	(2)
Purchases of property, plant and equipment (PPE)		(26)	(39)
Proceeds from sale of PPE and intangible assets		1	1
Purchases of intangible assets including capitalization of development costs		(27)	(36)
Cash collateral and security deposits granted to third parties		(2)	(4)
Cash collateral and security deposits reimbursed by third parties		2	8
Net investing cash used in continuing activities		**(58)**	**(81)**
Net investing cash used in discontinued operations		(1)	(4)
Net cash used in investing activities (II)		**(59)**	**(85)**
Proceeds from borrowings		4	1
Repayments of borrowings	*(16)*	(38)	(56)
Fees paid linked to the debt and capital restructuring	*(22)*	(2)	(1)
Net financing cash used in continuing activities		**(36)**	**(56)**
Net financing cash used in discontinued operations		-	-
Net cash used in financing activities (III)		**(36)**	**(56)**
Net (decrease) / increase in cash and cash equivalents (I+II+III)		**(19)**	**(65)**
Cash and cash equivalents at beginning of period		**397**	**370**
Exchange losses on cash and cash equivalents		(8)	-
Cash and cash equivalents at end of period		**370**	**305**

(*) In 2013, corresponds mainly to the payment of the fine of €38.6 million from the European Commission related to Thomson's former Cathode Ray Tubes (CRT) business.

The accompanying notes on pages 25 to 57 are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Group									Non-controlling interest	Total equity
(€ in millions)	Share capital	Treasury shares	Additional paid-in capital	NRS	Perpetual Notes (TSS)	Other reserves	Retained earnings	Cumulative translation adjustment	**Total Group equity**		
Balance at December 31, 2011	**224**	**(156)**	**857**	**13**	**500**	**60**	**(1,122)**	**(225)**	**151**	**4**	**155**
Variation for the period ended June 30, 2012											
Total other comprehensive income (*)	-	-	-	-	-	*(40)*	-	*4*	*(36)*	-	*(36)*
Net income (loss) for the period	-	-	-	-	-	-	*(25)*	-	*(25)*	*(1)*	*(26)*
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	***(40)***	***(25)***	***4***	***(61)***	***(1)***	***(62)***
Share-based payment to employees	-	-	-	-	-	*4*	-	-	*4*	-	*4*
Capital increase of non-controlling interests	-	-	-	-	-	-	-	-	-	*2*	*2*
Balance at June 30, 2012	**224**	**(156)**	**857**	**13**	**500**	**24**	**(1,147)**	**(221)**	**94**	**5**	**99**
Variation for the semester ended December 31, 2012											
Total other comprehensive income (*)	-	-	-	-	-	*(25)*	-	*(19)*	*(44)*	-	*(44)*
Net income (loss) for the period	-	-	-	-	-	-	*5*	-	*5*	*(1)*	*4*
Total comprehensive income for the period	-	-	-	-	-	***(25)***	***5***	***(19)***	***(39)***	***(1)***	***(40)***
NRS converted into equity	2	-	11	(13)	-	-	-	-	-	-	-
Capital increase	109	-	70	-	-	-	-	-	179	-	179
Tax impact on fees related to capital increase	-	-	2	-	-	-	-	-	2	-	2
Share-based payment to employees	-	-	-	-	-	1	-	-	1	-	1
Balance at December 31, 2012	**335**	**(156)**	**940**	**-**	**500**	**-**	**(1,142)**	**(240)**	**237**	**4**	**241**
Variation for the period ended June 30, 2013											
Total other comprehensive income (*)	-	-	-	-	-	*13*	-	*(21)*	*(8)*	-	*(8)*
Net income (loss) for the period	-	-	-	-	-	-	*8*	-	*8*	*(2)*	*6*
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	***13***	***8***	***(21)***	***0***	***(2)***	***(2)***
Impact of IAS 19 Revised	-	-	-	-	-	-	1	-	1	-	1
Share-based payment to employees	-	-	-	-	-	2	-	-	2	-	2
Balance at June 30, 2013	**335**	**(156)**	**940**	**-**	**500**	**15**	**(1,133)**	**(261)**	**240**	**2**	**242**

(*) Refer to details in the "interim consolidated statements of comprehensive income".

The accompanying notes on pages 25 to 57 are an integral part of these interim unaudited condensed consolidated financial statements.

1 General information

1.1 General information

Technicolor is a technology-driven company supporting its Media & Entertainment (M&E) customers in shaping their digital future. Technicolor's activities are organized into three operating segments, namely Technology, Connected Home (previously Digital Delivery) and Entertainment Services. All other activities and corporate functions (unallocated) are presented within the "Other" segment.

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

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

The interim condensed consolidated financial statements were approved by the Board of Directors of Technicolor SA and authorized for issuance on July 25, 2013.

1.2 Main events of the period

Debt refinancing process

On June 11, 2013, Technicolor launched consent solicitations of the holders of its private placement notes and credit agreement loans (the "Existing Debt") requesting consent to amend certain terms of the Existing Debt and to permit the refinancing of the Existing Debt. The objectives of the refinancing are to allow Technicolor to borrow funds at a lower interest rate, effectively extend its debt maturity profile and benefit from greater covenant flexibility. The amendments became effective on July 11, 2013 (see note 26 "subsequent events").

2 Summary of significant accounting policies

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared on the basis of the Group continuing to operate as a going concern (see Note 3.1 for more detailed information) and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as of July 25, 2013, which include IAS 34 "Interim Financial Reporting".

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

These interim condensed consolidated financial statements should be read in conjunction with the 2012 annual IFRS consolidated financial statements.

The accounting policies applied by the Group are consistent with those followed in the preparation of the Group's annual IFRS Consolidated Financial Statements for the year ended December 31, 2012 and described in Note 2 to the 2012 annual consolidated financial statements, which are an integral part of the 2012 Group's Annual Report, except for the following standards, amendments and interpretations which have been applied for the first time.

2.2 Standards, amendments and interpretations effective as of January 1, 2013 and applied as of January 1, 2013

New standard or interpretation	Main provisions	Main impacts on the 2013 interim condensed consolidated financial statements
IFRS 13 - Fair Value Measurement	IFRS 13 sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.	The application of this standard since January 1, 2013 had no significant impact in the Group interim condensed consolidated financial statements
Amendments to IFRS 1 - Government Loans	Amends IFRS 1 - First-time Adoption of IFRS to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs.	The application of this amendment since January 1, 2013 had no impact on the Group interim condensed consolidated financial statements
Amendments to IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities	Amends the disclosure requirements in IFRS 7 - Financial Instruments: Disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 - Financial Instruments: Presentation.	The application of this amendment since January 1, 2013 had no material impact on the Group interim condensed consolidated financial statements.
Amendments to IAS 1- Presentation of Items of Other Comprehensive Income	The amendments to IAS 1 only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not.	The application of this amendment since January 1, 2013 led the Group to present separately within the Other Comprehensive Income items that may be recycled subsequently and items that will not be recycled subsequently (mainly actuarial gains and losses) except in case of disposal.
Amendments to IAS 19 - Employee Benefits	These amendments include the main following items: • Require recognition of changes in the net defined benefit liability (asset) in other comprehensive income (end of the corridor approach). This method, which was an option under IAS 19, is already applied by the Group; • Require alignment of the discount rate used for defined benefit obligation and the rate used for expected return on plan assets; • Introduce enhanced disclosures about defined benefit plans; • Clarify the criteria for distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits	Main impacts of this amendment are an increase in 2012 and 2013 pension financial cost of €3 million and the recognition of the €(1) million prior service costs in the pension liability with a counterpart in equity as of January 1, 2012. As the impacts are not material to the Group consolidated financial statements, Technicolor has decided not to restate its 2012 consolidated financial statements and booked the prior service costs in equity as of January 1, 2013.
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine	IFRIC 20 establishes when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.	The application of this interpretation since January 1, 2013 had no impact on the Group interim condensed consolidated financial statements.
Improvements to IFRS (May 2012)	The IASB issued amendments to five International Financial Reporting Standards as part of its program of annual improvements to its standards.	The application of these improvements since January 1, 2013 had no material impact on the Group interim condensed consolidated financial statements.

2.3 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
IFRS 9 - Financial Instruments, Classification and Measurement (1)	Annual periods beginning on or after January 1, 2015	IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.
IFRS 10 - Consolidated Financial Statements (2)	Annual periods beginning on or after January 1, 2013.	IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, Consolidation - Special Purpose Entities and IAS 27, Consolidated and Separate Financial Statements.
IFRS 11 - Joint Arrangements (2)	Annual periods beginning on or after January 1, 2013.	IFRS 11 provides for accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard eliminates diversity in practice in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. Following the change in accounting method for joint ventures in 2012, the Group does not anticipate a significant impact of the application of this new standard based on its existing joint venture portfolio as of June 30, 2013.
IFRS 12 - Disclosure of Interests in Other Entities (2)	Annual periods beginning on or after January 1, 2013.	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.
Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities	Annual periods beginning on or after January 1, 2014.	These amendments include the main following items: • provide “investment entities” (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 - Financial Instruments or IAS 39 - Financial Instruments: Recognition and Measurement; • require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries.
Amendments to IAS 28, Investments in Associates and Joint Ventures (2)	Annual periods beginning on or after January 1, 2013	This Standard supersedes IAS 28 Investments in Associates. It prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after January 1, 2014	Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting.

(1) The effective dates mentioned in the table above are the dates as defined by the IASB. They may be modified when the standards and interpretations are adopted by the European Union.

(2) IFRS 10, IFRS 11, IFRS 12, the amended IAS 27, the amended IAS 28, and the consequential amendments, have been endorsed by the EFRAG in December 2012. These standards will be applicable for the Group from January 1, 2014.

The impacts of the above standards, amendments and interpretations and of current IFRS and IFRIC projects are not anticipated in these financial statements and cannot be reasonably estimated at this time.

2.4 Functional and presentation currency

These interim condensed consolidated financial statements are presented in euro. All financial information presented in euro has been rounded to the nearest million, unless otherwise stated.

2.5 Basis of measurement

These interim condensed consolidated financial statements have 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, such as 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 financial assets or liabilities at fair value.

2.6 Use of estimates

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 interim condensed consolidated financial statements.

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. The actual results could significantly differ from these estimates depending on different conditions and assumptions. The critical accounting assumptions and estimates made by the Group are detailed in note 3.

2.7 Translation of foreign currency transactions

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

	Closing rate		**Average Rate**	
	June 2013	**December 2012**	**June 2013**	**June 2012**
US dollar (USD)	0.76488	0.75809	0.76510	0.76780
Pound sterling (GBP)	1.16822	1.22444	1.17341	1.21350
Canadian dollar (CAD)	0.73126	0.76161	0.74822	0.76289

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 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 under the circumstances, the results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from these estimates, while different assumptions or conditions may yield different results. 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 under IFRS.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key assumptions retained were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2012 except for the main following estimates that have been reassessed as of June 30, 2013.

3.1 Going concern

The interim condensed consolidated financial statements as of June 30, 2013 were approved by the Board of Directors on July 25, 2013 on a going concern basis.

The Board of Directors considered the Group's cash flow projections as of June 30, 2013 which support the operating performance and sensitivities and believes that the Group can meet its expected cash requirements and address potential financial consequences of ongoing litigations, until at least June 30, 2014.

Having considered the above, the Board of Directors determined that it was appropriate for these interim condensed consolidated financial statements to be prepared on a going concern basis.

3.2 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 "Property, plant and equipment" ("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 are consistently applied throughout the Group.

For the period ended June 30, 2013, the Group recognized depreciation expense amounting to €46 million related to PPE and amortization expense of €34 million for intangible assets with finite useful lives. As of June 30, 2013, the net carrying amount of PPE and intangible assets with finite useful lives amounted to €330 million and €215 million, respectively (excluding PPE and intangible assets classified as held for sale).

In order to ensure that its assets are carried at no more than their recoverable amount, Technicolor evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an impairment test in accordance with the accounting policy stated in Note 2 of the 2012 consolidated financial statements. 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 June 30, 2013, the Group reviewed its triggering indicators and determined that no cash generating units may have lost value. Consequently, the Group did not recognize any impairment.

3.3 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 2 of the 2012 consolidated financial statements. Such review requires management to make material judgments and estimates when performing impairment tests.

Technicolor's management believes its policies relating to such impairment testing are critical accounting policies involving critical accounting estimates because determining the recoverable amount of cash-generating units requires (1) determining the appropriate discount rate to be used to discount future expected cash flow of the cash-generating unit and (2) 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 of the 2012 consolidated financial statements.

In addition to the annual review for impairment, Technicolor evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an additional impairment test in accordance with the accounting policy stated in Note 2 of the 2012 consolidated financial statements.

As of June 30, 2013, the net book value of goodwill and other intangibles with indefinite useful lives amounts to €484 million (excluding goodwill classified as held for sale) and €207 million, respectively.

3.4 Deferred tax

Management judgment is required to determine the Group’s deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized in accordance with the accounting policy stated in Note 2 of the 2012 consolidated financial statements. 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 (1) the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future, and/or (2) the expectation of exceptional gains or (3) future income to be derived from long-term revenue. The Group considered tax-planning in assessing whether deferred tax assets should be recognized.

As of June 30, 2013, the Group‘s deferred tax liabilities and deferred tax assets amount to respectively, €156 million and €387 million reflecting management’s estimates of their recoverable amount.

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 inside and outside counsel knowledgeable about each matter, as well as developments in case law. See note 24 for a description of the Group’s significant legal proceedings and contingencies.

4 Significant changes in the scope of consolidation since December 31, 2012

4.1 Main business acquisition

As part of the Strategic Alliance with Village Roadshow Ltd announced in December 2012, Technicolor finalized in February 2013 the acquisition of the Village Roadshow distribution business in Australia for a fixed amount of 9 million of Australian Dollars (equivalent to €7 million at closing exchange rate) and a variable amount dependent on future level of activities of the acquired business. This business has responsibilities for Warner Bros and Paramount Home Entertainment as well as Roadshow Entertainment.

The impacts of this transaction is detailed below:

(€ in millions)	Acquirees' carrying amount before acquisition	Fair value adjustments	Fair value
Net assets acquired			
Property, plant and equipment	1	-	1
Total net assets acquired	**1**	**-**	**1**
Purchase consideration paid as of June 30, 2013			2
Purchase consideration to be paid (including earn out payments' estimates)			8
Total Purchase price			**10**
Goodwill (provisional amount as of June 30, 2013)			**9**

The goodwill is mainly attributable to anticipated future synergies.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to June 30, 2013 is not significant.

4.2 Main business disposal

No disposal had significant impact in the Group 2013 interim condensed consolidated financial statements.

5 Information by segments

The Group's Executive Committee (considered as the Chief Operating Decision Maker in the meaning of the standard) 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 (previously Digital Delivery) and Entertainment Services. All the remaining activities (including unallocated Corporate functions) are grouped in a segment "Other" as a reconciling item.

- **Technology:**
  Technology segment is organized around the following businesses:
  - Research & Innovation;
  - Licensing;
  - M-GO.

  Research & Innovation includes the Group's fundamental research activities. The Licensing business is responsible for protecting and monetizing the Group's Intellectual Property portfolio and generates most of the Technology revenues. The M-GO business includes the Group's platforms and applications aiming at simplifying and enriching the end-user experience for consuming digital content.

- **Connected Home (previously Digital Delivery)**:
  The segment now includes only Connected Home business as the Broadcast Services and IPTV activities were sold in 2012 and VOIP activity was sold beginning 2013.
  Connected Home 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 like set-top boxes, gateways, managed wireless tablets, and other connected devices, as well as software for multi-device communication, applications for the smart home (including home automation), and professional services.

- **Entertainment Services:**

  Entertainment Services is organized around the following businesses:

- Creative Services that contain:
  - Digital Postproduction, Distribution Services and Digital Cinema as well as legacy activities (mostly Film services) and
  - Digital Production;
- DVD Services;
- IZ-ON Media (ex-PRN).

▪ **Other** operations are as follows:
- Unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as Sourcing, Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and that cannot be strictly assigned to a particular business within the three operating segments;
- After-sales service operations and commitments related to former Consumer Electronic operations, mainly pension and legal costs.

The following comments are applicable to the two tables below:

- The Technology segment generates substantially all of its revenue from royalties. Entertainment Services and Connected Home generate their revenue from the sale of goods and services;
- The caption "EBITDA adjusted" corresponds to the profit (loss) from continuing operations before tax and net finance 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 finance 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 (expenses)" 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 "Capital expenditures" excludes the net change in payables to suppliers of fixed assets (amounting to €(4) million and €(12) million as of June 30, 2013 and June 30, 2012, respectively);
- The caption "Capital employed" is defined as being the aggregate of net both tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (with the exception of provisions including those related to employee benefits, income tax, payables on acquisition of companies and payables to suppliers of PPE and intangible assets);
- All the statement of operations and statement of financial position items disclosed in the tables below have been measured in accordance with IFRS;
- As of June 30, 2013, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment represent more than 10% of the Group's revenue (respectively €215 and €198 million). As of June 30, 2012, one external customer within the Entertainment Services segment and one external customer within the Connected Home segment (previously Digital Delivery) represent more than 10% of the Group's revenue (respectively €196 and €218 million).

(€ in millions)	Technology	Connected Home	Entertainment Services	Other	Consolidation Adjustments	Total
	Six months ended June 30, 2013					
Statement of operations items						
Revenues with external customers	227	630	732	-	-	1,589
Intersegment sales	1	1	2	-	(4)	-
EBITDA adjusted	**164**	**2**	**84**	**(43)**	**-**	**207**
Profit (loss) from continuing operations before tax and net finance income (expense)	**158**	**(22)**	**(1)**	**(48)**	**-**	**87**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	-	(7)	-	-	(7)
Amortization of contract advances and up-front prepaid discounts	-	-	(13)	-	-	(13)
Other depreciation and amortization	(4)	(19)	(50)	(1)	-	(74)
Other non-cash income (expenses)	(2)	(7)	(20)	(7)	-	(36)
Balance sheet items						
Assets						
Operating segment assets	103	447	802	13	-	1,365
Goodwill	-	50	434	-	-	484
Other segment assets	196	99	91	22	-	408
Total segment assets	**299**	**596**	**1,327**	**35**	**-**	**2,257**
Investments in associates	-	2	2	11	-	15
Unallocated assets						895
Total consolidated assets						**3,167**
Liabilities						
Segment liabilities	216	506	467	468	-	1,657
Unallocated liabilities						1,268
Total consolidated liabilities (without equity)						**2,925**
Other information						
Capital expenditures	(7)	(19)	(22)	(1)	-	(49)
Capital employed	102	102	535	(53)	-	686

(€ in millions)	Technology	Connected Home (*)	Entertainment Services	Other	Consolidation Adjustments	Total
	Six months ended June 30, 2012					
Statement of operations items						
Revenues with external customers	236	653	757	-	-	1,646
Intersegment sales	1	2	1	-	(4)	-
EBITDA adjusted	**178**	**-**	**67**	**(47)**	**-**	**198**
Profit (loss) from continuing operations before tax and net finance income (expense)	**178**	**(29)**	**(17)**	**(17)**	**-**	**115**
Out of which the main non-cash items below:						
Amortization of customer relationships	-	(5)	(7)	-	-	(12)
Amortization of contract advances and up-front prepaid discounts	-	-	(15)	-	-	(15)
Other depreciation and amortization	(4)	(12)	(57)	(2)	-	(75)
Other non-cash income (expenses)	(1)	(4)	(9)	33	-	19
Balance sheet items						
Assets						
Operating segment assets	90	419	948	14	-	1,471
Goodwill	-	50	445	-	-	495
Other segment assets	186	97	112	18	-	413
Total segment assets	**276**	**566**	**1,505**	**32**	**-**	**2,379**
Investments in associates	4	2	6	8	-	20
Unallocated assets						917
Total consolidated assets						**3,316**
Liabilities						
Segment liabilities	160	510	509	465	-	1,644
Unallocated liabilities						1,573
Total consolidated liabilities (without equity)						**3,217**
Other information						
Capital expenditures	(8)	(26)	(30)	(1)	-	(65)
Capital employed	137	90	666	(35)	-	858

(*) Previously Digital Delivery

6 Selling and administrative expenses and other income (expense)

(€ in millions)	Six months ended June 30, 2013	Six months ended June 30, 2012 (2)
Selling and marketing expenses	(54)	(56)
General and administrative expenses	(110)	(140)
Selling and administrative expenses	**(164)**	**(196)**
Other income (expense) (1)	**(24)**	**21**

(1) The line "Other income (expense)" includes the main following elements:

For 2013:

- Restructuring costs for €19 million (see note 19).

For 2012:

- Restructuring costs for €8 million (see note 19).
- A curtailment gain linked to the elimination of the US life insurance benefits for retirees (included in the US post-retirement medical plan) for €41 million (see note 24.3 in the 2012 consolidated financial statements).
- A loss of €4 million related to the deconsolidation of Angers as of June 1st, 2012.
- An impairment charge of €2 million linked to development projects capitalized.
- An impairment charge of €6 million related to Broadcast business.

(2) In order to better reflect the operational structure, part of selling and marketing expenses have been restated into the gross margin.

7 Research and development expenses

(€ in millions)	Six months ended June 30, 2013	Six months ended June 30, 2012
Research and development expenses, gross	(81)	(92)
Capitalized development projects	17	28
Amortization of research and development intangible assets	(15)	(7)
Subsidies (1)	8	10
Research and development expenses, net	**(71)**	**(61)**

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

8 Net finance income (expense)

(€ in millions)	Six months ended June 30, 2013	Six months ended June 30, 2012
Interest income	2	2
Interest expense	(65)	(78)
Interest expense, net [(1)]	**(63)**	**(76)**
Financial component of pension plan expense	(6)	(7)
Exchange gain (loss)	2	(8)
Acceleration of amortization of the effective interest rate on the debt [(2)]	-	(18)
Change in fair value on financial instrument (loss) [(3)]	-	(1)
Other [(4)]	(5)	(6)
Other financial (expense) income, net	**(9)**	**(40)**
Net finance income (expense)	**(72)**	**(116)**

(1) In 2013, interest expense includes €15 million (€17 million in 2012) due to the difference between the effective interest rate and the nominal rate of the debt.

(2) In 2012, the proceeds from the capital increases that occurred in July and August 2012 and the disposal of the Broadcast business, completed on July 2, 2012, were largely used to repay debt (in accordance with the terms of the credit agreements to which the Group is a party). This early debt repayment triggered a partial reversal of the IFRS gain resulting from the debt restructuring on May 26, 2010. In accordance with IAS 39 (AG8), the estimates of the future repayments of the debt have been adjusted to the initial effective interest rate and consequently "Other financial expense" includes a €15 million charge due to this change in the repayment schedule. Likewise, the Group prepaid debt in March 2012, based on its 2011 excess cash flow (as defined per the credit agreements), resulting in a loss of €3 million.

(3) In 2012 related mainly to a loss from revaluation of interest rate caps.

(4) In 2013 related mainly to advisory fees related to refinancing of the debt in progress. In 2012 related mainly to bank fees partially offset by the positive foreign exchange impact on the IFRS gain resulting from the debt restructuring on May 26, 2010 (€3 million).

9 Income tax

The income tax expense for the six months ended June 30, 2013 is determined using the year-end 2013 forecasted effective tax rate. This rate is computed on a country-by-country basis.

The income tax charge for the six months ended June 30, 2013 amounts to €20 million (€21 million in the first half of 2012) and is summarized below :

(€ in millions)	Six months ended June 30, 2013	Six months ended June 30, 2012
France	(14)	(10)
Foreign	(6)	(11)
Total Income tax	**(20)**	**(21)**

10 Discontinued operations

For the year 2013, there has been no change in discontinued operations perimeter compared to June 2012. Net discontinued result for the six months ended June 30, 2013 is €16 million, mainly related to Grass Valley businesses.

(€ in millions)	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenues	-	-
Cost of sales	-	-
Gross Margin	**-**	**-**
Operating income	1	
Other income [(1)]	15	-
Profit from operations before tax and finance cost	**16**	**-**
Net interest expense	-	-
Other financial income	-	-
Income tax	-	-
Profit for the period from discontinued operations	**16**	**-**

(1) Mainly related to Grass Valley Broadcast business sold to Francisco Partners in 2010. The 2010 transaction with Francisco Partners comprised a US$80 million promissory note (€61 million as of June 2013) issued to Technicolor with a six-year maturity, which was initially valued at its fair value. See subsequent events note 26.2.

11 Goodwill and other intangible assets

(€ in millions)	Patents and trademarks	Customer relationships	Other intangibles [(1)]	Total intangible assets	Goodwill
At December 31, 2012					
Cost	597	300	266	1,163	
Accumulated amortization and impairment	(332)	(221)	(177)	(730)	
Net amount	**265**	**79**	**89**	**433**	**478**
2013					
Opening net amount	265	79	89	433	478
Exchange differences	2	(1)	1	2	(4)
Additions	-	-	20	20	1
Acquisition of subsidiary	-	-	1	1	9
Amortization charge	(9)	(7)	(18)	(34)	-
Closing net amount	**258**	**71**	**93**	**422**	**484**
At June 30, 2013					
Cost	598	298	289	1,185	
Accumulated amortization and impairment	(340)	(227)	(196)	(763)	
Net amount	**258**	**71**	**93**	**422**	**484**

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

12 Cash, cash equivalents, cash collateral and security deposits

(€ in millions)	June 30, 2013	December 31, 2012
Cash	88	126
Cash equivalents	282	271
Total	**370**	**397**
Cash collateral and security deposits [(1)]	**47**	**44**

(1) Cash to secure credit facilities and other obligations of the Group, out of which the current portion amounts to €31 million as of June 30, 2013. Some cash collaterals for entities in the United States are classified as current because of their short maturity but are renewed automatically for periods of 12 months.

13 Shareholders' equity

13.1 Common stock, additional paid-in capital

As of June 17, 2013, the share capital was increased by 165,551 new shares of €1 each in order to deliver the free shares vested under the LTIP share based plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in-capital by €165,551.

13.2 Net Equity Hedging Reserve

Gains and losses on hedging instruments accounted for as cash-flow hedges are recognized in other comprehensive income (OCI). At December 31, 2012, a gain of €0.5 million on hedging instruments was recognized in OCI. During the first half of 2013 €1 million a loss was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At June 30, 2013, a gain of €1.9 million on hedging instruments was recognized in OCI.

14 Financial risk management

The Group's financial risk management, and in particular its liquidity risk, was impacted by the 2010 debt restructuring. However, the closing of the debt restructuring in May 2010, the putting in place of two committed receivables backed credit facilities and more recently the refinancing with an extension of the debt repayment schedule and a new committed credit facility that closed on July 11, 2013 (see note 26) have reduced the Group's liquidity risk (see also note 20 to the 2012 consolidated financial statements for more detailed information on the Group's borrowing situation and liquidity risk).

15 Derivative financial instruments

The fair value of forward exchange contracts and currency swaps is computed by discounting the difference between the forward contract rate and the market forward rate and multiplying it by the nominal amount. The fair value of caps is determined by independent financial institutions and verified using standard option pricing methods.

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, which, in each case, contain cross default provisions.

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

(€ in millions)	June 30, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate caps [1]	-	-	-	-
Total non-current	**-**	**-**	**-**	**-**
Forward foreign exchange contracts- cash flow and fair value hedges	1	-	-	-
Total current	1	-	**-**	**-**
Total	**1**	**-**	**-**	**-**

(1) Voir note 17.1

Credit risk on these financial derivative assets arises from the possibility that counterparties may not be able to meet their financial obligations to Technicolor. The maximum risk is the marked-to-market carrying values shown in the table above, that is, €1 million at June 30, 2013 and €0.4 million at December 31, 2012.

16 Borrowings

The refinancing of a portion of the Group's existing debt was finalized in July 2013 (see more detail in note 26 "Subsequent Events") and will therefore be accounted for in the second half of 2013. Technicolor maintained the classification of the existing debt to be refinanced under the "non-current" classification because, until the date of the closing of the refinancing (which occurred in July 2013), there was no contractual or legal obligation to repay the existing debt within 12 months as of June 30, 2013.

The tables below present information concerning Technicolor's debt at June 30, 2013 compared to December 31, 2012.

16.1 Analysis by nature

(€ in millions)	June 30, 2013	December 31, 2012
Debt due to financial institutions	1,089	1,108
Bank overdrafts	-	1
Other financial debt	10	5
Accrued interest	2	1
Total	**1,101** [1]	**1,115** [1]
Total non-current	*998*	*1,019*
Total current	*103*	*96*

(1) The nominal value is €1,207 million at June 30, 2013 and €1,236 million at December 31, 2012 (see note 22.3 of the 2012 annual consolidated financial statements).

16.2 *Summary of the debt*

Debt as of June 30, 2013 consisted principally of the Reinstated Debt which includes €649 million of term loans and €428 million of notes. The details, before hedging operations, are given in the table below:

(in € millions)	Currency	Nominal Amount	IFRS Amount (1)	Type of rate	Nominal rate (2)	Effective rate (2)	Repayment Type	Final maturity
Series A1 Notes	USD	85	80	Fixed	9.35%	13.49%	Amortizing	Mar. 31, 2016
Series B1 Notes	GBP	4	4	Fixed	9.55%	14.28%	Amortizing	Mar. 31, 2016
Series C1 Notes	EUR	26	25	Fixed	9.00%	12.56%	Amortizing	Mar. 31, 2016
Series A2 Notes	USD	254	234	Fixed	9.35%	11.88%	Bullet	May 26, 2017
Series B2 Notes	GBP	12	11	Fixed	9.55%	12.45%	Bullet	May 26, 2017
Series C2 Notes	EUR	79	74	Fixed	9.00%	11.16%	Bullet	May 26, 2017
Term Loans A1	EUR	112	103	Floating(3)	6.75%	12.28%	Amortizing	Mar. 31, 2016
Term Loans A2	USD	69	64	Floating(3)	6.75%	12.66%	Amortizing	Mar. 31, 2016
Term Loans B1	EUR	334	298	Floating(4)	7.75%	11.15%	Bullet	May 26, 2017
Term Loans B2	USD	208	184	Floating(4)	7.75%	11.38%	Bullet	May 26, 2017
Reinstated Debt		1,183	1,077		**8.19%**	**11.78%**		
Other Debt		24	24	Various	2.38%	2.38%		
TOTAL		**1,207**	**1,101**		**8.07%**	**11.57%**		

(1) In Technicolor's IFRS statement of financial position the Reinstated Debt was initially recognized at fair value and then subsequently is measured at amortized cost.
(2) Rates as of June 30, 2013
(3) 3 month Euribor or Libor with a floor of 2% + 475bp with the margin stepping down if certain leverage ratios hit; currently the margin is 475bp
(4) 3 month Euribor or Libor with a floor of 2% + 575bp with the margin stepping down if certain leverage ratios hit; currently the margin is 575bp

Summary of repayments

The table below summarizes the payments as described above on the Reinstated Debt by type of payment:

(€ in millions)	As of June 30, 2013	As of December 31, 2012
Start of period (cumulative)	**326**	**81**
Normal scheduled principal repayments	36	58
Payments following excess cashflow	-	25
Mandatory prepayments from disposals	-	17
Mandatory prepayments from capital increases	-	145
End of period (cumulative)	**362**	**326**

16.3 Main features of the Group's borrowings

(a) Maturity

The table below gives the contractual maturity schedule of the Group's debt. The amounts are the nominal amounts and thus differ from the amounts in the consolidated statement of financial position which for the new Reinstated Debt were initially recognized at fair value then subsequently revalued at amortized cost.

(€ in millions)	June 30, 2013	December 31, 2012
Less than 1 month	3	13
Between 1 and 6 months	55	37
Between 6 months and less than 1 year	45	46
Total current debt	**103**	**96**
Between 1 and 2 years	103	97
Between 2 and 3 years	106	103
Between 3 and 4 years	889 (1)	55
Between 4 and 5 years	1	885 (1)
Over 5 years	5	-
Total non-current debt	**1,104**	**1,140**
Total debt	**1,207**	**1,236**
IFRS Adjustment (2)	**(106)**	**(121)**
Balance sheet debt under IFRS	**1,101**	**1,115**

1) Entire amount due May 26, 2017. Given the debt refinancing underway as of June 30, 2013 and closed on July 11, 2013, the debt maturity schedule will be significantly modified during the second half of the year. Please refer to note 26 for more information.
2) In Technicolor's balance sheet the Reinstated Debt was initially recognized at fair value and then subsequently is measured at amortized cost.

(b) Interest rate characteristics

The table below shows the periods for which the interest rate on the Group's debt is fixed. The amounts shown are the contractual nominal amounts and therefore do not correspond to the amounts in the balance sheet which were initially at fair value then subsequently valued at amortised cost.

(€ in millions)	Amounts at June 30, 2013 with interest rate fixed for the following periods			
	Floating rate debt (interest fixed for less than 1 year)	1 year to 5 years	Greater than 5 years	Total
Total nominal debt	773 (1)	429	5	**1,207**
IFRS Adjustment (2)				**(106)**
Balance sheet debt under IFRS				**1,101**

(1) Includes €723 million (nominal amount) of floating rate debt that has a 2% floor (before margin); this debt is partially hedged via interest rate caps with a cap rate of 3% (before margin). The combination of the floor and cap creates, for the hedged debt, debt that is at fixed rate when the reference EURIBOR or LIBOR rate is 2% or less, then is at variable rate when the reference rate is above 2% and less than 3% and then again is at fixed rate when the reference rate is 3% or above.
(2) In Technicolor's balance sheet the Reinstated Debt was initially recognized at fair value and then is subsequently measured at amortized cost.

(c) Analysis of borrowing by currency

(€ in millions)	June 30, 2013	December 31, 2012
Euro	517	522
US Dollar	568	576
Other currencies	16	17
Total debt	**1,101**	**1,115**

(d) Undrawn credit lines

(€ in millions)	June 30, 2013	December 31, 2012
Undrawn, committed lines	146	195

The Group has two receivables backed committed credit facilities maturing in 2016 for a total amount of €146 million. Neither was drawn at June 30, 2013. The availability of these credit lines varies depending on the amount of receivables. As part of the refinancing underway at June 30, 2013 the Group closed on July 11, 2013 a new €100 million 5 year revolving credit facility; see note 26 for more information about this refinancing.

(e) Financial covenants and other limitations

A debt refinancing was closed on July 11, 2013. As part of this refinancing the financial covenants and limitations of the existing debt were changed. This refinancing operation as well as the main changes to the terms of the existing debt is described in Note 26.

Covenants

The Credit Agreement and the Note Purchase Agreement governing the reinstated debt contain certain affirmative and financial covenants including covenants that in particular require that (i) EBITDA(*) be not less than a certain multiple of net total interest on a trailing twelve month basis ("interest cover covenant") on June 30 and December 31 of each financial year, (ii) total net debt be not more than a certain multiple of EBITDA on a trailing twelve month basis ("leverage covenant") on June 30 and December 31 of each financial year, and (iii) capital expenditure be not more than a certain amount for each financial year. Each of the interest cover covenant and leverage covenant become stricter over time. The total net debt, the total net interest and the capital expenditures are all calculated on the basis of the entire Group perimeter.

(*) The definition of EBITDA is based on a contractual definition and includes a number of adjustments (cf. note 22.3 (g) to the 2012 consolidated financial statements).

For a comprehensive description of the financial covenants of the Group and other limitations, please refer to note 22.3 (g) to the 2012 consolidated financial statements.

At June 30, 2013, the calculation of these financial covenants was as follows:

Interest cover covenant

For the twelve months ended June 30, 2013, EBITDA must be no less than 3.70 times the net interest for the period.

EBITDA:	€521 million
Net Interest:	€102 million
Ratio EBITDA / Net Interest:	5.11 : 1.00

Since 5.11 is greater than the required minimum level of 3.70, the Group meets this financial covenant as of June 30, 2013.

Leverage covenant

Total net debt of the Group at June 30, 2013 must be no more than 2.30 times the EBITDA for the twelve months ended June 30, 2013. For the calculation of the net debt, the accrued interest is excluded; moreover the debt and cash of the Group in foreign currencies are valued at the average exchange rate over the twelve months ended June 30, 2013.

Net Debt:	€725 million
EBITDA:	€521 million
Ratio Net Debt / EBITDA:	1.39 : 1.00

Since 1.39 is less than the maximum allowed level of 2.30, the Group meets this financial covenant as of June 30, 2013.

Capital Expenditure covenant

Capital expenditure for the Group cannot exceed €225 million for the financial year ending December 31, 2013. No measurement is performed as of June 30, 2013.

Other covenant / limitations

In addition to certain information provision covenants, the Credit Agreement and Note Purchase Agreement include certain negative covenants that restrict the ability of the Company and certain of its subsidiaries, subject in each case to certain exceptions and limitations. For a comprehensive description of the financial covenants of the Group and other limitations, please refer to Note 22.3 (g) to the 2012 consolidated financial statements.

(f) Fair value of the Reinstated Debt

In accordance with IAS 39 paragraph 43, the reinstated debt was determined initially at its fair value. The difference between the fair value of the debt and the nominal value was booked as a financial non cash gain of €229 million under the line “Gain on Technicolor’s debt extinguishment on May 26, 2010” of the consolidated statement of operations.

Because Technicolor’s debt is not listed the fair value was estimated by using data from trading levels of the Group’s debt at or around the issue date of May 26, 2010 by certain banks to the extent available and by using trading levels and yields at that time of debt of companies having a similar rating (CCC).

As a result, the fair value of the debt was estimated at €1,364 million at the May 26, 2010 exchange rate. Accordingly, the weighted average effective rate of the new debt (excluding DPN) was determined to be 11.89% and is currently 11.78% following recalculation due to pre-payments and to the fees related to the amendments negotiated in October 2011.

17 Financial instruments and market related exposures

17.1 Interest rate risk

(a) Interest rate operations

In accordance with the Group's policies on financial risk management, the Group enters into interest rate hedging operations.

In April 2010, in anticipation of the finalization of the Reinstated Debt, the Group purchased caps. These caps for nominal amounts of $480 million and €270 million protect the Group if 3 month Libor or 3-month EURIBOR respectively goes above 3%. If the reference rate goes above the cap rate the bank counterparty will pay the difference between the market rate and 3% to Technicolor. The caps mature in 2014.

(b) Effective interest rates

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

	First half 2013	2012
Average interest rate on borrowings	11.65%	11.80%
Average interest rate after interest rate hedging	11.65%	11.80%
Average interest rate after currency swaps and interest rate hedging	11.65%	11.80%

17.2 Liquidity risk and management of financing and capital structure

Liquidity risk is the risk of being unable to raise funds in the financial markets necessary to meet upcoming obligations. In order to reduce this risk, the Group pursues policies with the objectives of having continued uninterrupted access to the financial markets at reasonable conditions. These policies are developed based on regular reviews and analysis of its capital structure, including the relative proportion of debt and net worth in the context of market conditions and the Group's financial projections. Among other things these reviews take into account the Group's debt maturity schedule, covenants, projected cash flows and financing needs. To implement these policies, the Group uses various long term and committed financings which may include net worth, debt, subordinated debt and committed credit lines.

Technicolor's access to financial markets was significantly impacted in 2009-2010 by the deterioration of its financial situation, subsequent debt restructuring negotiations, and the *Sauvegarde* proceeding. The debt restructuring however allowed the Group to put in place in April 2010 two 3-year committed receivables backed credit facilities both of which were recently extended to 2016 for a total amount of €146 million (converted at the June 30, 2013 exchange rates). Subsequent improvement in the Group's financial condition has permitted the Group to finance the Reinstated Debt; this refinancing operation, underway at June 30, 2013 was closed on July 11, 2013.

For more information about the debt refinancing see Note 26.

18 Retirement benefit obligations

(€ in millions)	Pension plan benefits	Medical post-retirement benefits	Total
Opening provision at January 1, 2013 (1)	**381**	**7**	**388**
Net Periodic Pension Cost	9	-	9
Benefits paid and contributions	(15)	-	(15)
Actuarial gains recognized in OCI (2)	(12)	-	(12)
Disposal of subsidiary	(1)	-	(1)
Currency translation adjustments and other	(1)	-	(1)
Closing provision at June 30, 2013	**361**	**7**	**368**
Of which current	*31*	*1*	*32*
Of which non-current	*330*	*6*	*336*

(1) IAS 19R retrospective impact on year 2012 comparative statement would have been an increase of €3 million on Net periodic cost of € 19 million presented last year and a decrease of € 1 million of retirement benefit provision due to prior service cost no more deferred (counterpart equity). Because such amounts are immaterial to comparative 2012 consolidated financial statement presented, year 2012 has not been restated.

(2) As of June 30, 2013, actuarial gains recognized in the consolidated Statement of Comprehensive Income amount to €12 million, explained by the increase of the discount rates as of June 30, 2013 compared to December 31, 2012 generating actuarial gains mainly for US and German pension plans.

19 Provisions for restructuring and other charges

19.1 Restructuring provisions

(€ in millions)	Restructuring provisions
Opening provisions at January 1, 2013	**46**
Current year expense (1)	20
Release of provision (1)	(1)
Usage during the period	(31)
Currency translation adjustment	-
Other movements	-
Closing provisions	**34**
Of which current	*34*

(1) Restructuring expenses, net of release, have been posted as follows in the consolidated statement of operations:

(€ in millions)	Six months ended June 30, 2013	Six months ended June 30, 2012
Profit (loss) from continuing operations		
Termination costs (*)	*(19)*	*(6)*
Impairment of assets (part of a restructuring plan) (**)	*-*	*(2)*
Continuing restructuring expenses	(19)	(8)
Total Group restructuring expenses	**(19)**	**(8)**

(*) Termination costs are related to both employees and facilities.

(**) These restructuring costs are reclassified against assets prior to disposals and appeared therefore in the line “other movements” within the restructuring provision variation.

19.2 Other provisions

(€ in millions)	Warranty	Risk and litigation related to businesses disposed of	Other provisions related to on-going businesses (1)	Total
As of January 1, 2013	**18**	**67**	**69**	**154**
Current period additional provision	4	1	11	16
Release of provision	(2)	(6)	-	(8)
Usage during the period	(1)	(2)	(2)	(5)
Currency translation adjustments and other(2)	-	(1)	(30)	(31)
As of June 30, 2013	**19**	**59**	**48**	**126**
Of which current	*19*	*-*	*32*	*51*
Of which non-current	*-*	*59*	*16*	*75*

(1) Include mainly provision for risk and litigation.

(2) Related mainly to provisions reclassified in liabilities consequently to the signing of agreements.

As of June 30, 2013, total provisions for litigation amount to €38 million (€55 million as of December 31, 2012).

20 Share-based compensation plans

20.1 Plans granted by Technicolor

On April 25, 2013, the Board of Directors approved the principles of a Long-Term Incentive Plan (MIP) that has been implemented during the first semester of 2013. As part of this plan, stock options may be progressively awarded in 2015, 2016 and 2017 to some senior executives subject to presence conditions and to the achievement of performance targets that relate to the Group consolidated free cash flow:

- In 2015, if the Group consolidated free cash flow for 2014 is equal to or above €100 million, 50% of the options shall vest. If the Group consolidated free cash flow for 2014 is below €100 million, the options shall not vest at that date.
- In 2016, if the Group consolidated free cash flow for 2015 is equal to or above €100 million, 25% of the options shall vest. In the event that the Performance Target for 2014 has not been satisfied, 75% of the Options shall vest instead. If the Group consolidated free cash flow for 2015 is below €100 million, the options shall not vest at that date.
- In 2017, if the Group consolidated free cash flow for 2016 is equal to or above €100 million, 25% of the Options shall vest. In the event that the Performance Target for either 2014 or 2015 has not been satisfied, all Options that have not previously vested shall vest instead. If the Group consolidated free cash flow for 2016 is below €100 million, the options shall not vest at that date.

The Board authorized a potential stock options plan of 26,843,987 options, of which a total of 16,398,000 options have been granted as of June 30, 2013.

Significant assumptions used

The estimated fair value of the stock options granted was calculated using the Black-Scholes option pricing model, using the following inputs:

(in % and in euro)	Stock options plan granted in 2013
Share price at measurement date	3.20
Exercise price	3.31
Expected volatility	40%
Expected option life (*)	5 years
Risk free rate	0.624%
Expected dividend yield	0%
Fair value of option at measurement date	1.10

(*) Which 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 stock over the longest period available.
- Adjustments to this historical volatility based on changes in Technicolor's business profile.

As of June 30, 2013, the number of stocks options and free shares is analyzed as follows:

(In millions of stock options)	Under IFRS 2	Out of IFRS 2 scope	Total
Number of stock options and free shares as of December 31, 2012	2.9	0.2	**3.1**
Stock options granted during 2013 first semester	16.4	-	**16.4**
Stock options and free shares forfeited or delivered during 2013 first semester	(0.5)	-	**(0.5)**
Total as of June 30, 2013	**18.8**	**0.2**	**19.0**

On June 13, 2013 a total of 120,084 existing shares were vested under the MIP plan corresponding to the performance achieved in year 2012.
On June 17, 2013 a total of 165,551 new shares were vested under the LTIP plan corresponding to the performance achieved for year 2011 and year 2012.

20.2 Compensation expenses charged to income

The compensation expenses charged to income for the services received during the period amount to €2 million and €3 million for the six months ended June 30, 2013 and 2012, respectively.

21 Earnings (loss) per share

The calculation of the diluted earnings (loss) per share attributable to the ordinary equity holders of the parent presented is as follows:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Numerator:		
Adjusted profit (loss) from continuing operations attributable to ordinary shareholders *(€ in millions)*	**8**	**(25)**
Denominator [(1)] (weighted shares in thousands)	335,686	230,774
Of which		
NRS IIC [(1)]	N/A	1,005
Stock options and free shares [(2)]	733	95

(1) Weighted average number of share for basic earnings is 334,962 thousands shares as of June 30, 2013 and 229,671 thousands shares as of June 30, 2012. For computation of the diluted earnings (loss) per share, weighted number of NRS IIC and stock options are added. For the year 2012, according to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted to take into account the share capital increase with preferential subscription rights that occurred on August 14, 2012. Diluted Earnings per share stays nevertheless at 0.11€ per share after rounding.

(2) The stock option plans of 2013 and 2010 (MIP) have the main dilution impact. Due to Technicolor share price during 2012 and 2013 all other stock option plans except free share plans have no dilution impact. Some of these plans could have dilution impact in the future depending on the stock price evolution.

22 Specific operations impacting the interim consolidated statements of cash flows

22.1 Cash impact of debt

(€ in millions)	*notes*	Six months ended June 30, 2013	Six months ended June 30, 2012
Fees paid for debt and capital restructuring (*)		(2)	(1)
Reimbursement of borrowings to bank holders	*16.2*	(36)	(47)
Total cash impact of debt restructuring		**(38)**	**(48)**

(*) The fees paid directly linked to the debt and capital restructuring have been classified as financing cash flows as they relate to the debt and capital restructuring of the Group. In 2013, (2) millions of euro are related to the debt refinancing completed in July 2013.

22.2 Acquisition of subsidiaries, associates and investments

(€ in millions)	Six months ended June 30, 2013	Six months ended June 30, 2012
Business acquisition from Quinta	-	(2)
Business acquisition from Roadshow	(2)	-
Acquisition of 50% interests in Indoor Direct and further capital increase	(2)	(6)
Other	(1)	(1)
Acquisition of investments	**(5)**	**(9)**
Less: cash position of companies acquired	-	-
Acquisition of investments, net	**(5)**	**(9)**

22.3 Disposal of subsidiaries, activities

(€ in millions)	Six months ended June 30, 2013	Six months ended June 30, 2012
Continuing activities		
Deconsolidation of Thomson Angers	-	(2)
Other disposal and cash of companies disposed of	(1)	-
Net cash impact of continuing activities	**(1)**	**(2)**
Disposals of discontinued activities		
Grass Valley activities	(1)	(3)
Other disposal and cash of companies disposed of	-	(1)
Net cash impact of discontinued activities	**(1)**	**(4)**

22.4 Changes in working capital and other assets and liabilities

The Group enters into factoring agreements during the first half of 2013 for a total amount of €18 million, of which €2 million receivables as of June 30, 2013.

23 Contractual obligations and other commitments

There has been no significant changes compared to December 31, 2012 except for the two following items:

- Conditional obligation : Technicolor is committed to pay € 117 million of success fees (Tender premium, consent fees, Original Issue Discount and arrangement fees to banks) at the date of the closing of the refinancing. On July 12th, 2013, these amounts were paid,.
- Connected Home division increased its commercial purchase obligation by €52 million compared to December 31, 2012.

Operating leases

At June 30, 2013, commitments related to future minimum and non-cancellable lease payments are detailed below*:*

(€ in millions)	June 30, 2013 (1)
Minimum future lease payments	**332**
Future lease payments commitments received (2)	(16)
Net value of future lease commitments	**316**

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

(2) Includes mainly operating lease payments mainly from customers within the Entertainment Services segment .

Commitments related to financial instruments

Commitments related to financial instruments held by the Group generate both future cash payments and receipts. Therefore they have not been disclosed in the table above. These commitments related to forward exchange contracts and swaps are disclosed in the following table for their related cash inflow and outflow amounts.

(€ in millions)	June 30, 2013
Currency swaps	324
Forward exchange contracts	-
Total commitments given	**324**
Currency swaps	323
Forward exchange contracts	-
Total commitments received	**323**

Guarantees granted by subsidiaries and security interests granted to secure the Reinstated Debt

For a comprehensive description of the guarantees granted by subsidiaries and security interests granted to secure the Reinstated Debt, please refer to Note 31 to the 2012 consolidated financial statements.

Since the end of 2012, no additional subsidiary has granted guarantees to secure the Reinstated Debt.

24 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:

Banco Finantia case

In connection with the *Sauvegarde* Plan, the Mandataires Judiciaires in charge of the *Sauvegarde* Plan contested the claim in an amount of €9.9 million of Banco Finantia (a Portuguese bank) due to a creditor declaration outside of the legal time limit. Banco Finantia had acquired its claim from the French branch of Bank of America, which held the claim at the opening of the *Sauvegarde* proceeding, and which did not declare its claim prior to the transfer to Banco Finantia. Banco Finantia declared its claim on the last day of the four-month deadline applicable to foreign creditors under Article R. 622-24 of the French Commercial Code. The Company and its Mandataires Judiciaires consider that, as this claim was held by a French creditor on the date the Sauvegarde proceeding was opened (the French branch of Bank of America), it should have been declared within the two-month deadline applicable to French creditors rather than the four-month deadline applicable to foreign creditors.

On February 14, 2011, the Juge-Commissaire rendered a decision in favor of Banco Finantia, holding that Banco Finantia benefited from the four-month deadline for the purposes of filing a claim. The Company has appealed against this decision.

On May 10, 2012, the Versailles Court of Appeals rejected the Company's claims. The Company lodged an appeal with the French Supreme Court (*Cour de cassation*) on June 29, 2012.

Italian tax litigation – Videocolor transfer prices

The Company's former Italian subsidiary, Videocolor S.p.A. (Videocolor), was subject to a tax verification process in connection with its exporting of picture tubes to Technicolor USA, Inc. (formerly Thomson Inc.) from 1993 to 1998. In its report transmitted to the Italian Direct Taxes Local Office in December 1999, the Guardia di Finanza decided to modify the valuation method of the tubes exported to Technicolor USA, Inc. and, as a consequence, increased the taxable income of Videocolor in the amount of €31 million for the years 1993 through 1998.

In May 2003, Videocolor elected to benefit, in respect of the years 1993 and 1994 only, from the new tax amnesty enacted by the Italian Parliament in 2003. In application of this amnesty law, Videocolor paid a total amount of €1 million, thereby ending all disputes with respect to the years 1993 and 1994. Videocolor is able to use all of the tax losses originating from 1993 and the previous years.

With regard to the year 1995, the Direct Taxes Local Office gave notice in 2001 of an assessment resulting in (i) additional taxes amounting to €4 million and (ii) tax penalties amounting to €4 million (before interest). Videocolor successfully appealed this assessment in October 2001 but, following an appeal from the tax authorities, the judgment was partially overturned in November 2006, with the Court of Appeals confirming an assessment in the amount of €2 million, including penalties.

Videocolor filed an appeal with the Supreme Court based on the argument that the assessment was not founded on Organisation for Economic Co-operation and Development ("OECD") transfer pricing principles. In addition, the Court of Appeals made a manifest error of calculation in revising the assessments and added a charge of €1.8 million that the Company is contesting with the Supreme Court.

In 2002, the Direct Taxes Local Office gave notices of two assessments with regard to the 1996 and 1997 fiscal years resulting in (i) additional taxes amounting to €3 million and €2 million, respectively and (ii) tax penalties amounting to €3 million and €2 million, respectively. Videocolor challenged the assessments with the tax court in order to nullify these assessments. In October 2004, the tax court rejected almost all of the assessments notified by the Italian Tax authorities. The Direct Taxes Local Office appealed this decision in December 2005. In December 2007, the Court decided in favor of Videocolor, confirming the previous favorable judgment. In July 2008, the Direct Taxes Local Office appealed these rulings to the Supreme Court.

In December 2003, the Direct Taxes Local Office gave notice of an assessment with respect to the 1998 fiscal year resulting in (i) additional taxes amounting to €0.1 million and (ii) penalties amounting to €0.1 million. Videocolor appealed this assessment in March 2004 before the Provincial Tax Court which decided, in December 2005, to reject almost all of the assessments of the Italian Tax authorities. The Tax office appealed this decision. In April 2008, the Court decided in favor of Videocolor. In May 2009, the Direct Tax Office appealed this sentence to the Supreme Court. In July 2009, Videocolor filed its memorandum against the appeal of the Direct Taxes Local Office with the Supreme Court.

Technicolor sold Videocolor in February 2005, but remains liable for any damages that may be assessed due to representations, warranties, and indemnities given to the buyer.

Allegations of Anti-dumping of televisions manufactured by Technicolor in Thailand

Technicolor is defending cases against Customs authorities in four European countries in relation to imports into the European Union by Technicolor subsidiaries of televisions manufactured by Technicolor in Thailand. These proceedings relate to different periods according to the different rules in each country, beginning at the earliest in 1997 and ending at the latest in August 2002. In accordance with the relevant procedures, Technicolor received various re-assessment notices in May 2004, January 2005 and February 2005 relating to antidumping duties, excluding interest and any penalties applicable in various countries of the European Union, including the United Kingdom, Germany, France, and Italy for an aggregate amount of approximately €22 million.

On March 24, 2006, the Provincial Tax Court of Milan (Italy) rendered a decision and maintained the assessment. The assessment was again maintained by the Court of Appeals in a judgment rendered in March 2008. Technicolor appealed before the Italian Supreme Court. The Supreme Court hearing took place on February 2, 2012, and issued its unfavorable decision in September 2012. The Italian Customs Authorities have requested the payment of €7.6 million by installments. Technicolor considers the Supreme Court decision to be unlawful in view of European Community law and is contemplating introducing a procedure before the Italian courts against the Italian State, involving the European Court of Justice by way of a preliminary question, if deemed necessary.

The French Customs Authority accepted to submit in August 2005 Technicolor's duty refund claim based on Article 239 of the European Community's Customs Code to the European Commission. In May 2007, the European Commission notified Technicolor of its rejection of this claim, but accepted Technicolor's good faith. In July 2007, Technicolor filed an appeal at the Court of First Instance of the European Court of Justice, which rejected Technicolor's position in September 2009. In November 2009, Technicolor lodged an appeal at the European Court of Justice which also rejected Technicolor's position in June 2010. Technicolor is continuing the legal proceedings at the national courts in France and Germany while, in the United Kingdom, the hearing was continued. In June 2011, the French court accepted Technicolor's request to transfer the case to the European Court of Justice, which responded in March 2012 but sent the case back to the French court. In January 2013, the French Court issued a decision unfavorable to Technicolor, declaring it liable to pay €9.5 million plus an estimated €4 million in interest and penalties. Technicolor lodged an appeal against this decision on February 18, 2013.

Pegasus Development Corporation/Personalized Media Communications, LLC v. Thomson Consumer Electronics, Inc.

In December 2000, Pegasus Development Corporation ("Pegasus") and Personalized Media Communications, L.L.C. ("PMC") filed suit in the U.S. District Court for the District of Delaware against Technicolor USA, Inc., DIRECTV, Inc., Hughes Electronics Corporation, and Philips Electronics North America Corporation alleging infringement with respect to seven patents relating to digital satellite signal processing.

In May 2003, the U.S. District Court for the District of Delaware stayed the lawsuit pending the re-examination of the patents at issue by the U.S. Patent and Trademark Office ("USPTO"). The USPTO has now confirmed as patentable four claims of three patents asserted against Technicolor USA in the Delaware District Court litigation.

At the end of 2011, the Court lifted the stay and the action is proceeding. Pegasus claims damages in the form of royalties for some or all of the satellite integrated receivers/decoders ("IRD's") that Technicolor USA has sold. Plaintiffs are attempting to assert three previously unasserted claims to relate back to the December 2000 filing of the complaint. Technicolor is vigorously defending against the plaintiff's claims.

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 of 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 €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 the year 2004 holding that the 2003 research and development expenses are nondeductible, while they took the opposite position in 2010. Technicolor is waiting for the conclusions on year 2003. The Polish Tax Authorities also launched an audit for the year 2007 and issued a preliminary assessment for PLN 9 million and Technicolor will challenge this preliminary assessment.

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

France VAT audit

French tax authorities audited Technicolor SA for the 2009 fiscal year and issued, at the end of 2012, an assessment amounting to €5.6 million plus €0.8 million in interest. An amount of €1.3 million related to value added tax ("VAT") wrongly charged by a former subsidiary that was collecting a subsidy from Technicolor SA per a 2009 Share Sale Agreement. Technicolor and its former subsidiary are petitioning the French tax authorities to refund €1.3 million in VAT. Technicolor SA is also contesting €3.7 million of the assessment as it also relates to recovery of the VAT. In July 2013, the French tax authorities issued an assessment for 2010 in the amount of €1.1 million to the former subsidiary and in the amount of €7.5 million to Technicolor SA.

Taoyuan County Form RCA Employees' Solicitude Association (the "Association")

In April 2004, the Plaintiff, the Association, which is a non-profit entity composed of former RCA employees of Technicolor's subsidiary TCETVT (or heirs of former workers) who claim to have worked at TCETVT's former manufacturing facility in Taoyuan (the "Facility") filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against TCETVT and General Electric International, Inc. ("GEI"). The Association is alleging that they were exposed to various contaminants while living and working at the facility, which allegedly (i) caused them to suffer various diseases, including cancer, or (ii) caused them emotional distress from fear that living and working at the facility increased their risk of contracting diseases. The Association claims damages of NTD 2.7 billion (€69 million at the June 30, 2013 exchange rate) to compensate the members of the Association for the alleged injury suffered by the former plant employees who worked and lived at the Facility from its inception until its closure in 1992.

In March 2005, the Association's complaint was dismissed by the Taipei District Court based on the Association's failure to comply with certain procedural aspects of Taiwan's class action statutes. Shortly thereafter, the Association appealed the dismissal, which was reversed by the Taiwan Supreme Court. In 2006, the case was remanded to the Taipei District Court for further proceedings as to procedural compliance by the Association. The parties have filed a number of briefs addressing procedural and substantive issues and the court has held several hearings. The Association has also attempted to add Thomson Consumer Electronics (Bermuda), Ltd., Technicolor USA, Inc., Technicolor SA, and General Electric Company ("GE") as defendants. Technicolor is defending the case, and it is unclear how the addition of defendants will impact the progress of the case. It is Technicolor's position that GE has indemnity obligations to Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric. GE denies the existence of any such obligations to Technicolor.

Cathode Ray Tubes ("CRT") Investigations and Lawsuits

On November 28, 2007, Technicolor USA, Inc. received a subpoena issued on behalf of the Antitrust Division of the U.S. Department of Justice investigating alleged anticompetitive conduct in the CRT industry, including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses. The Group sold the CPT business in 2005 and never had activity in the CDT business.

In addition, class action law suits asserting private antitrust claims were filed in early 2008 in the United States (one group brought by indirect purchasers and one group brought by direct purchasers) that originally named Technicolor and others as defendants, although Technicolor was dropped as a named defendant when amended complaints were filed in the spring of 2009. In November 2011, Technicolor USA and Technicolor SA executed tolling agreements with the indirect purchaser plaintiffs and the direct purchaser plaintiffs tolling the statute of limitations to bring actions against Technicolor. In August 2012, the

indirect purchaser plaintiffs moved the Court to join Technicolor SA and Technicolor USA to the pending class action. In October 2012, Technicolor SA, Technicolor USA, and the indirect purchaser plaintiffs executed an amendment to the tolling agreement which extended the original tolling agreement, prohibited indirect purchaser plaintiffs from bringing Technicolor into the present class action, and required Technicolor to provide certain sales documents.

On January 9, 2008, Technicolor received a request under art 18 (2) of Council Regulation n°1/2003 from the European Commission (the “EC”) also relating to anti-competitive conduct in the CRT industry from 1999 to 2005. On November 25, 2009, Technicolor received a Statement of Objections from the European Commission. On March 3, 2010, Technicolor filed its written response to the Statement of Objections. On December 5, 2012, Technicolor was notified by the European Commission of its decision to impose a fine of €38.6 million on Technicolor. This amount is classified in the “Net loss from discontinued operations” caption of the 2012 consolidated statement of operations as it relates to a business discontinued by the Group in 2005. Following the European Commission decision, purchasers have brought individual claims against Technicolor seeking compensation for alleged loss suffered as a result of the anti-competitive conduct.

In parallel, on April 29, 2010 Technicolor’s Brazilian affiliate received notice from the Brazilian Ministry of Justice indicating Brazilian authorities are initiating an investigation of possible cartel activity within the CRT industry in Brazil.

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

Environmental matters

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

Soil and groundwater contamination was detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired from GE in 1987, and TCETVT, as an affiliate of Technicolor SA, owned the facility from approximately 1988-1992 when it was sold to an entity outside the Technicolor Group. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau (“EPB”) ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. It is the Company’s position that GE has a contractual obligation to indemnify Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric.

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

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

In addition, future developments such as changes in governments or in safety, health and environmental laws or the discovery of new risks could result in increased costs and liabilities that could have a material effect on the Group’s financial condition or results of operations.

25 Related party transactions

Following the appointment of Mrs Quatela, President of Eastman Kodak Company, as Technicolor’s Director during the General Shareholders’ Meeting held on May 23, 2013, Eastman Kodak Company is a new related party to the Group as of June 30, 2013. As of June 30, 2013 total revenue and expenses of the Group with Eastman Kodak Company amount to nil and €6 million respectively.

26 Subsequent events

26.1 Refinancing transactions

On June 11, 2013, Technicolor launched consent solicitations of the holders of its private placement notes and credit agreement loans (the “Existing Debt”) requesting consent to amend certain terms of the Existing Debt and to permit the refinancing of the Existing Debt. The amendments became effective on July 11, 2013 and payment of the consent fees in connection with the consent solicitations occurred on July 12, 2013.

On June 11, 2013, Tech Finance & Co S.C.A., a stand-alone special purpose vehicle that will be consolidated by Technicolor (“Tech Finance”), launched offers to purchase any and all of Technicolor’s Existing Debt (the “Offers to Purchase”). Pursuant to the Offers to Purchase, Tech Finance acquired 61% of the total participations under the credit agreement loans and over 99% of the private placement notes, for respectively at nominal value, €358 million, $689 million and £14 million (€905 million at 1.3$/euro rate at nominal value representing an IFRS amount of € 828 million net of its IFRS adjustment for € 77 million that was recognized when the Existing Debt was initially recognized at its fair value in 2010) which will be eliminated under the consolidation process of Technicolor.

Tech Finance entered into a new term loan facility and borrowed $830 million and €200 million at nominal value thereunder (the “New Term Loan Facility” or the “New Debt” amounting €838 million at 1.3$/euro rate). The Existing debt not tendered in the Offer to Purchase amounts at nominal value €192 million and $ 116 million (approximately € 282 million at 1.3$/euro rate).

Guarantees and security interests in respect of the Existing Debt, the New Debt and the New Revolving Credit Facility.

(a) Guarantees and security interests securing the Existing Debt

The Existing Debt was guaranteed by certain Group subsidiaries and was secured by certain liens and security interests in: (i) the shares of capital stock of all but one of the Existing Debt guarantors and their material subsidiaries and (ii) material cash pooling bank accounts in France, the United Kingdom and the United States held by Technicolor or any Existing Debt guarantors.

(b) Security interests securing the New Debt

Since the New Debt is secured by a pledge over Tech Finance’s receivable and other rights with respect to the Existing Debt purchased in the Offers to Purchase and the holders of the New Debt will benefit indirectly from the rights, guarantees and security interest securing the Existing Debt. The New Debt is secured directly over Thomson Licensing’s receivables and other rights.

Accounting impact of the refinancing that will be booked in the second semester of 2013

Because of a volatile debt market which affected refinancing conditions, there was significant uncertainty as of June 30, 2013 (unknown proportion of Existing Debt to be purchased in the offers to purchase, unknown proportion of New Debt to be borrowed, uncertainty of the New Debt’s financial conditions). In addition, certain of the conditions of the Offers to Purchase were not satisfied as at June 30, 2013. Based on the above, the closing of the refinancing transaction was considered to be a non-adjusting event of the period ending June 30, 2013 and accordingly the accounting impact will be recognized in the second half of the year in our annual consolidated financial statements.

Tech Finance & Co S.C.A (“Tech Finance”) is a special purpose vehicle created specifically for this refinancing. Tech Finance has no other assets and liabilities than the one related to this transaction and will be consolidated by Technicolor (both under current IAS 27 - SIC 12 and future IFRS 10 requirements).

At the Technicolor consolidated group level, the whole refinancing consists of two separate transactions: the buyback of the tendered existing debt and a new debt issue towards potentially new creditors.

The purchased Existing Debt is extinguished at consolidated level and the cost and fees related to the purchased Existing Debt will be expensed immediately. The cost related to the New Debt will be accounted under the IFRS effective interest rate method.

The refinancing will have the following impact on the consolidated financial statements in the second half:

- Reversal (up to the proportion of the Existing Debt purchased in the Offers to Purchase) of a portion of the positive IFRS adjustment for € 77 million that was recognized when the Existing Debt was initially recognized at its fair value in 2010 (the net book value of which amounted to €121 million as of December 31, 2012 and €107 million at end of June). This amount will be recognized as an expense within “other financial income (expense)” line in the consolidated statement of operations at end of December, 2013.

- Bank fees were conditional on the closing of the refinancing transaction and will be accordingly booked in the second half of 2013. Other costs include the premium fee paid to creditors who submitted their notes or loans in the Offers to Purchase (€67million), a portion of the consent fees (€12 million) and a portion of the €13 million arrangement fees and will be recognized as “other financial income (expense)”.

- OID (Original Issue Discount of €25 million on the New Debt offering), the portion of consent fees related to the remaining Existing Debt and arrangement fees related to the New Debt will be deducted from the IFRS debt nominal amount and accounted for under the IFRS effective rate method.

Advisory fees related to the refinancing transaction have been booked in the June 2013 financial statements as they were due when rendered and were not conditional to the closing of the refinancing transaction.

Prepayments and Amortization under the New Debt

A prepayment premium would be due of (i) 2.00% of the aggregate amount of any borrowing under the New Term Loan Facility which is prepaid on or prior to the first anniversary of the initial closing, or (ii) 1.00% of the aggregate amount of any such borrowing which is prepaid after the first anniversary of such initial closing until the date that is 24 months after such initial closing.
The New Term Loan Facility requires Tech Finance to prepay outstanding term loans:

- with 75% of Technicolor’s annual excess cash flow (as defined in the New Term Loan Facility, and generally reflecting the aggregate of net cash from operating and investing activities, subject to certain adjustments), which percentage will decrease if the Company achieves and maintains certain consolidated leverage ratios; and
- if Technicolor or certain subsidiaries receive net cash proceeds from certain non-ordinary course asset disposals or certain indemnity events.

In addition, principal payments equal to 1.25% of the initial amount funded under the New Term Loan Facility are required to be made on the New Term Loan Facility borrowings every three months. All remaining principal in respect of borrowings under the New Term Loan Facility will be due and payable on the seventh anniversary of the initial funding in 2020 under the New Term Loan Facility.

Covenants under the New Debt

Technicolor, Thomson Licensing and Tech Finance will comply with certain covenants under the New Term Loan Facility that will, among other things, limit their respective ability and the ability of their subsidiaries to incur or guarantee additional indebtedness, pay dividends, redeem capital stock or make certain other restricted payments or investments, sell or transfer assets, effect a merger and engage in certain transactions with affiliates. In addition, Technicolor must comply with a financial covenant to maintain a gross debt (*consolidated leverage*) ratio of not more than 3.50:1.00, as defined under the new Term Loan Facility.

At June 30, 2013 this ratio was:

Gross debt (*Consolidated Leverage*):	€1,207 million
EBITDA:	€521 million
Ratio Consolidated Leverage / EBITDA:	2.32 : 1.00

Modifications to the existing debt documentation

As part of the debt refinancing described above, the Credit Agreement, the Note Purchase Agreement and the Intercreditor Agreement governing the Existing Debt were amended. The main amendments are described below:

- ***Financial covenants***

  The interest cover covenant, the leverage covenant and the capital expenditure covenant were amended such that they no longer apply.

- ***Other Restrictions***

  With the exception of the mandatory and voluntary prepayment provisions which were not changed, most of the restrictive covenants in the Existing Debt documentation, including those related to liens, additional indebtedness, guarantees, loans, hedging, mergers, scope of business, investments in acquisitions and joint ventures, share issuances and dividends, were modified to align them to the provisions of the new refinancing.

Events of Default under the New Debt

The New Term Loan Facility contains certain events of default, subject to certain qualifications, exceptions and grace periods, the occurrence of which will provide creditors with the ability to accelerate payment of outstanding amounts plus accrued and unpaid interest.

New Revolving Credit Facility Agreement (RCF)

On July 11, 2013, Thomson Licensing entered into the New Revolving Credit Facility which provides for borrowings up to an aggregate principal amount of €100 million, which may be drawn in euros or dollars. The New Revolving Credit Facility has a term of five years.

26.2 Agreement with Francisco partner regarding Grass Valley Broadcast business disposed of in 2010

On July 16, 2013, following discussions initiated during the first half of 2013, Technicolor and Francisco Partners signed an agreement for an immediate payment of the promissory note to Technicolor and the settlement of several outstanding liabilities and contingencies (see note 10).

IV STATUTORY AUDITORS REPORT ON THE INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2013

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

To the Shareholders,

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

- the review of the accompanying interim condensed consolidated financial statements of Technicolor S.A, for the six-month period ended June 30, 2013,
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

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

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

Without qualifying the conclusion expressed above, we draw your attention to the matter set out in the Note 3.1 which discloses the reasons why the interim condensed consolidated financial statements have been prepared on a going concern basis.

2. Specific verification

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

Neuilly-sur-Seine and Courbevoie, July 26, 2013

The Statutory Auditors

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