**2015 FIRST HALF FINANCIAL REPORT**

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

This is the report on the group for the first half 2015 condensed consolidated accounts which are prepared in compliance with *articles L 451-1-2 III* of the *Code monétaire et financier 222-4 et suivants* of the *Règlement Général de l'Autorité des Marchés Financiers.*

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

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

Mr. Frederic Rose, Chief Executive Officer, Technicolor.

### I - 2 Attestation

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

Issy-les-Moulineaux, July 22th, 2015

Frederic Rose
Chief Executive Officer, Technicolor

## II. GROUP MANAGEMENT REPORT THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

### II.1 Presentation on financial results for the first half of 2015 published on July 23th, 2015

Technicolor announced in a press release dated July 23rd, 2015 its financial results for the first half of 2015. Earnings before interests and taxes (EBIT) amounted to €132 million compared to €122 million in the first half of 2014. Revenues amounted to €1,621 million compared to €1,505 million in the first half of 2014. Net finance expenses totaled €44 million in the first half of 2015 compared to €74 million the first half of 2014.

The income tax charge for the six months ended June 30, 2015 amounts to €29 million (€22 million in the first half of 2014). Net result amounted to a profit of €48 million in the first half of 2015 compared to a profit of €27 million in the first half of 2014.

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 2015**

**Technicolor: Strong First Half 2015 Results**

- Adj. EBITDA of €250 million, up 17.3% YoY
- Net income of €50 million, up €21 million YoY
- EPS up 71.8% YoY
- Full year 2015 objectives confirmed

**Key points**

- Strong performance in Licensing; continuing development of new Technology business initiatives, and announcement of the royalty rate schedule for the HEVC Advance patent pool.
- Sustained revenue growth and improved profitability for Production Services; successful integration of Mr. X and OuiDO, and completion of Mikros Image acquisition.
- DVD volumes down due to an unfavorable comparison base; improvement in volume trends expected in the second half, supported by a strong upcoming slate of major new Theatrical and Games titles.
- Solid performance for Connected Home, with further improvement in overall product mix in all regions; on track for full year revenue growth and ongoing material year-on-year improvement in profitability.
- Successful debt repricing transaction; further improved financial flexibility and reduced borrowing costs.

**2015 objectives confirmed**

- Adjusted EBITDA between €560 million and €590 million;
- Free Cash Flow of at least €230 million;
- Leverage ratio (Net Debt/Adj. EBITDA) of around 0.75x at end December 2015.

## Summary of consolidated results for the first half of 2015 (unaudited)

### Key financial indicators

| In € million | First Half 2014 | First Half 2015 | Change YoY Reported | Change YoY At constant rate |
|---|---|---|---|---|
| **Group revenues** | 1,505 | **1,621** | +7.7% | (1.9)% |
| **Group revenues (excl. legacy activities)** | 1,495 | **1,620** | +8.4% | (1.3)% |
| **Adjusted EBITDA** | 213 | **250** | +17.3% | +16.8% |
| As a % of revenues | 14.2% | 15.4% | +1.2pt | |
| **Adjusted EBIT** | 127 | **159** | +25.5% | +33.4% |
| As a % of revenues | 8.4% | 9.8% | +1.4pt | |
| **EBIT** from continuing operations | 122 | **132** | +8.2% | +19.3% |
| As a % of revenues | 8.1% | 8.1% | +0.0pt | |
| Financial result | (74) | (44) | +30 | |
| Share of profit/(loss) from associates | 1 | 1 | +0 | |
| Income tax | (22) | (29) | (7) | |
| **Profit/(loss)** from continuing operations | 27 | **60** | +33 | |
| Profit (loss) from discontinued operations | 0 | (12) | (12) | |
| **Net income** | 27 | **48** | +21 | |
| **Net income (Group share)** | 29 | **50** | +21 | |
| EPS (in €) | €0.09 | €0.15 | +71.8% | |
| **Free cash flow** | 129 | **117** | (12) | |
| **Net financial debt** at nominal value (non IFRS) | 671 | **628** | (43) | |

Revenues from continuing operations (excluding legacy activities) reached €1,620 million in the first half of 2015, up 8.4% at current currency compared to the first half of 2014. At constant currency, revenues were down 1.3% year-on-year. A strong increase in Licensing revenues, as a result of higher contribution of the MPEG LA pool and sustained revenues across other licensing programs, and double-digit growth across Production Services, led by Visual Effect (“VFX”) and Animation activities, helped to mitigate lower DVD revenues and a softer performance in Connected Home revenues.

Adjusted EBITDA from continuing operations was €250 million in the first half of 2015, up 17.3% at current currency compared to the first half of 2014. Adjusted EBITDA margin amounted to 15.4%, up by 1.2 points year-on-year, driven by stronger Licensing revenues and improved Production Services performance, reflecting healthy top-line growth and the exit from low margin Media Services activities, which offset lower DVD volumes and continued investments in new Technology business initiatives. Connected Home contribution was almost stable, despite lower revenues, due to solid execution and better product mix.

In the first half of 2015, Technicolor continued to optimize its cost base and to generate efficiencies across its businesses as well as at corporate level.

Adjusted EBIT from continuing operations totaled €159 million in the first half of 2015, up 25.5% at current currency compared to the first half of 2014, with margin of 9.8%, up 1.4 point year-over-year, as a result of higher Adjusted EBITDA, partially offset by increased D&A expenses.

EBIT from continuing operations reached €132 million in the first half of 2015, up 8.2% at current currency compared to the first half of 2014, with margin of 8.1%, stable year-on-year, resulting from higher Adjusted EBIT, offset principally by restructuring costs related to the exit from Media Services activities.

The Group's financial result totaled €(44) million in the first half of 2015 compared to €(74) million in the first half of 2014, reflecting the following:

- Net interest costs amounted to €27 million in the first half of 2015, a significant reduction compared to €39 million in the first half of 2014, driven by reduced interest rates stemming from the 2014 and 2015 repricing transactions.
- Other financial charges amounted to €17 million in the first half of 2015 compared to €35 million in the first half of 2014.

Group net income was a profit of €50 million in the first half of 2015, a significant increase compared to the €29 million achieved in the first half of 2014.

**Statement of financial position and cash position**

| | First Half | | Change YoY |
|---|---|---|---|
| **In € million** | **2014** | **2015** | Reported |
| Operating cash flow from continuing operations | 141 | **179** | +38 |
| Group free cash flow | 129 | **117** | (12) |
| Nominal gross debt | 973* | **1,009** | +36 |
| Cash position | 328* | **381** | +53 |
| Net financial debt at nominal value (non IFRS) | 645* | **628** | (17) |

**As of 31 December 2014.*

Operating cash flow from continuing operations, which is defined as the Adjusted EBITDA less net capital expenditures and restructuring cash out, was €179 million in the first half of 2015, up by €38 million year-on-year. Operating cash flow represented 11% of total revenues, up by 1.7 points year-on-year, reflecting increased Adjusted EBITDA and a reduction in capital expenditures, partially offset by slightly higher cash outflow for restructuring. Capital expenditures totaled €43 million, down by €4 million year-on-year, as the Group continued to carefully manage spending and focus investments on growth areas, including capacity expansion in Production Services. Cash outflow for restructuring totaled €28 million, up by €2 million year-on-year, due to ongoing cost optimization actions across the Group's businesses and at corporate level.

Group free cash flow totaled €117 million in the first half of 2015, down by €12 million year-on-year. Cash financial charges amounted to €41 million, stable year-over-year, as the positive impact of the repricing transactions on borrowing costs was offset by an increase in other financial charges. Working capital variation was positive €29 million, mainly as a result of a favorable phasing of Licensing programs and improved working capital in the DVD Services division. Other cash charges, mainly related to tax and pensions, amounted to €41 million.

Nominal gross debt amounted to €1,009 million at end June 2015, an increase of €36 million compared to €973 million at end December 2014, after mandatory senior debt repayments of €26 million, which were fully offset by a negative currency impact of €55 million resulting from the appreciation of the US dollar against the euro.

The Group's cash position was €381 million at end June 2015 compared to €328 million at end December 2014, an increase of €53 million, due to sustained free cash flow generation and positive currency impact, partly offset by cash used for Mikros acquisition, dividend payment and mandatory senior debt repayment.

Net debt at nominal value amounted to €628 million at end June 2015 compared to €645 million at end December 2014, a reduction of €17 million.

## Segment review – H1 2015 result highlights

### Technology

| | H1 2014 | | H1 2015 | | Change YoY | |
|---|---|---|---|---|---|---|
| | In € million | As a % of revenues | In € million | As a % of revenues | Reported | At constant rate |
| Revenue | 216 | | **268** | | +24.0% | +23.2% |
| Adjusted EBITDA | 149 | 69.0% | **197** | 73.8% | +32.6% | |
| Adjusted EBIT | 141 | 65.4% | **187** | 70.0% | +32.8% | |
| EBIT | 140 | 65.0% | **188** | 70.1% | +33.8% | |

Revenues reached €268 million in the first half of 2015, up 24% at current currency compared to the first half of 2014. Licensing revenues amounted to €258 million in the period, up by €47 million year-on-year, reflecting increased revenues from the MPEG LA pool and an ongoing solid performance of the Group's direct licensing programs, in particular for Digital TV, which notably benefited from the contribution of new contracts signed over the course of the fourth quarter of 2014.

Adjusted EBITDA amounted to €197 million in the first half of 2015 compared to €149 million in the first half of 2014. Adjusted EBITDA margin stood at 73.8%, up by 4.8 points year-over-year, driven by strong Licensing performance, which more than offset continued investment in new business initiatives, including in particular additional costs associated with the development of the Group's Trademark and Technology Licensing activities, in line with Drive 2020 objectives.

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### Entertainment Services

| | H1 2014 | | H1 2015 | | Change YoY | |
|---|---|---|---|---|---|---|
| | In € million | As a % of revenues | In € million | As a % of revenues | Reported | At constant rate |
| Revenue (excl. Legacy) | 612 | | **687** | | +12.2% | (1.7)% |
| Legacy | 10 | | **1** | | (90.2)% | (91.9)% |
| Adjusted EBITDA | 71 | 11.4% | **64** | 9.3% | (10.3)% | |
| Adjusted EBIT | 17 | 2.7% | **1** | 0.2% | (93.4)% | |
| EBIT | 12 | 1.9% | **(20)** | (2.9)% | ns | |

Revenues (excluding legacy activities) reached €687 million in the first half of 2015, up 12.2% at current currency compared to the first half of 2014. This performance was driven by a positive forex impact and a strong growth of Production Services revenues, which partially offset lower DVD volumes.

- **Production Services** revenues increased very strongly in the first half of 2015, driven by continuous double-digit growth across Visual Effects ("VFX") and Animation activities, and a solid level of activity in Post-production Services both in Canada and France. During the first half of 2015, Production Services completed the shutdown of most Media Services activities and reached an agreement with Deluxe to combine their Digital Cinema activities, reflecting the Group's decision to focus the business on content production and post-production services. Excluding the Media Services activities, Production Services would have recorded an even stronger performance.

Technicolor continued to grow at record levels in VFX for feature films, with all facilities working on numerous projects at the same time and secured several new awards during the first half of 2015. This strong level of activity was coupled with the accretive integration of Mr. X that achieved a strong performance during the first half of 2015. VFX for commercials also grew across facilities. Animation revenues increased significantly during the period, benefiting from the integration of the French-based production house OuiDO Productions. Animation is expected to record strong growth in the second half of 2015, in particular with the acquisition of Mikros completed in June 2015, which benefits from a solid pipeline in feature animation, after completing work on *Le Petit Prince* and *Mune, Le Gardien de la Lune* (Onyx) in the first half of 2015.

Technicolor further confirmed in the first half of 2015 its key contribution to tentpole movies, providing VFX and Post-production Services on feature films including *The Fantastic Four 3* and *Frankenstein* (Fox), *Terminator Genisys* (Paramount), *The Hunger Games: Mocking Jay Part 2* (Lionsgate), *Pan* (Warner) and *Spectre* (Sony). The Group also confirmed its leadership in TV series, with Post-production teams completing work on approximately 10 different series, and Mr. X teams completing work on the new seasons of *Penny Dreadful* (Showtime) and *The Strain* (FX), while starting work on the second season of *Marco Polo* (Netflix).

- **DVD Services** revenues decreased in the first half of 2015, as a result of a 12% decline in combined Standard Definition and Blu-ray™ disc volumes compared to a strong first half of 2014 that benefited from the significant success of Disney's *Frozen*, as well a generally stronger slate of major studio releases. The impact of the improved 2015 box office, up 6% in the US in the first half, has not yet benefited replication volumes, as the majority of 2015 largest releases, including the top-6 grossing movies year-to-date (all from Technicolor customers) will be replicated in the second half of the year. In Games, Xbox One volume grew in the first half, but was more than offset by continued weakening demand for the prior generation of Xbox platform. This trend is expected to improve in the second half, with the strong upcoming slate of major new games titles from multiple publishers, which in combination with the aforementioned theatrical title impacts, are expected to drive improvements in volume trends in the second half of the year.

Adjusted EBITDA amounted to €64 million in the first half of 2015, down €7 million compared to the first half of 2014, and margin decreased to 9.3%. The decline in Adjusted EBITDA was primarily due to lower volumes and a negative mix impact in DVD Services that the strong performance of Production Services, in particular in the second quarter, has partially offset.

- In **Production Services**, adjusted EBITDA was better year-on-year, primarily due to higher sales in VFX and Animation activities. The improvement was particularly strong in the second quarter with the Group exiting from the low margin Media Services activity.
- In **DVD Services**, adjusted EBITDA was down year-over-year in absolute value as a result of lower volumes. Unfavorable product mix, as well as lower multi-disc configurations served to also negatively impact profit in the first half.

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### Connected Home

| | H1 2014 | | H1 2015 | | Change YoY | |
|---|---|---|---|---|---|---|
| | In € million | As a % of revenues | In € million | As a % of revenues | Reported | At constant rate |
| Revenue | 655 | | **652** | | (0.5)% | (8.9)% |
| Adjusted EBITDA | 30 | 4.5% | **28** | 4.3% | (5.8)% | |
| Adjusted EBIT | 9 | 1.4% | **14** | 2.1% | +54.7% | |
| EBIT | 6 | 1.0% | **3** | 0.5% | (50.3)% | |

Revenues amounted to €652 million in the first half of 2015, down 0.5% at current currency compared to the first half of 2014. This performance resulted from a strong improvement in overall product mix, which offset lower total product volumes of 13.7 million units in the period (-17%).

As expected, Connected Home faced a lower level of activity in developed markets as compared to a strong first half of 2014 that benefited from a high level of demand as part of product deployments at some large customers. The segment continued however to deliver material improvement in overall product mix during the period, both in North America and in Europe, Middle East and Africa, which mitigated the negative volume impact. This mix improvement resulted from the introduction of new products and a ramp up in the value chain. In emerging markets, the shift of the next phase of the digitization in India towards the second half of 2015 affected the level of activity in Asia-Pacific, while global demand was solid in Latin America outside Brazil, notably in Mexico. Both regions also benefited from improved overall product mix in the period.

Adjusted EBITDA amounted to €28 million in the first half of 2015, almost stable compared to the first half of 2014, as strongly improved gross margin nearly fully offset the impact of lower revenues. Gross margin stood at 15.8%, up by 1.5 points year-on-year, driven by continued solid operating execution, supply chain efficiency and product cost improvement across the segment, and further improved product mix. Adjusted EBITDA margin amounted to 4.3% in the period, relatively unchanged year-over-year.

Technicolor expects the revenue softness experienced by Connected Home in the second quarter of 2015 to persist in the third quarter, particularly in North America, and sales growth to resume strongly across all regions in the fourth quarter. Connected Home revenues are expected as a result to grow materially faster than the market on a full year basis (at current currency). Technicolor is confident in its ability to achieve a continued material year-on-year improvement in the profitability of Connected Home in 2015.

## Segment review – Q2 2015 revenue highlights

### Group revenues by segment

| | Second Quarter | | Change YoY | |
|---|---|---|---|---|
| **In € million** | **2014** | **2015** | **Reported** | **At constant rate** |
| Technology | 103 | **145** | +40.5% | +50.9% |
| Entertainment Services | 284 | **329** | +15.8% | +1.0% |
| Connected Home | 364 | **335** | (8.0)% | (15.4)% |
| **Group revenues (excl. legacy activities and Other)** | 751 | **809** | +7.6% | (0.1)% |
| Legacy activities | 5 | **0** | (92.8)% | (94.2)% |
| Other | 6 | **7** | +28.0% | +3.4% |
| **Group revenues** | 762 | **816** | +7.2% | (0.7)% |

**Technology** revenues reached €145 million in the second quarter of 2015, up 40.5% at current currency compared to the second quarter of 2014. Licensing revenues amounted to €140 million in the period, up by €40 million year-over-year. This performance was primarily the result of a strong increase in MPEG LA revenues, due to the Group's higher percentage share of the pool's revenues and solid trends across TV, PC and digital set top box markets in North America over the second half of 2014, which more than offset an adverse impact from currency hedging. The contribution of the Group's direct licensing programs was also sustained during the quarter.

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**Entertainment Services** revenues (excluding legacy activities) totaled €329 million in the second quarter of 2015, up 15.8% at current currency compared to the second quarter of 2014, driven by a positive forex impact and the strong revenue performance of the Production Services division, which delivered another quarter of double-digit year-on-year growth, partially offset by lower DVD volumes.

- **Production Services** revenues were up significantly year-on-year, with another quarter of double-digit growth in VFX and Animation, reflecting strong organic growth across activities and incremental revenues generated by the successful integration of Mr. X and OuiDO Productions. Post-production Services revenues were particularly strong in France and in Canada, which fully offset lower revenues in the US, mostly due to a lower number of productions compared to last year and the shift of several titles into the second half of 2015. This strong performance was not altered by the shutdown of most Media Services activities at the end of the first quarter and the deconsolidation of Digital Cinema activities at the end of the second quarter following the closing of the joint venture with Deluxe. The Group successfully completed the acquisition of Mikros Image in June 2015.

- **DVD Services** revenues decreased in the second quarter of 2015, mainly driven by a 13% decline in combined Standard Definition DVD and Blu-ray™ disc volumes as compared to the second quarter of 2014. Standard Definition DVD volumes declined by 15% in the period, due to continued reductions in Xbox 360 volumes, as well as general weakness in studio catalog/promotional volumes that impacted Blu-ray volumes as well. Blu-ray disc volumes decreased by only 1%, much improved over the 10% decline experienced in the first quarter of 2015.

  Major titles produced in the second quarter of 2015 included *American Sniper* (Warner Bros.), *Fifty Shades of Grey* (Universal) and *The SpongeBob Movie: Sponge Out of Water* (Paramount).

**Volume Data for DVD Services**

| | | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|---|
| **In million units** | | **2014** | **2015** | Change | **2014** | **2015** | Change |
| **Total Combined Volumes** | | 260.6 | **226.5** | (13.1)% | 565.0 | **496.0** | (12.2)% |
| By Format | SD-DVD | 218.8 | **185.1** | (15.4)% | 457.9 | **396.1** | (13.5)% |
| | Blu-ray™ | 41.9 | **41.4** | (1.1)% | 107.1 | **100.0** | (6.6)% |
| By Segment | Studio / Video | 245.9 | **213.8** | (13.0)% | 526.5 | **466.3** | (11.4)% |
| | Games | 8.8 | **5.9** | (33.0)% | 21.1 | **15.5** | (26.7)% |
| | Software & Kiosk | 5.9 | **6.7** | +14.0% | 17.4 | **14.3** | (18.1)% |

- **Legacy activity** revenues were not material in the second quarter of 2015 compared to €5 million in the second quarter of 2014, as the Group completed this quarter the exit of these activities. IZ-ON Media was transferred from the Entertainment Services segment to the Other segment in the first quarter, as a result of the Group's decision to divest from this activity. Technicolor completed on 30 June 2015 the disposal of IZ-ON Media to STRATACACHE.

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**Connected Home** revenues amounted to €335 million in the second quarter of 2015, down 8% at current currency compared to a strong second quarter of 2014. This performance reflected lower product volumes across most regions, with the exception of Latin America, offset in part by a material improvement in overall product mix.

Connected Home secured a number of new awards and customer wins across all regions during the quarter, including high-end devices. Technicolor announced an ongoing collaboration with CANAL+ Group to create next-generation content experiences, beginning with the launch of the "Cube S", a hybrid terrestrial TV and IP set top box that takes full advantage of Over-the-Top ("OTT") delivery to give access to more than 150 channels and on demand and catch-up TV services. The Group also won a new major contract at Sky Brazil for the delivery of next-generation set top boxes.

**Q2 2015 Regional Highlights**

- In **North America**, revenues declined significantly in the second quarter of 2015 compared to a strong second quarter of 2014 that benefited from large customer deliveries associated with sustained set top box demand in Satellite and ongoing product deployments in Cable. Connected Home's level of activity was also impacted by a more cautious approach from customers towards product orders and inventory management related to pending industry consolidation. Overall product mix improved strongly year-on-year, resulting mainly from an increased contribution of higher-end Cable devices in the sales mix.
- In **Latin America**, revenues decreased in the second quarter of 2015 compared to the second quarter of 2014, despite increased product shipments, which expanded for the fourth consecutive quarter. This performance mainly reflected a slowdown in customer demand and increased commercial pressures in Brazil, which offset a solid level of activity in other countries of the region, especially Mexico, Chile and Argentina, driven by stronger higher deliveries of Broadband Cable and Telecom gateways. Excluding Brazil, revenues increased year-over-year in the region, while overall product mix also improved.
- In **Europe, Middle East and Africa**, revenues were up in the second quarter of 2015 compared to the second quarter of 2014, as a strong improvement in overall product mix more than offset lower product shipments. This volume decline primarily reflected an unfavorable comparison to the second quarter of 2014, which benefited from a stronger level of demand as part of product deployments at some large customers, including the positive effect of the 2014 FIFA World Cup.
- In **Asia-Pacific**, revenues declined significantly in the second quarter of 2015 compared to the second quarter of 2014, reflecting a strong reduction in product shipments, particularly for set top boxes, due to the shift of the next phase of the digitization in India to the second half of 2015. This impact was partly mitigated by a significant year-on-year improvement in product mix, driven by an increased contribution of higher-end Broadband devices in the sales mix. Connected Home also continued to grow its market position in China, where revenues doubled year-over-year, although from a relatively small base.

**Volume Data for Connected Home**

| | | Second Quarter | | | First Half | | |
|---|---|---|---|---|---|---|---|
| **In million units** | | **2014** | **2015** | Change | **2014** | **2015** | Change |
| **Total Combined Volumes*** | | 9.5 | **7.1** | (25.1)% | 16.5 | **13.7** | (16.9)% |
| By Region | North America | 2.6 | **1.6** | (40.1)% | 4.0 | **3.1** | (21.5)% |
| | Latin America | 2.7 | **2.9** | +5.3% | 5.5 | **6.0** | +7.9% |
| | Europe, Middle-East and Africa | 2.1 | **1.8** | (14.6)% | 4.0 | **3.3** | (18.3)% |
| | Asia-Pacific | 2.0 | **0.9** | (57.4)% | 3.0 | **1.3** | (55.5)% |

** Including tablets and other connected devices.*

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**Summary of consolidated results as reported (unaudited)**

| | First Half | | |
|---|---|---|---|
| **In € million** | **2014** | **2015** | Change |
| **Group revenues** from continuing operations | 1,505 | **1,621** | **+7.7%** |
| Change at constant currency (%) | - | (1.9)% | |
| Technology | 216 | 268 | +24.0% |
| Entertainment Services | 622 | 687 | +10.6% |
| Connected Home | 655 | 652 | (0.5)% |
| Other | 12 | 14 | +11.8% |
| **Adjusted EBITDA** from continuing operations | 213 | **250** | **+17.3%** |
| As a % of revenues | 14.2% | 15.4% | +1.2pt |
| Technology | 149 | 197 | +32.6% |
| Entertainment Services | 71 | 64 | (10.3)% |
| Connected Home | 30 | 28 | (5.8)% |
| Other | (37) | (39) | (7.6)% |
| **Adjusted EBIT** from continuing operations | 127 | **159** | **+25.5%** |
| As a % of revenues | 8.4% | 9.8% | +1.4pt |
| Technology | 141 | 187 | +32.8% |
| Entertainment Services | 17 | 1 | (93.4)% |
| Connected Home | 9 | 14 | +54.7% |
| Other | (40) | **(43)** | (7.1)% |
| **EBIT** from continuing operations | 122 | **132** | **+8.2%** |
| As a % of revenues | 8.1% | 8.1% | +0.0pt |
| Financial result | (74) | (44) | +30 |
| Share of profit/(loss) from associates | 1 | 1 | +0 |
| Income tax | (22) | (29) | (7) |
| **Profit/(loss)** from continuing operations | 27 | **60** | **+33** |
| Profit/(loss) from discontinued operations | 0 | (12) | (12) |
| **Net income** | 27 | **48** | **+21** |
| **Net income (Group share)** | 29 | **50** | **+21** |
| EPS (in €) | €0.09 | €0.15 | +71.8% |
| **Free cash flow** | 129 | **117** | **(12)** |
| **Net financial debt** at nominal value (non-IFRS) | 671 | **628** | **(43)** |
| Net financial debt (IFRS) | 608 | 563 | (45) |

**Reconciliation of adjusted indicators (unaudited)**

Technicolor is presenting, in addition to published results and with the aim to provide a more comparable view of the evolution of its operating performance in the first half of 2015 compared to the first half of 2014 a set of adjusted indicators, which exclude the following items as per the statement of operations of the Group's consolidated financial statements:

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

These adjustments, the reconciliation of which is detailed in the following table, amounted to an impact on Group EBIT from continuing operations of €(28) million in the first half of 2015 compared to €(5) million in the first half of 2014.

| | First Half | | |
|---|---|---|---|
| **In € million** | **2014** | **2015** | Change |
| **EBIT from continuing operations** | 122 | **132** | +10 |
| Restructuring costs, net | (11) | **(31)** | (20) |
| Net impairment losses on non-current operating assets | 0 | **(9)** | (9) |
| Other income/(expense) | 6 | **12** | +6 |
| **Adjusted EBIT from continuing operations** | 127 | **159** | +32 |
| As a % of revenues | 8.4% | 9.8% | +1.4pt |
| Depreciation and amortization (D&A)* | 86 | **91** | +5 |
| **Adjusted EBITDA from continuing operations** | 213 | **250** | +37 |
| As a % of revenues | 14.2% | 15.4% | +1.2pt |

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

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**Pro forma financial indicators (unaudited)**

In the first half of 2015, Technicolor proceeded to several structural enhancements impacting the Entertainment Services segment, including the shutdown of most Media Services activities completed at the end of the first quarter, the deconsolidation of Digital Cinema activities following the closing of the joint venture agreement with Deluxe at the end of the second quarter, and the exit of legacy activities (Film Services) finalized in the second quarter. The Group also completed the disposal of IZ-ON that impacts the Other segment. In order to facilitate the analysis of its future performance, Technicolor is presenting in the table below pro forma quarterly financial indicators for the full year 2014 and the first half of 2015 excluding all the aforementioned activities.

| In € million | 1Q14 | 2Q14 | 1H14 | 3Q14 | 4Q14 | 2H14 | 2014 | 1Q15 | 2Q15 | 1H15 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **714** | **736** | **1,450** | **815** | **951** | **1,766** | **3,216** | **778** | **793** | **1,571** |
| Change at current rate (%) | | | | | | | | 9.0% | 7.9% | 8.4% |
| Change at constant rate (%) | | | | | | | | (2.4)% | 0.3% | (1.0)% |
| Technology | 113 | 103 | 216 | 116 | 159 | 275 | 490 | 123 | 145 | 268 |
| Entertainment Services | 310 | 268 | 579 | 331 | 434 | 764 | 1,343 | 338 | 313 | 652 |
| Connected Home | 291 | 364 | 655 | 369 | 358 | 727 | 1,382 | 317 | 335 | 652 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Adjusted EBITDA** | | | **209** | | | **329** | **538** | | | **242** |
| As a % of revenues | | | 14.4% | | | 18.6% | 16.7% | | | 15.4% |
| Technology | | | 149 | | | 210 | 359 | | | 197 |
| Entertainment Services | | | 68 | | | 115 | 183 | | | 60 |
| Connected Home | | | 30 | | | 47 | 77 | | | 28 |
| Other | | | (37) | | | (44) | (81) | | | (44) |
| **Adjusted EBIT** | | | **128** | | | **235** | **363** | | | **156** |
| As a % of revenues | | | 8.8% | | | 13.3% | 11.3% | | | 10.0% |
| Technology | | | 141 | | | 201 | 342 | | | 187 |
| Entertainment Services | | | 18 | | | 53 | 71 | | | 3 |
| Connected Home | | | 9 | | | 29 | 38 | | | 14 |
| Other | | | (41) | | | (48) | (89) | | | (47) |
| **EBIT** | | | **124** | | | **178** | **302** | | | **147** |
| As a % of revenues | | | 8.6% | | | 10.1% | 9.4% | | | 9.4% |
| Technology | | | 140 | | | 200 | 340 | | | 188 |
| Entertainment Services | | | 12 | | | (5) | 7 | | | 0 |
| Connected Home | | | 6 | | | 28 | 34 | | | 3 |
| Other | | | (34) | | | (45) | (79) | | | (43) |

## III. GROUP UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2015

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# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

| (in million euros) | Note | Six months ended June 30, 2015 Unaudited | Six months ended June 30, 2014 Unaudited |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenues | | 1,621 | 1,505 |
| Cost of sales | | (1,227) | (1,160) |
| **Gross margin** | | **394** | **345** |
| Selling and administrative expenses | (5) | (166) | (150) |
| Research and development expenses | | (68) | (68) |
| Restructuring costs | (15.2) | (31) | (11) |
| Other income (expense) | (5) | 3 | 6 |
| **Profit (loss) from continuing operations before tax and net finance income (expense)** | | **132** | **122** |
| Interest income | | 6 | 4 |
| Interest expense | | (33) | (43) |
| Other financial income (expense) | | (17) | (35) |
| **Net finance income (expense)** | (6) | **(44)** | **(74)** |
| Share of loss from associates | | 1 | 1 |
| Income tax | (7) | (29) | (22) |
| **Profit (loss) from continuing operations** | | **60** | **27** |
| **Discontinued operations** | | | |
| Net gain (loss) from discontinued operations | (8) | (12) | - |
| **Net income (loss)** | | **48** | **27** |
| *Attributable to:* | | | |
| *- Equity holders* | | *50* | *29* |
| *- Non-controlling interest* | | *(2)* | *(2)* |

| (in euro, except number of shares) | Note | Six months ended June 30, 2015 Unaudited | Six months ended June 30, 2014 Unaudited |
|---|---|---|---|
| Weighted average number of shares outstanding (basic net of treasury shares held) | (17) | 335,731,511 | 335,309,125 |
| ***Earnings (loss) per share from continuing operations*** | | | |
| - basic | | 0.18 | 0.09 |
| - diluted | | 0.18 | 0.09 |
| ***Earnings (loss) per share from discontinued operations*** | | | |
| - basic | | (0.04) | - |
| - diluted | | (0.04) | - |
| ***Total earnings (loss) per share*** | | | |
| - basic | | 0.14 | 0.09 |
| - diluted | | 0.14 | 0.09 |

*The accompanying notes on pages 8 to 32 are an integral part of these unaudited interim condensed consolidated financial statements.*

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (in million euros) | Note | Six months ended June 30, 2015 Unaudited | Six months ended June 30, 2014 Unaudited |
|---|---|---|---|
| *Net income (loss) for the period* | | *48* | *27* |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Remeasurement of the defined benefit obligation | *(15.1)* | 18 | (29) |
| ***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 adjustment of the period | | - | 2 |
| Fair value gains / (losses), gross of tax on cash flow hedges : - on cash flow hedges before the hedged transactions affect profit or loss | *(12)* | 8 | - |
| Currency translation adjustments: | | | |
| - currency translation adjustments of the period | | 19 | 21 |
| - reclassification adjustments on disposal or liquidation of a foreign operation | | (2) | - |
| Total other comprehensive income [1] | | 43 | (6) |
| **Total comprehensive income for the period** | | **91** | **21** |
| *Attributable to:* | | | |
| *- Equity holders of the parent* | | *93* | *23* |
| *- Non-controlling interest* | | *(2)* | *(2)* |

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

*The accompanying notes on pages 8 to 32 are an integral part of these unaudited interim condensed consolidated financial statements.*

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(in million euros)* | *Note* | June 30, 2015 Unaudited | December 31, 2014 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *(9)* | 278 | 284 |
| Goodwill | *(10)* | 499 | 448 |
| Other intangible assets | *(10)* | 492 | 476 |
| Investments in associates and joint ventures | | 17 | 10 |
| Investments and available-for-sale financial assets | | 17 | 8 |
| Contract advances and up-front prepaid discount | | 47 | 53 |
| Deferred tax assets | | 348 | 342 |
| Income tax receivable | | 1 | 1 |
| Other non-current assets | | 54 | 37 |
| Cash collateral and security deposits | *(11)* | 15 | 15 |
| **Total non-current assets** | | **1,768** | **1,674** |
| **Current assets** | | | |
| Inventories | | 158 | 99 |
| Trade accounts and notes receivable | | 513 | 580 |
| Derivative financial instruments | | 2 | 2 |
| Income tax receivable | | 54 | 35 |
| Other current assets | | 307 | 326 |
| Cash collateral and security deposits | *(11)* | 21 | 21 |
| Cash and cash equivalents | *(11)* | 381 | 328 |
| **Total current assets** | | **1,436** | **1,391** |
| **Total assets** | | **3,204** | **3,065** |

*The accompanying notes on pages 8 to 32 are an integral part of these unaudited interim condensed consolidated financial statements.*

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# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(in million euros)* | *Note* | June 30, 2015 Unaudited | December 31, 2014 Audited |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | *(12)* | | |
| Common stock *(337,908,662 shares at June 30, 2015 with nominal value of €1 per share)* | | 338 | 336 |
| Treasury shares | | (157) | (157) |
| Additional paid-in capital | | 941 | 939 |
| Subordinated perpetual notes | | 500 | 500 |
| Other reserves | | (41) | (45) |
| Retained earnings (accumulated deficit) | | (1,048) | (1,095) |
| Cumulative translation adjustment | | (237) | (255) |
| **Shareholders' equity attributable to owners of the parent** | | **296** | **223** |
| Non-controlling interest | | 6 | (4) |
| **Total equity** | | **302** | **219** |
| **Non-current liabilities** | | | |
| Borrowings | *(14)* | 882 | 852 |
| Retirement benefits obligations | *(15.1)* | 364 | 384 |
| Restructuring provisions | *(15.2)* | - | 2 |
| Other provisions | *(15.3)* | 45 | 56 |
| Deferred tax liabilities | | 112 | 106 |
| Other non-current liabilities | | 176 | 189 |
| **Total non-current liabilities** | | **1,579** | **1,589** |
| **Current liabilities** | | | |
| Borrowings | *(14)* | 62 | 59 |
| Retirement benefits obligations | *(15.1)* | 31 | 30 |
| Restructuring provisions | *(15.2)* | 36 | 34 |
| Other provisions | *(15.3)* | 52 | 62 |
| Trade accounts and notes payable | | 509 | 502 |
| Derivative financial instruments | | 1 | 4 |
| Accrued employee expenses | | 131 | 130 |
| Income tax payable | | 42 | 29 |
| Other current liabilities | | 459 | 407 |
| **Total current liabilities** | | **1,323** | **1,257** |
| **Total liabilities** | | **2,902** | **2,846** |
| **Total equity and liabilities** | | **3,204** | **3,065** |

*The accompanying notes on pages 8 to 32 are an integral part of these unaudited interim condensed consolidated financial statements.*

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## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in million euros)* | Note | Six months ended June 30, 2015 Unaudited | 2014 Unaudited |
|---|---|---|---|
| **Net income (loss)** | | **48** | **27** |
| **Income (loss) from discontinued activities** | | **(12)** | **-** |
| **Profit (loss) from continuing activities** | | **60** | **27** |
| *Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations* | | | |
| Depreciation and amortization | | 88 | 83 |
| Impairment of assets | | 10 | 1 |
| Net changes in provisions | | (19) | (22) |
| Gain (loss) on asset disposals | | (6) | (7) |
| Interest (income) and expense | | 27 | 39 |
| Other non-cash items (including tax) | | 36 | 40 |
| Changes in working capital and other assets and liabilities | | 30 | 80 |
| **Cash generated from continuing activities** | | **226** | **241** |
| Interest paid | | (29) | (39) |
| Interest received | | 6 | 4 |
| Income tax paid | | (33) | (21) |
| **Net operating cash generated from continuing activities** | | **170** | **185** |
| Net operating cash used in discontinued activities | | (10) | (9) |
| **Net cash from operating activities (I)** | | **160** | **176** |
| Acquisition of subsidiaries, associates and investments, net of cash acquired | *(18.2)* | (28) | (3) |
| Proceeds from sale of investments, net of cash | *(18.2)* | 2 | 8 |
| Purchases of property, plant and equipment (PPE) | | (20) | (21) |
| Proceeds from sale of PPE and intangible assets | | - | 3 |
| Purchases of intangible assets including capitalization of development costs | | (23) | (29) |
| Cash collateral and security deposits granted to third parties | | (3) | (2) |
| Cash collateral and security deposits reimbursed by third parties | | 6 | 4 |
| Loans (granted to) / reimbursed by third parties | | - | - |
| **Net investing cash used in continuing activities** | | **(66)** | **(40)** |
| Net investing cash used in discontinued activities | | - | (2) |
| **Net cash used in investing activities (II)** | | **(66)** | **(42)** |
| Increase of Capital | | 4 | - |
| Proceeds from borrowings | | 1 | 1 |
| Repayments of borrowings | *(14)* | (27) | (169) |
| Fees paid linked to the debt and capital restructuring | *(18.1)* | (6) | (25) |
| Dividends paid to Group's shareholders | | (17) | - |
| Others | | (5) | - |
| **Net financing cash generated used in continuing activities** | | **(50)** | **(193)** |
| Net financing cash used in discontinued activities | | - | - |
| **Net cash used in financing activities (III)** | | **(50)** | **(193)** |
| **Net increase in cash and cash equivalents (I+II+III)** | | **44** | **(59)** |
| **Cash and cash equivalents at beginning of period** | | **328** | **307** |
| Exchange gains/(losses) and scope variation impacts on cash and cash equivalents | | 9 | 8 |
| **Cash and cash equivalents at end of period** | | **381** | **256** |

*The accompanying notes on pages 8 to 32 are an integral part of these unaudited interim condensed consolidated financial statements.*

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Group | | | | | | | | Non-controlling interest | Total equity (deficit) |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | Share capital | Treasury shares | Additional paid-in capital | Perpetual Notes (TSS) | Other reserves | Retained earnings | Cumulative translation adjustment | **Total Group equity (deficit)** | | |
| **Balance at December 31, 2013** | **335** | **(156)** | **940** | **500** | **15** | **(1,228)** | **(287)** | **119** | **-** | **119** |
| **Variation for the period ended June 30, 2014** | | | | | | | | | | |
| *Total other comprehensive income (*)* | - | - | - | - | (27) | - | 21 | (6) | - | (6) |
| *Net income (loss) for the period* | - | - | - | - | - | 29 | - | 29 | (2) | 27 |
| ***Total comprehensive income for the period*** | - | - | - | - | ***(27)*** | ***29*** | ***21*** | ***23*** | ***(2)*** | ***21*** |
| Capital Increase | 1 | - | (1) | - | - | - | - | - | - | - |
| Treasury shares purchased and sold (net amount) | - | (1) | - | - | - | - | - | (1) | - | (1) |
| Share-based payment to employees | - | - | - | - | 4 | - | - | 4 | - | 4 |
| **Balance at June 30, 2014** | **336** | **(157)** | **939** | **500** | **(8)** | **(1,199)** | **(266)** | **145** | **(2)** | **143** |
| **Variation for the semester ended December 31, 2014** | | | | | | | | | | |
| *Total other comprehensive income (*)* | - | - | - | - | (42) | - | 12 | (30) | - | (30) |
| *Net income (loss) for the period* | - | - | - | - | - | 103 | - | 103 | (2) | 101 |
| ***Total comprehensive income for the period*** | - | - | - | - | ***(42)*** | ***103*** | ***12*** | ***73*** | ***(2)*** | ***71*** |
| Share-based payment to employees | - | - | - | - | 5 | - | - | 5 | - | 5 |
| Other | - | - | - | - | 2 | (2) | - | - | - | - |
| **Balance at December 31, 2014** | **336** | **(157)** | **939** | **500** | **(43)** | **(1,098)** | **(254)** | **223** | **(4)** | **219** |
| **Variation for the period ended June 30, 2015** | | | | | | | | | | |
| *Total other comprehensive income (*)* | - | - | - | - | 26 | - | 17 | 43 | - | 43 |
| *Net income (loss) for the period* | - | - | - | - | - | 50 | - | 50 | (2) | 48 |
| ***Total comprehensive income for the period*** | - | - | - | - | ***26*** | ***50*** | ***17*** | ***93*** | ***(2)*** | ***91*** |
| Capital increase | 2 | - | 2 | - | - | - | - | 4 | - | 4 |
| Capital increase allocated to NCI | - | - | - | - | (12) | - | - | (12) | 12 | - |
| Dividend distribution | - | - | - | - | (17) | - | - | (17) | - | (17) |
| Treasury shares purchased and sold (net amount) | - | - | - | - | - | - | - | - | - | - |
| Share-based payment to employees | - | - | - | - | 5 | - | - | 5 | - | 5 |
| **Balance at June 30, 2015** | **338** | **(157)** | **941** | **500** | **(41)** | **(1,048)** | **(237)** | **296** | **6** | **302** |

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

*The accompanying notes on pages 8 to 32 are an integral part of these unaudited interim condensed consolidated financial statements.*

## 1. Main events of the period

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

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

## 2. Summary of significant accounting policies

### *2.1 Basis of preparation of the financial statements*

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

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

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as of July 22, 2015, 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 2014 annual consolidated financial statements.

The accounting policies applied by the Group are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2014, and described in note 2 to the 2014 annual consolidated financial statements and at the beginning of each note, which are an integral part of the 2014 Group's Annual Report except for the standards, amendments and interpretations which have been applied for the first time in 2015 (see note 2.4).

These condensed consolidated financial statements are presented in euro.

The interim condensed consolidated financial statements and notes were approved by the Board of Directors of Technicolor SA and authorized for issuance on July 22, 2015.

### *2.2 Use of estimates and judgment*

The preparation of interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period of the consolidated financial statements.

The principal accounting policies requiring the use of estimates are:

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

The underlying assumptions used for the main estimates are similar to those described as of December 31, 2014. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2015 may subsequently be changed. The Group also uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

### *2.3 Translation of foreign currency transactions*

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

| | Closing Rate | | Average Rate | |
|---|---|---|---|---|
| 1 | **June 2015** | **December 2014** | **June 2015** | **June 2014** |
| U.S. dollar (U.S.$) | 0.89397 | 0.82298 | 0.90047 | 0.72922 |
| Pound sterling (GBP) | 1.40548 | 1.28008 | 1.37472 | 1.22249 |
| Canadian dollar (CAD) | 0.72108 | 0.70877 | 0.72694 | 0.66354 |

### *2.4 New standards and interpretations*

#### (a) Standards, amendments and interpretations effective and applied as of January 1, 2015

| New standard and interpretation | Effective date (1) | Main provisions |
|---|---|---|
| Amendments to IAS 19 - Defined Benefit Plans: Employee Contribution | Annual periods beginning on or after January 1, 2015 | If the amount of contributions is independent of the number of years of service, the contributions may (but are not required) to be recognized as a reduction in service cost in the period in which the related service is rendered instead of being attributed to the periods of service. If the amount of contributions is dependent on the number of years of service, the contributions are required to be attributed to periods of service using the same method required by IAS 19.70 for the gross benefit. This would involve using either the defined benefit plan's contribution formula, or a straight line basis. The group did not have impact. |
| IFRIC 21 – Levies | Annual periods beginning on or after January 1, 2015 | IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred. There was no significant impact identified, because the group does not have significant tax levies. |

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

### (b) Standards, amendments and interpretations that are not yet effective and have not been early adopted by Technicolor

| New standard and interpretation | Effective date [1] | Main provisions |
|---|---|---|
| Amendments to IAS 16 & IAS 38 | Annual periods beginning on or after January 1, 2016 | IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. |
| Amendments to IFRS 11- Acquisition of an Interest in a Joint Operation | Annual periods beginning on or after January 1, 2016 | This amendment was developed for the purposes of transaction in which the interest in a joint operation acquired meets the definition of a business combination in IFRS 3. |
| IFRS 15 – Revenue from contracts with customers | Annual periods beginning on or after January 1, 2017 | IFRS 15 specifies how and when revenue should be recognized. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Considering recent development within the TRG (Transition Resource Group), the Group is waiting for clarification of some guidance which is expected in the second half of 2015. |
| IFRS 9 - Financial Instruments | Annual periods beginning on or after January 1, 2018 | IFRS 9 issued on 24 July 2014 will replace IAS 39 - Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, classification, impairment, derecognition and general hedge accounting. The Standard introduces guidance on applying the business model assessment and the contractual cash flow characteristics assessment. |

(1) The effective dates mentioned in the table above correspond to IASB recommendation.

## 3. Scope of consolidation

### *3.1. Acquisitions and disposals*

#### *(a) Main business acquisitions*

- Ouido Productions

On January 21, 2015, Technicolor acquired 51% of Ouido Productions ("Ouido"), a Paris-based animation house, with 6 permanent employees.

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

The purchase price including the probable earn-out is estimated at €5.4 million (€4.4 million after discount). A debt of €4.4 million was recognized because of the put granted to non-controlling interest. As the net assets acquired represent €(1) million, a provisional goodwill of €6 million has been recognized and is primarily related to synergies that Technicolor anticipates following the integration of this business into the Production Services division.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to June 30, 2015 is not significant.

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

| *(in million euros)* | **Acquirees' carrying amount before combination** | **Capital increase subscribed by Technicolor** | **Fair value adjustments** | **Fair value** |
|---|---|---|---|---|
| **Net assets acquired** | | | | |
| Intangible assets | 10 | - | (6) | 4 |
| Trade receivables & other assets | 2 | - | 1 | 3 |
| Cash (from capital increase on January, 2015) | - | 1 | - | 1 |
| Borrowings | (4) | - | - | (4) |
| Trade payables | (3) | - | - | (3) |
| Other liabilities | (3) | - | 1 | (2) |
| **Total net assets acquired** | **2** | **1** | **(4)** | **(1)** |
| Initial capital increase from January 2015 | | | | 1 |
| Purchase price acquisition to be paid (including earn- out payments' estimates) | | | | 4 |
| **Total purchase consideration paid (including initial capital increase)** | | | | **5** |
| **Goodwill** (provisional amount as of June 30, 2015) | | | | **6** |

- Mikros Image:

On June 5, 2015, Technicolor acquired Mikros Image (Mikros), a French leading VFX and Animation house mainly located in France and Canada, which counts around 180 permanent employees.

The estimated purchase price was valued at €14 million as of June 5, 2015 (after net indebtedness and working capital estimated adjustments) and may be subject to a post-closing adjustment. As part of the purchase price, €12 million have been paid to Mediacontech (the seller) at the closing date and €2 million put in an escrow account to cover the liability guaranty.

The provisional goodwill of €11 million is primarily related to synergies that Technicolor anticipates following the integration of this business into the Production Services division.

The contribution to revenues and operating profit of the Group of the acquired business for the period from its acquisition date to June 30, 2015 is not significant.

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

| *(in million euros)* | **Acquirees' carrying amount before combination** | **Fair value adjustments** | **Fair value** |
|---|---|---|---|
| **Net assets acquired** | | | |
| Property, plant and equipment | 3 | - | 3 |
| Intangible assets | 2 | - | 2 |
| Trade receivables & other assets | 14 | - | 14 |
| Cash | 1 | - | 1 |
| Borrowings including capital leases | (3) | - | (3) |
| Trade payables and & liabilities | (14) | - | (14) |
| **Total net assets acquired** | **3** | **-** | **3** |
| Purchase price paid (before post-closing adjustment) | | | 14 |
| **Total purchase consideration paid** | | | **14** |
| **Goodwill** (as of June 30, 2015) | | | **11** |

### *(b) Main disposals*

- Digital Cinema

On June 4, 2015, Technicolor has partnered its Digital Cinema activity with Deluxe. Under this agreement, Technicolor sold to Deluxe its worldwide activities (except France) in Digital Cinema for a minimum consideration of U.S. $24 million (equivalent to €19 million after discount at the June 2015 average rate), payable over three years. The fixed assets transferred to the partner amounted to €7 million, and Technicolor contributed for €4 million in cash. The total gain related to this disposal amounted to €6 million as of June 30, 2015. Around 260 permanent employees were transferred.

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

| *(€ in millions)* | Digital Cinema |
|---|---|
| **Net assets disposed of** | |
| Fixed assets | (7) |
| Cash contribution to the partner | (4) |
| **Total net liabilities / (assets) disposed of** | **(11)** |
| **Deferred income recognized on the use of Technicolor Trademark** | **(2)** |
| **Disposal price to be received** | **19** |
| Costs linked to the disposal | - |
| CTA recycled in the statement of operations | - |
| **Gain on shares disposed of** | **6** |

- <u>IZON Media LLC</u>

On June 30, 2015, Technicolor sold its subsidiary IZON Media LLC (“IZON”) to Stratacache, a U.S.-based entity specialized in digital signage, for a purchase price of U.S. $1.65 million (€1.5 million at June 2015 average rate), which may be subject to a post-closing working capital adjustment.
IZON had 111 permanent employees as of December 31, 2014.

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

(*) The working capital adjustment will be known 45 days after closing.

### 3.2. Significant judgments and assumptions

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

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

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

Management has analyzed its influence in Tech Finance in accordance with IFRS 10's revised control definition and guidance. It has concluded, further to the analysis on power, return and the ability to use the power to affect returns of Tech Finance that this special purpose vehicle should remain in the Group's scope. Tech Finance assets and liabilities are only those related to the Debt (see note 14).

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

## 4. Information by operating segments

| *(in million euros)* | Technology | Connected Home | Entertainment Services[(1)] | Other [(1)] | Consolidation Adjustments | Total |
|---|---|---|---|---|---|---|
| | Six months ended June 30, 2015 | | | | | |
| **Statement of operations items** | | | | | | |
| Revenues | 268 | 652 | 687 | 14 | - | 1,621 |
| Intersegment sales | - | - | 2 | 1 | (3) | - |
| **EBITDA adjusted** | **197** | **28** | **64** | **(39)** | **-** | **250** |
| **Profit (loss) from continuing operations before tax and net finance income (expense)** | **188** | **3** | **(20)** | **(39)** | **-** | **132** |
| Out of which the main non-cash items below: | | | | | | |
| Amortization of customer relationships | - | - | (6) | - | - | (6) |
| Amortization of contract advances and up-front prepaid discounts | - | - | (12) | - | - | (12) |
| Other depreciation and amortization | (10) | (16) | (43) | (1) | - | (70) |
| Other non-cash income (expense) | - | (8) | (27) | 6 | - | (29) |
| **Statement of financial position items** | | | | | | |
| **Assets** | | | | | | |
| Operating segment assets | 143 | 458 | 831 | 8 | - | 1,440 |
| Goodwill | - | 51 | 448 | - | - | 499 |
| Other segment assets | 150 | 72 | 138 | 27 | - | 387 |
| **Total segment assets** | **293** | **581** | **1,417** | **35** | **-** | **2,326** |
| Investments in associates | - | 1 | - | 16 | - | 17 |
| Unallocated assets | | | | | | 861 |
| **Total consolidated assets** | | | | | | **3,204** |
| **Liabilities** | | | | | | |
| Segment liabilities | 211 | 591 | 573 | 430 | - | 1,805 |
| Unallocated liabilities | | | | | | 1,097 |
| **Total consolidated liabilities (without equity)** | | | | | | **2,902** |
| **Other information** | | | | | | |
| Net capital expenditures [(2)] | (5) | (18) | (19) | (1) | - | (43) |
| Capital employed | 104 | 16 | 571 | (56) | - | 635 |

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

(2) "Net capital expenditures" includes cash used relating to tangible and intangible capital expenditures, net of cash received from tangible and intangible asset disposals.

| *(in million euros)* | Technology | Connected Home | Entertainment Services [1] | Other [1] | Consolidation Adjustments | Total |
|---|---|---|---|---|---|---|
| | **Six months ended June 30, 2014** | | | | | |
| **Statement of operations items** | | | | | | |
| Revenues with external customers | 216 | 655 | 622 | 12 | - | 1,505 |
| Intersegment sales | - | 1 | 2 | - | (3) | - |
| **EBITDA adjusted** | **149** | **30** | **71** | **(37)** | **-** | **213** |
| **Profit (loss) from continuing operations before tax and net finance income (expense)** | **140** | **6** | **12** | **(36)** | **-** | **122** |
| Out of which the main non-cash items below: | | | | | | |
| Amortization of customer relationships | - | - | (5) | - | - | (5) |
| Amortization of contract advances and up-front prepaid discounts | - | - | (10) | - | - | (10) |
| Other depreciation and amortization | (7) | (21) | (38) | (2) | - | (68) |
| Other non-cash income (expense) | (1) | (9) | (7) | (4) | - | (21) |
| **Statement of financial position items** | | | | | | |
| **Assets** | | | | | | |
| Operating segment assets | 132 | 416 | 687 | 14 | - | 1,249 |
| Goodwill | - | 50 | 408 | - | - | 458 |
| Other segment assets | 144 | 60 | 102 | 18 | - | 324 |
| **Total segment assets** | **276** | **526** | **1,197** | **32** | **-** | **2,031** |
| Investments in associates | - | 2 | - | 3 | - | 5 |
| Unallocated assets | | | | | | 730 |
| **Total consolidated assets** | | | | | | **2,766** |
| **Liabilities** | | | | | | |
| Segment liabilities | 238 | 508 | 397 | 468 | - | 1,611 |
| Unallocated liabilities | | | | | | 1,012 |
| **Total consolidated liabilities (without equity)** | | | | | | **2,623** |
| **Other information** | | | | | | |
| Net capital expenditures [2] | (9) | (18) | (20) | - | - | (47) |
| Capital employed | 55 | 33 | 465 | (37) | - | 516 |

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

(2) "Net capital expenditures" includes cash used relating to tangible and intangible capital expenditures, net of cash received from tangible and intangible asset disposals.

## 5. Selling and administrative expenses and other income (expense)

| *(in million euros)* | Six months ended June 30, 2015 | Six months ended June 30, 2014 |
|---|---|---|
| Selling and marketing expenses | (52) | (48) |
| General and administrative expenses | (114) | (102) |
| **Selling and administrative expenses** | **(166)** | **(150)** |
| **Other income (expense)** (1) | **3** | **6** |

(1) In 2015, mainly linked to a gain on the disposal of Digital Cinema activity for €6 million and a gain of €5 million related to litigation settlement, partly offset by fixed asset write-off for €(9) million.

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

## 6. Net finance income (expense)

| *(in million euros)* | Six months ended June 30, 2015 | Six months ended June 30, 2014 |
|---|---|---|
| Interest income | 6 | 4 |
| Interest expense | (33) | (43) |
| **Interest expense, net** (1) | **(27)** | **(39)** |
| Financial component of pension plan expense | (4) | (6) |
| Exchange gain (loss) | (6) | (1) |
| Acceleration of amortization of the effective interest rate on the debt (2) | - | (19) |
| Change in fair value on financial instrument (loss) | (2) | - |
| Other (3) | (5) | (9) |
| **Other financial income (expense), net** | **(17)** | **(35)** |
| **Net finance income (expense)** | **(44)** | **(74)** |

(1) In 2015 interest expense included €6 million due to the difference between the effective interest rate and the nominal rate of the debt. The decrease in 2015 of interest expense compared to 2014 is due to the positive impact of the debt repricing.

(2) In 2014 the debt prepayments (April 30 and May 30) triggered a reversal of the IFRS adjustment (mainly made up of the initial gain resulting from the debt restructuring on May 26, 2010).

(3) In 2014 mainly related to the call premium paid as part of the repricing transaction to creditors which did not accept the roll-over.

## 7. Income tax

The income tax expense for the six months ended June 30, 2015 is determined using the year-end 2015 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, 2015 is summarized below:

| *(in million euros)* | Six months ended June 30, 2015 | Six months ended June 30, 2014 |
|---|---|---|
| France | (15) | (10) |
| Foreign | (14) | (12) |
| **Total income tax** | **(29)** | **(22)** |

## 8. Discontinued operations and held for sale operations

### *a) Discontinued operations*

In 2015 and 2014, there has been no change in the discontinued operations scope.

In 2015, the loss of €12 million from discontinued operations consists mainly of a settlement of some risk and litigation which were related to businesses discontinued some years ago (see note 20).

### *b) Assets and liabilities held for sale*

1.2 In 2015 and 2014, there was no activity classified as held for sale.

## 9. Property, plant and equipment

| *(in million euros)* | Land | Buildings | Machinery & Equipment | Other Tangible Assets (1) | Total |
|---|---|---|---|---|---|
| **At December 31, 2014** | | | | | |
| Cost | 3 | 54 | 1,026 | 269 | 1,352 |
| Accumulated amortization and impairment | - | (28) | (863) | (177) | (1,068) |
| **Year-ended December 31, 2014, net** | **3** | **26** | **163** | **92** | **284** |
| **2015** | | | | | |
| Opening net amount | 3 | 26 | 163 | 92 | 284 |
| Exchange differences | - | 1 | 10 | 7 | 18 |
| Acquisition of subsidiary (2) | - | - | 2 | 1 | 3 |
| Disposal of subsidiary (3) | - | - | (5) | - | (5) |
| Additions | - | - | - | 23 | 23 |
| Amortization charge | - | (2) | (27) | (13) | (42) |
| Impairment losses | - | - | (1) | (1) | (2) |
| Other | - | 1 | 8 | (10) | (1) |
| **Period-ended June 30, 2015, net** | **3** | **26** | **150** | **99** | **278** |
| **At June 30, 2015** | | | | | |
| Cost | 3 | 60 | 1,128 | 311 | 1,502 |
| Accumulated amortization and impairment | - | (34) | (978) | (212) | (1,224) |
| **Period-ended June 30, 2015, net** | **3** | **26** | **150** | **99** | **278** |

(1) Includes tangible assets in progress.

(2) Related to the acquisition of Mikros Image and Ouido Productions (see note 3.1 (a)).

(3) Includes Digital Cinema fixed assets disposed of (see note 3.1 (b)).

## 10. Goodwill and other intangible assets

| *(in million euros)* | Patents and trademarks | Customer relationships | Other intangibles [1] | Total intangible assets | Goodwill |
|---|---|---|---|---|---|
| **At December 31, 2014** | | | | | |
| Cost | 715 | 317 | 254 | 1,286 | |
| Accumulated amortization and impairment | (370) | (267) | (173) | (810) | |
| **Year-ended December 31, 2014, net** | **345** | **50** | **81** | **476** | **448** |
| **2015** | | | | | |
| Opening net amount | 345 | 50 | 81 | 476 | 448 |
| Exchange differences | 24 | 4 | 6 | 34 | 33 |
| Acquisition of subsidiary [2] | 1 | - | 5 | 6 | 17 |
| Additions | - | - | 20 | 20 | 1 |
| Amortization charge | (8) | (6) | (22) | (36) | - |
| Impairment losses [3] | - | - | (8) | (8) | - |
| Other | 1 | - | (1) | - | - |
| **Period-ended June 30, 2015, net** | **363** | **48** | **81** | **492** | **499** |
| **At June 30, 2015** | | | | | |
| Cost | 768 | 280 | 253 | 1,301 | |
| Accumulated amortization and impairment | (405) | (232) | (172) | (809) | |
| **Period-ended June 30, 2015, net** | **363** | **48** | **81** | **492** | **499** |

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

(2) Related to the acquisition of Mikros Image and Ouido Productions (see note 3.1 (a)).

(3) Related to the write-off of capitalized development projects.

## 11. Cash, cash equivalents, cash collateral and security deposits

| *(in million euros)* | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Cash | 132 | 113 |
| Cash equivalents | 249 | 215 |
| **Total** | **381** | **328** |
| | | |
| **Cash collateral and security deposits** (1) | **36** | **36** |

(1) Cash to secure credit facilities and other obligations of the Group, of which the current portion amounted to €21 million as of June 30, 2015 and December 31, 2014, and the non-current portion amounted to €15 million as of June 30, 2015 and as of December 31, 2014. Some cash collaterals for U.S. entities are classified as current because of their short maturity but are renewed automatically for periods of 12 months.

The average interest rate on short-term bank deposits was 4.26% in 2015 (2.54% in 2014); these deposits generally have a maturity of less than 1 month.

## 12. Shareholders' equity

On June 8, 2015, the share capital was increased by 738,205 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 €738,205.

Between May 23, 2015 and June 30, 2015, as part of the Management Incentive Plan (MIP 2015), some share subscription options were exercised, giving rise to the creation of 1,262,787 new shares at an average price of €3.38 euros for a total €4,273,575 corresponding to an increase in the share capital of €1,262,787 and additional paid-in-capital by €3,010,788.

As of June 30, 2015, Technicolor's share capital amounted to €337,908,662, divided into 337,908,662 fully paid-up shares, each with a nominal value of €1.00. As permitted by article L. 225-178 of the French Commercial Code, the modification of the Company's by-laws will be made once after the closing of 2015 fiscal year. The modification will take into consideration the exercise of the share subscription options for the whole fiscal year.

As of June 30, 2015, and to the Company's knowledge, the following companies held more than 5% of the Company' share capital:

- Vector Capital declared that it held 7.03% of the share capital and voting rights of the Company as of June 30, 2015 (against 12.9% at December 31, 2014);
- The Caisse des Dépôts et Consignations declared that it held, jointly with Bpifrance Participations SA, 8.29% of the share capital and voting rights of the Company as of July 12, 2015. The Caisse des Dépôts et Consignations has not disclosed that it has crossed a statutory threshold since then.

The Shareholders' Meeting held on April 9, 2015 has voted the payment of a dividend of €0.05 per share for the fiscal year 2014. The amount of €17 million has been paid to shareholders on May 22, 2015.
As of June 30, 2015, Technicolor owns 483,257 treasury shares.

***Net equity hedging reserve***

As of June 30, 2015, a gain on hedging instruments of €8 million was recognized in OCI. It was not significant as of June 30, 2014.

## 13. Derivative financial instruments

### *13.1 Foreign exchange risk*

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

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

| *(in million euros)* | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Foreign exchange options | 1.4 | - | - | - |
| Forward foreign exchange contracts - cash flow and fair value hedges | 0.3 | 0.8 | 1.9 | 4.0 |
| **Total current** | **1.7** | **0.8** | **1.9** | **4.0** |
| **Total** | **1.7** | **0.8** | **1.9** | **4.0** |

Credit risk on these transactions is minimized by the foreign exchange policy of trading short-term operations. The marked-to-market carrying values shown in the table above, that is, €1.7 million at June 30, 2015 and €1.9 million at December 31, 2014, are therefore a good proxy of the maximum credit risk.

### *13.2 Interest rate risk*

#### *(a) Interest rate derivatives*

At June 30, 2015, the Group had no outstanding interest rate hedging derivatives.

#### *(b) Effective average interest rates (6 months)*

| | First half 2015 | First half 2014 |
|---|---|---|
| Average interest rate on borrowings | 6.85% | 8.44% |
| Average interest rate after interest rate hedging | 6.85% | 8.44% |
| Average interest rate after currency swaps and interest rate hedging | 6.85% | 8.44% |

## 14. Borrowings

See note 1 “Main events of the period”, which describes the repricing transaction that occurred in the first half of 2015.

### *14.1 Analysis by nature*

| *(in million euros)* | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Debt due to financial institutions | 923 | 892 |
| Other financial debt | 13 | 10 |
| Accrued interest | 8 | 9 |
| **Debt under IFRS** | **944** | **911** |
| *Total non-current* | *882* | *852* |
| *Total current* | *62* | *59* |

### 14.2 Summary of the debt

Debt (under IFRS) as of June 30, 2015 consisted principally of the Term Loan Debt in an amount of €919 million. The details are given in the table below:

| *(in million currency)* | Currency | Nominal Amount | IFRS Amount [1] | Type of rate | Nominal rate [2] | Effective rate [2] | Repayment Type | Final maturity |
|---|---|---|---|---|---|---|---|---|
| Term Loan Debt | USD | 763 | 719 | Floating [3] | 5.00% | 6.52% | Amortizing | July 10, 2020 |
| Term Loan Debt | EUR | 301 | 276 | Floating [4] | 5.00% | 7.18% | Amortizing | July 10, 2020 |
| *(in million euros)* | | | | | | | | |
| **Total Term Loan Debt** | | **984** | **919** | | **5.00%** | **6.72%** | | |
| **Total Other Debt** | | **17** | **17** | | **1.98%** | **1.98%** | | |
| **Total Accrued interest** | | **8** | **8** | | | | | |
| **TOTAL** | | **1,009** | **944** | | **4.93%** | **6.59%** | | |

(1) In the interim condensed consolidated statement of financial position the Term Loan Debt was initially recognized at fair value less transaction costs and then subsequently measured at amortized cost.
(2) Rates as of June 30, 2015.
(3) 3 month Libor with a floor of 1.00% + 400bp
(4) 3 month Euribor with a floor of 1.00%+ 400bp

### 14.3 Main features

#### (a) Maturity

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

| *(in million euros)* | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Less than 1 month | 10 | 22 |
| Between 1 and 6 months | 25 | 12 |
| Between 6 months and less than 1 year | 27 | 25 |
| **Total current debt** | **62** | **59** |
| Between 1 and 2 years | 51 | 49 |
| Between 2 and 3 years | 54 | 50 |
| Between 3 and 4 years | 52 | 52 |
| Between 4 and 5 years | 52 | 52 |
| Over 5 years | 738 | 711 |
| **Total non-current debt** | **947** | **914** |
| **Total nominal debt** | **1,009** | **973** |
| **IFRS Adjustment [1]** | **(65)** | **(62)** |
| **Debt under IFRS** | **944** | **911** |

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

#### (b) Interest rate characteristics

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

### (c) Analysis of borrowing by currency

| *(in million euros)* | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Euro | 296 | 296 |
| U.S. Dollar | 648 | 615 |
| **Debt under IFRS** | **944** | **911** |

### (d) Undrawn credit lines

| *(in million euros)* | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Undrawn, committed lines expiring in more than one year | 212 | 203 |

The Group has a receivables backed committed credit facility in an amount of U.S. $125 million (€112 million at the June 30, 2015 exchange rate) which matures in 2019 and a €100 million revolving credit facility (the "RCF") maturing in 2018. Neither was drawn at June 30, 2015, nor at December 31, 2014. The availability of the receivables backed line varies depending on the amount of receivables.

### (e) Financial covenants and other limitations

For a detailed discussion of the limitations of the Term Loan Debt please refer to note 23.3 (e) to the Group's 2014 consolidated financial statements.

***Covenants***

Following the repricing and the covenants amendments, the Term Loan Debt contains a single affirmative financial covenant which requires that the total gross nominal debt be not more than 4.0 times EBITDA on a trailing twelve month basis ("leverage covenant") on June 30 and December 31 of each financial year.
The RCF contains a single affirmative financial covenant that requires that total net nominal debt be not more than 2.25 times EBITDA on a trailing twelve month basis ("RCF leverage covenant"). This covenant is only applicable if there is a drawing under the RCF on June 30 or December 31 of each financial year.

***Leverage covenant***

Total gross debt of the Group at June 30, 2015 must be no more than 4.0 times the EBITDA of the Group for the twelve months ending June 30, 2015. For the calculation of the gross debt, the nominal debt of the Group is used and the debt in foreign currencies is valued at the closing exchange rate at June 30, 2015.

| | |
|---|---|
| Gross Debt | €1,009 million |
| EBITDA | €582 million |
| Gross Ratio Debt / EBITDA | 1.73:1.00 |

Since 1.73 is less than the maximum allowed level of 4.0, the Group meets this financial covenant.

***RCF leverage covenant***

Since the Group had no drawings outstanding under the RCF at June 30, 2015, this covenant does not apply.

### (f) Carrying amount of the Term Loan Debt

***IFRS analysis of the repricing transaction***

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

***Carrying amount of the Term Loan Debt***

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

These costs amounted to €65 million on June 30, 2015 as detailed below:

| *(in million euros)* | |
|---|---|
| **IFRS discount of the Term Loan as of December 31, 2014** | **(62)** |
| Transaction costs related to 2015 repricing | (6) |
| First half 2015 EIR effect | 6 |
| Effect of variation in exchange rates | (3) |
| **IFRS discount of the Term Loan as of June 30, 2015** | **(65)** |

This IFRS discount of €65 million will be charged to interest over the remaining life of the Term Loan Debt using the effective interest rate method. The current weighted average effective interest rate of the Term Loan Debt is 6.72%.

## 15. Provisions

### *15.1 Retirement benefit obligations*

| *(in million euros)* | **Pension plan Benefits** | **Medical post-retirement benefits** | **Total** |
|---|---|---|---|
| **As of January 1, 2015** | **407** | **7** | **414** |
| Net periodic pension cost | 5 | - | 5 |
| Benefits paid and contributions | (14) | - | (14) |
| Actuarial (gains) losses recognized in OCI [(1)] | (18) | - | (18) |
| Currency translation adjustments and other | 7 | 1 | 8 |
| **As of June 30, 2015** | **387** | **8** | **395** |
| *Of which current* | *31* | *-* | *31* |
| *Of which non-current* | *356* | *8* | *364* |

(1) Actuarial gain of €(18) million is mainly due to the increase in discount rates in all significant geographical areas (UK, US and Europe), especially in Germany for €(21) million since German pension obligation amounted to €290 million at June 30, 2015 (more than 75% of Group pension liability). In the UK, the revaluation of the plan assets has led to an actuarial loss of €6 million.

As of June 30, 2015, the present value of the obligation amounted to €602 million, the fair value of plan assets amounted to €207 million.

### *15.2 Restructuring provisions*

| *(in million euros)* | **Total** |
|---|---|
| **As of January 1, 2015** | **36** |
| Current period expense [(1)] | 31 |
| Release [(1) (2)] | (3) |
| Usage during the period | (29) |
| Write-off | (1) |
| Currency translation adjustment | 2 |
| **As of June 30, 2015** | **36** |
| *Of which current* | *36* |

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

(2) Of which €(1) million reversal of provision related to environmental costs.

### 15.3 *Other provisions*

| *(in million euros)* | Warranty | Risk and litigation related to businesses disposed of | Other provisions related to continuing businesses [1] | Total [2] |
|---|---|---|---|---|
| **As of January 1, 2015** | **18** | **51** | **49** | **118** |
| Current period expense | 6 | - | 7 | 13 |
| Release | (4) | (10) | (3) | (17) |
| Usage during the period | (4) | (11) | (3) | (18) |
| Currency translation adjustments and other | 1 | 1 | - | 2 |
| **As of June 30, 2015** | **17** | **31** | **50** | **98** |
| *Of which current* | *17* | *-* | *36* | *53* |
| *Of which non-current* | *-* | *31* | *14* | *45* |

(1) Include mainly provision for risk and litigation.

(2) Of which:

- €7 million for provisions related to litigation as of June 30, 2015, and €17 million as of December 31, 2014;
- €2 million for provisions related to environmental costs as of June 30, 2015, and €3 million as of December 31, 2014.

## 16. Share-based compensation plans

As of June 30, 2015, the number of stocks options and free shares is analysed as follows:

| *(In millions of stock options)* | Total |
|---|---|
| Number of stock options and free shares as of December 31, 2014 | 23.0 |
| Granted during 2015 first half | 0.7 |
| Forfeited or delivered during 2015 first half | (3.2) |
| **Total as of June 30, 2015** | **20.5** |

The compensation expenses charged to income for the services received during the period amounted to €5 million and €4 million for the six months ended June 30, 2015 and June 30, 2014, respectively. The counterpart of this expense has been credited fully to equity in 2015 and 2014.

## 17. Earnings (Loss) per share

| | Six months ended June 30, 2015 | Six months ended June 30, 2014 |
|---|---|---|
| Numerator:<br>Adjusted profit (loss) "Group share" from continuing operations attributable to ordinary shareholders *(€ in million)* | **62** | **29** |
| Denominator [1]:<br>Weighted shares *(in thousand)* | **342,584** | **339,742** |
| *Of which* *Stock options* | *6,853* | *4,433* |

(1) Weighted average number of share for basic earnings is 335,731 thousands shares in June 2015.

Due to Technicolor share price, some stock option plans have no dilution impact. Some of these plans could have dilution impact in the future depending on the stock price evolution (see details of these plans in note 27 of 2014 consolidated financial statements).

## 18. Specific operations impacting the interim condensed consolidated statement of cash flows

### *18.1 Cash impact of debt restructuring*

| *(in million euros)* | *note* | Six months ended June 30, 2015 | Six months ended June 30, 2014 |
|---|---|---|---|
| Fees paid for debt repricing [1] | *(6)* | (6) | (25) |
| Reimbursement of borrowings to bank holders | *(14)* | (26) | (158) |
| **Total cash impact of debt restructuring** | | **(32)** | **(183)** |

(1) The fees paid directly linked to the debt repricing have been classified into financing cash flows as they relate to the modification of the debt (of which €6 million as of June 2015 and €24 million as of June 2014).

### *18.2 Acquisition and disposal of subsidiaries, associates and investments*

#### *a) Acquisitions*

As of June 30, 2015, acquisition of investments, net of cash position of companies acquired, amounted to €24 million. They are mainly related to the acquisition of Mikros Image for €14 million (see note 3.1 (a)) and to the acquisition of available-for-sale investments for €10 million.

As of June 30, 2014, acquisition of available-for-sale investments amounted to €3 million.

#### *b) Disposal*

As of June 30, 2015, net cash impact from disposal of investments amounted to €2 million as of June 30, 2015. They are mainly related to the sale of Digital Cinema activities for €(4) million, the sale of IZON Media LLC for €2 million (see note 3.1 (b)) and to the sale of available-for-sale investments for €4 million.

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

### *18.3 Changes in working capital and other assets and liabilities*

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

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

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

## 19. Contractual obligations and other commitments

### *19.1 Commitments related to operating leases*

As of June 30, 2015, commitments related to future minimum and non-cancellable lease payments are detailed below:

| *(in million euros)* | June 30, 2015 (1) |
|---|---|
| **Minimum future lease payments** | **274** |
| Future lease payments commitments received [2] | (6) |
| **Net value of future lease commitments** | **268** |

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

(2) Includes mainly operating lease payments to be made by:

- Assystem, INC. Research and CCA International for the subleasing of a part of the headquarter in France.
- Proservia for the subleasing of a part of the Rennes building in France.
- Picture Head and I.AM.MONEY for the subleasing of a part of Hollywood building in the United States.

### 19.2 Commitments related to financial instruments

Commitments related to financial instruments held by the Group generate both future cash payments and receipts.

These commitments are disclosed in the following table for their related cash inflow and outflow amounts.

| *(in million euros)* | **June 30, 2015** |
|---|---|
| Currency swaps | 142 |
| Forward exchange contracts | 71 |
| **Total commitments given** | **213** |
| | |
| Currency swaps | 142 |
| Forward exchange contracts | 72 |
| **Total commitments received** | **214** |

### 19.3 Security interests granted to secure the Term Loan Debt

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

#### Shares of subsidiaries pledged

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

#### Cash pooling accounts pledged

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

#### Intragroup loans pledged

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

## 20. Contingencies

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

#### Italian tax litigation – Videocolor transfer prices

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

In May 2003, Videocolor elected to benefit, in respect of fiscal years 1993 and 1994 only, from a tax amnesty law enacted by the Italian Parliament in 2003. In application thereof, Videocolor paid a total amount of €1 million using available tax losses, thereby ending all disputes with respect to fiscal years 1993 and 1994.

With regard to fiscal year 1995, the Tax Office gave notice in 2001 of an assessment resulting in additional taxes amounting to €4 million and tax penalties amounting to €4 million (before interest). Videocolor successfully appealed this assessment in October 2001 but, following an appeal from the tax authorities, the judgment was partially overturned in June 2006, with the Court of Appeals confirming an assessment in the amount of €2 million, not including interest and penalties. In January 2008, Videocolor filed an appeal with the Supreme Court based on the argument that the assessment did not comply with Organization for Economic Co-operation and Development ("OECD") transfer pricing principles. In June 2008, the Court of Appeals rejected this appeal, and Videocolor challenged this decision before the Supreme Court in October 2009. In addition, in 2009 Videocolor filed a revocation appeal with the Court of Appeals in order to obtain the correction of a material mistake contained in the first instance court decision that resulted in the assessment being unduly increased by around €1 million. The Supreme Court found in favour of Videocolor in the revocation appeal on April 23, 2014, and sent the parties to a Regional Court to re-discuss the revocation appeal. The hearing on the appeal lodged by Videocolor in October 2009 against the 1995 notice took place in January 2014 and the decision is on standby until the revocation appeal decision is handed down.

In 2002, the Tax Office gave notices of two assessments with regard to fiscal years 1996 and 1997 resulting in additional taxes amounting to €3 million and €2 million, respectively and tax penalties amounting to €3 million and €2 million, respectively. Videocolor challenged the assessments before the tax court in order to nullify these assessments. In October 2004, the tax court rejected most of the assessments notified by the Italian Tax authorities. The Tax Office appealed this decision in December 2005. In December 2007, the Court decided in favour of Videocolor, confirming the previous judgment. In July 2008, the Tax Office challenged these rulings to the Supreme Court. The appeal hearing took place in January 2014, with no decision to date.

In December 2003, the Tax Office gave notice of an assessment with respect to fiscal year 1998, resulting in additional taxes amounting to €0.1 million and penalties amounting to €0.1 million. Videocolor appealed against this assessment in March 2004. After a number of court decisions, the Court of Appeals in September 2012 cancelled most of the assessments. This litigation is now closed.

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

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

Based on an unfavourable decision of the Italian Supreme Court issued in September 2012, the Italian Customs Authorities have requested the payment of a €7.6 million reassessment by instalments. Technicolor considers the Supreme Court decision to be unlawful in view of European Community law and introduced on November 8, 2013 an indemnity action before the Italian courts against the Italian State, involving the European Court of Justice by way of a preliminary question, if deemed necessary.

The French Customs Authority accepted to submit in August 2005 Technicolor's duty refund claim based on Article 239 of the European Community's Customs Code to the European Commission. In May 2007, the European Commission notified Technicolor of its rejection of this claim, but accepted Technicolor's good faith. In July 2007, Technicolor filed an appeal at the Court of First Instance of the European Court of Justice, which rejected Technicolor's position in September 2009. In November 2009, Technicolor lodged an appeal at the European Court of Justice which also rejected Technicolor's position in June 2010. Technicolor is continuing the legal proceedings at the national courts in France and Germany while, in the United Kingdom, Technicolor paid in July 2013 €1 million in full and final settlement of the reassessment, which closes the case in the United Kingdom.

In June 2011, the French court accepted Technicolor's request to transfer the case to the European Court of Justice, which responded in March 2012 but sent the case back to the French courts. In January 2013, the French Court found against Technicolor, declaring it liable to pay €9.5 million including VAT. Technicolor lodged an appeal against this decision on February 18, 2013 and the court hearing took place on January 17, 2014. The Court issued its ruling in March 2014 and found against Technicolor. Technicolor then paid the fine and filed an appeal with the Supreme Court in April 2014. The decision is expected for the second half 2015.

### *Poland tax Proceedings*

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

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

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

### *France VAT audit*

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

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

The Company is challenging the remaining assessments.

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

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

***Taoyuan County Form RCA Employees' Solicitude Association***

In April 2004, the Plaintiff, the Association, which is a non-profit entity composed of former RCA employees of Technicolor's subsidiary TCETVT (or heirs of former workers) who claim to have worked at TCETVT's former manufacturing facility in Taoyuan (the "Facility") filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against TCETVT and General Electric International, Inc. ("GEI"). The Association is alleging they were exposed to various contaminants while living and working at the facility, which allegedly caused them to suffer various diseases, including cancer, or caused them emotional distress from fear that living and working at the facility increased their risk of contracting diseases. The Association originally claimed damages of NTD 2.7 billion (approximately €78 million at the June 30, 2015 exchange rate). In July 2015, the Association submitted a new pleading seeking to add 685 additional members and seeking to increase the Association's claim for damages up to NTD 6.5 billion (approximately €188 million at the June 30, 2015 exchange rate).

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. In August 2007, the Association attempted to add Thomson Consumer Electronics (Bermuda), Ltd., Technicolor USA, Technicolor SA, and General Electric Company ("GE") as defendants and Technicolor disputed those entities being added to the litigation.

The Taiwan court announced its ruling in April 2015 and entered judgment against TCETVT, Technicolor SA, and TCE Bermuda for approximately €17 million plus late interest penalty. TCETVT, Technicolor SA, and TCE Bermuda have appealed the judgment. The Association has also filed an appeal. Technicolor considers that it is GE's legal and contractual obligation to indemnify Technicolor SA and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor Group while GE, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

***Cathode Ray Tubes Investigations and Lawsuits***

Class action lawsuits asserting private antitrust claims alleging anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses) were filed in early 2008 in the United States (one group brought by indirect purchasers and one group brought by direct purchasers) that originally named Technicolor SA and others as defendants although Technicolor SA was dropped as a named defendant when amended complaints were filed in the spring of 2009. The Group sold the CPT business in 2005 and never had activity in the CDT business. Technicolor reached a settlement with the direct purchaser class and the Court has granted the settlement preliminary approval. Technicolor also reached an agreement with indirect purchaser class and the Court has granted the settlement preliminary approval.

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

In September 2013, Tech Data filed suit against Technicolor SA and Technicolor USA alleging anticompetitive behaviour in the CRT industry, and, in response to Technicolor USA and Technicolor SA's motions to dismiss, similar with Sharp, the Court denied in part and granted in part Technicolor USA's and Technicolor SA's motions to dismiss, allowing Tech Data to proceed against Technicolor USA and Technicolor SA on some of Tech Data's claims.

In November 2011, several direct purchaser plaintiff class opt outs filed individual complaints against other CRT-industry defendants and, in March 2013, sought leave to amend those complaints to add claims against Technicolor SA and Technicolor USA; the Court denied the direct purchaser plaintiffs leave in September 2013. In November and December 2013, several new suits alleging the same anticompetitive behaviour were filed against Technicolor SA and Technicolor USA by some of those same plaintiffs, including: BestBuy Co., Inc.; Costco Wholesale Corp.; Office Depot, Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; creditors of Tweeter Opco, LLC, and Tweeter Newco, LLC; Electrograph Systems, Inc.; P.C. Richard & Son Long Island Corp.; MARTA Coop. of Am., Inc.; ABC Appliance, Inc.; Target Corporation; and Interbond Corporation of America. Also, in May 2014, ViewSonic filed a complaint against Technicolor USA and Technicolor SA.

Technicolor USA and Technicolor SA moved to dismiss the lawsuits brought by these plaintiffs and, similar to the motions with respect to Sharp, the Court denied in part and granted in part Technicolor USA's and Technicolor SA's motions to dismiss, allowing these plaintiffs to proceed against Technicolor USA and Technicolor SA on some of their antitrust claims. Technicolor SA and Technicolor USA entered into settlements with Target and ViewSonic in February 2015 and has been dismissed from those actions with prejudice. A trial date has not yet been set and, at this time, Technicolor is unable to assess the outcome from the trial and potential liability.

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

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian Ministry of Justice indicating Brazilian authorities are initiating an investigation of possible cartel activity within the CRT industry in Brazil. Technicolor SA timely filed its response as well as evidence responding to the allegations.

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 timely filed its response as well as 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. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. Technicolor has reached an agreement with General Electric with respect to allocation of responsibility related to the soil and groundwater remediation.

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

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

## 21. Subsequent events

Technicolor has entered into an exclusive agreement with the U.S. group CISCO (NASDAQ: CSCO) to acquire Cisco's Connected Devices Division (projected revenues for U.S. $1.8 billion, almost 800 employees of which 700 engineers) for a total amount of U.S. $600 million (approximately €550 million at the BCE exchange rate published as of July 22,2015) in cash and in stock transaction and which will be on a cash free, debt free basis.

Under the terms of the agreement, upon the closing of the transaction, Cisco will receive approximately €413 million (U.S. $450 million) in cash and from a new debt fully guaranteed, and approximately €137 million (U.S. $150 million) in newly issued Technicolor shares, subject to certain adjustments provided for in the agreement.

Simultaneously to the acquisition, Technicolor and Cisco will enter into a strategic partnership that will allow to develop and deliver next generation video and broadband technologies, with cooperation on Internet of Things (IoT) solutions and services. The strategic agreement will provide ongoing commitment to all existing customers and expand offerings. As part of the strategic agreement and after the transaction has closed, Mr. Hilton Romanski, Senior Vice President and Chief Strategy Officer of Cisco, will join Technicolor's Board of Directors.

The transaction is expected to close by the end of 2015 or at the beginning of 2016, subject to regulatory approvals and customary closing conditions.

## IV STATUTORY AUDITORS REPORT ON THE INTERIM FINANCIAL STATEMENTS

**Interim condensed consolidated financial statements**
**Statutory auditors report on the interim financial statements**
For the six-month period ended June 30, 2015

*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.*
*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

To the Shareholders,

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

- the review of the accompanying interim condensed consolidated financial statements of Technicolor S.A, for the six-month period ended June 30, 2015,
- the verification of the information contained in the interim management report.

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

### 1. Conclusion on the financial statements

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

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

### 2. Specific verification

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

The statutory auditors

| Neuilly-sur-Seine, July 23, 2015 | Courbevoie, July 23, 2015 | |
|---|---|---|
| Deloitte et Associés | Mazars | |
| Ariane Bucaille<br>*Partner* | Guillaume Devaux<br>*Partner* | Jean-Louis Simon<br>*Partner* |