TECHNICOLOR

2019 FIRST HALF FINANCIAL REPORT

This is the report on the group for the first half 2019 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.

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

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

1.1. Person responsible for the half-yearly financial report

Mr. Frédéric Rose, Chief Executive Officer of Technicolor.

1.2. Attestation

I certify that, to the best of my knowledge, the half-yearly condensed 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 included in section II of the half-yearly financial report, 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, the main related parties transactions and describe the main risks and uncertainties for the remaining six months.

Paris, on July 29th, 2019

Frédéric Rose
Chief Executive Officer of Technicolor

II. GROUP MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

2.1. Presentation on financial results for the first half of 2019 published on July 24th, 2019

Technicolor announced in a press release dated July 24th, 2019 its financial results for the first half of 2019. Earnings before Interest & Tax (EBIT) from continuing operations amounted to €(88) million compared to €(91) million in the first half of 2018. Revenues amounted to €1,764 million compared to €1,774 million in the first half of 2018. Net financial expenses totaled €48 million in the first half of 2019 compared to €20 million in the first half of 2018.

The income tax charge for the six months ended June 30, 2019 amounted to €7 million (€10 million in the first half of 2018). Net result amounted to a loss of €139 million in the first half of 2019 compared to a loss of €152 million in the first half of 2018.

Revenues and financial results of continued operations released by the Group are presented under 2 main business segments: Entertainment Services and Connected Home. All the remaining activities (including unallocated Corporate functions) are grouped in a segment “Corporate & Other” as a reconciling item.

2.2. Key messages

In a transition period, first half revenues are broadly in line with prior year

The Group pursued its investments to support the strong organic growth in Production Services and the transformation program in Connected Home. Profitability and cash flow generation in the second half will improve significantly

First Half 2019 Key Highlights from continuing operations

	First Half (IFRS)				First Half (excl. IFRS 16*)			
In € million	2018***	**2019**	At current rate	At constant rate	**2018*** **	**2019**	At current rate	At constant rate
Revenues from continuing operations	1,774	**1,764**	(0.5)%	(3.8)%	1,774	**1,764**	(0.5)%	(3.8)%
Adjusted EBITDA from continuing operations	73	**104**	+43.5%	+40.4%	73	**62**	(14.9)%	(18.1)%
As a % of revenues	4.1%	5.9%	-	-	4.1%	**3.5%**	-	-
Recurring EBITA**	(9)	(44)	*na*	*na*	(9)	**(48)**	*na*	*na*
EBIT from continuing operations	(91)	(88)	+3.3%	+5.9%	(91)	**(93)**	(2.2)%	+0.2%
Free Cash Flow from continuing operations	(137)	**(262)**	*na*	*na*	(137)	**(297)**	*na*	*na*

(*) Under IFRS 16, most operating leases are now treated as financial leases. As a consequence, operating lease expense is cancelled and replaced by an amortization expense and an interest expense. Under the modified retrospective method, 2018 Profit & Loss account is not adjusted. Figures are therefore presented excluding IFRS 16 in 2019 only for comparability.
(**) Recurring EBITA corresponds to the Adjusted EBITDA from continuing to which Depreciation charges and IT capacity use for rendering in Production Services are added back.
(***) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

First half Performance

- Revenues from continuing operations amounted to €1,764 million, down 3.8% year-on-year at constant rate and down 0.5% at current rate, with an Adjusted EBITDA of €62 million (excluding impact of IFRS 16) compared to €73 million in the first half 2018.

- Significant first half improvements confirming good progression in the Technicolor transformation:

- Production Services revenues recorded a strong performance (c.+10% year-on-year at constant rate and c.+14% at current rate) driven by a record activity in Film & Episodic Visual Effects;
- Strong performance in Broadband at Connected Home, driven by sales of the very successful XB6 (Gateway Access box). As a result, Connected Home has become the worldwide leader in the Broadband gateway access market;
- The Connected Home three-year transformation plan has exceeded 70% of the cost savings target (on a run rate basis) at the end of June.

- Negative intra-year seasonality:
  - First half sales at Connected Home were achieved with inventories built up mainly through end of 2018, i.e. including key components prices not reflecting the current market prices reductions;
  - As every year, first half Free Cash Flow from continuing operations is negatively driven by the activity cycle at Connected Home and DVD Services. Additionally, Production Services benefited from fewer progress payments than prior year.

- 2019 First half one-off events:
  - Connected Home: strong performance in Broadband was offset by a soft half in Latin America, affected by poor economic conditions, and comparisons with exceptionally strong North American video sales during the first half 2018;
  - Broadband gateway access sales were temporarily delayed in the US market at the start of the year which resulted in the buildup of inventories. These inventories were significantly reduced by the end of the second quarter. The first half Free Cash Flow from continuing operations has been therefore affected by a €83 million temporary funding need, that will reverse throughout the second half.

- Operating results:
  - Adjusted EBITDA is down versus 2018, driven by Connected Home and one-off licensing revenues in the first half 2018 while Entertainment Services is flat;
  - Recurring EBITA decline reflects the lower Adjusted EBITDA, cloud rendering costs incurred in Production Services as a result of a record delivery schedule and increased operating reserves at Connected Home;
  - EBIT is stable year over year reflecting a material reduction in restructuring costs;
  - Free cash flow from continuing operations down by €160 million year-on-year at current rate, mainly due to a lower level versus prior year of milestone payments in Production Services (€26 million) and the previously mentioned €83 million timing impact on the working capital resulting from a ramp up in inventories in Connected Home (both of which will be recovered in the second half);
  - Financial structure: Net debt at nominal value (excluding impact of IFRS 16) amounted to €1,065 million at June end 2019. The funding of excess inventories at Connected Home during the first half of the year has weighed significantly on the semester free cash flow. The Group has therefore drawn more than usual on its credit lines, including at the end of June.

- The sale to InterDigital of Research & Innovation activity was closed on May 31, 2019.

First half business highlights

- Production Services:
  - Technicolor's MPC joined the filmmakers of The Lion King to bring a Disney classic back to the screen in a whole new photorealistic way. MPC was responsible for producing all VFX and Animation for The Lion King (1,600 shots) and for delivering all 2-D and 3-D renders. Twelve hundred MPC artists, including 130 animators and representing more than 30 different nationalities, worked across studios in Los Angeles and London, pushing the boundaries of entertainment and raising the bar on visual wonderment for audiences everywhere.

- Broadband:
  - Technicolor has become the undisputed market leader in this segment reaching 21% worldwide market share, seven points ahead of its nearest competitor[1].

Outlook

- The Group's profitability and cash flow generation in the second half will improve significantly, supported by recurring positive second half seasonality and by a catch-up effect in both Production Services and Connected Home.

- The Group will continue to pursue investments, through opex and capex, to support organic growth in Production Services and to deliver its transformation program in Connected Home. The benefits of these initiatives are progressively expected over the next several years through improved profitability and cash generation.

- Specifically:
  - The strong sales trend is expected to continue in Production Services, with improved margins and cashflow generation compared to the first half. The Group also expects to start benefiting from a long-term production agreement with a global streaming platform;
  - DVD Services have successfully renegotiated a major customer contract extension with improved terms effective in the second half;
  - Connected Home will benefit from lower memory prices. In addition, the reduction of excess inventories will be fully achieved in the third quarter leading thereafter to improved cashflow.

Board composition

- The Board of Directors has appointed Cecile Frot-Coutaz as Board Observer and intends to propose her election as a Director at the next shareholder meeting. She is currently Head of EMEA for YouTube based in London and previously held several executive roles and positions within Pearson Television Group and FremantleMedia Group, eventually becoming Chief Executive Officer in 2012.

Segment Review – H1 2019 Result Highlights

Entertainment Services		H1 2018		H1 2019 (excl. IFRS 16)		Change YoY	
		In € million	As a % of revenues	In € million	As a % of revenues	At current rate	At constant rate
Revenues		**756**		**802**		***+6.1%***	***+1.8%***
o/w	Production Services	376	50%	428	53%	*+13.8%*	*+9.9%*
	DVD Services	380	50%	374	47%	*(1.5)%*	*(6.1)%*
Adj. EBITDA		55	**7.2%**	56	**7.0%**	*+3.0%*	*(0.3)%*

- **Production Services** revenues were up 9.9% year-on-year at constant rate and up 13.8% at current rate. The Division achieved a significant year-on-year increase in profitability in Film & Episodic Visual Effects driven by a strong pipeline. Capacity expansion continued throughout the period in key client markets with location-based production incentives.

[1] Dell'Oro cable CPE vendor table 1Q19, published in June 2019.

Business Highlights:

Film & Episodic Visual Effects: with a record-breaking revenue performance in the first half of 2019, the activity achieved strong double-digit revenue growth year-on-year driven by increased volume from MPC and Mr. X as well as the strong contribution from Mill Film (launched end of 2018); and has secured a significant pipeline of continuing and future projects for the second half. The teams worked on over 25 theatrical film projects during the first half, including *Disney's The Lion King and Dumbo*, *Fox's Dark Phoenix*, and *Warner Bros./Legendary's Pokémon: Detective Pikachu*; and over 10 non-theatrical (episodic, streaming) projects, including the latest seasons of franchises *like Fremantle's American Gods (Starz, Amazon)* and *A&E's Knightfall (History).*
The team at MPC designed and created the VFX and animation to bring Disney's The Lion King to life. Entirely digitally created, the film was shot in a virtual reality environment, featuring Technicolor's latest immersive production technologies and workflows.

Advertising VFX: revenues were down as individual projects had lower budgets compared to prior year. On the creative side, The Mill and MPC received numerous industry accolades including Cannes Lions and British Arrow awards.

Animation & Games: lower revenues compared to prior year, primarily due to delays in starting work on new feature film projects. Mikros Animation continues in production on *Paramount's The SpongeBob Movie: It's a Wonderful Sponge* and is beginning pre-production on two newly awarded animated features. Technicolor Animation continues to deliver on several high-end episodic productions while Technicolor Games completed production on AAA titles during the second quarter including *NetherRealm Studios / Warner Bros* and *Interactive Entertainment's Mortal Kombat 11*. The second half is expected to grow materially over the first half due to the production starts of new feature awards, timing of episodic deliveries and stronger performance in games.

Post Production: revenues were down compared to prior year, reflecting the exit from underperforming businesses in North America, but in line with prior year on a continuing perimeter basis.
Adjusted EBITDA grew significantly during the first half, driven by Film & Episodic VFX performance, and improvement in Post Production following last year's restructuring. Recurring EBITA was down versus last year due to increased cloud rendering costs resulting from an exceptionally heavy delivery schedule.

- **DVD Services** revenues totaled €374 million in the first half 2019, down 6.1% at constant currency and 1.5% at current rate compared to 2018.

  Total combined replication volumes reached 446m discs, down c.11% from the first half of 2018. Standard Definition DVD volumes showed greater than expected resiliency, declining only 11% year-on-year supported by strong catalog activity in the North American market, which helped offset the impact of a weak first quarter 2019 theatrical box office (down 16% in the US). Blu-ray™ volumes declined by 12% in the first half of 2019, impacted by the first quarter box office lower performance and a very difficult comparison to the first quarter 2018's *Solo: A Star Wars Story*, which had a large amount of Blu-ray™ volume due to a high number of multiple Blu-ray disc retail packaging configurations. Blu-ray™ declines were partially offset by continued strong growth of the Ultra HD Blu-ray™ format, which while still a small percentage of the total volume base, increased by approximately 50% in the first half 2019. Compact Disc (CD) volumes also performed better than expected, down only 10% benefiting from new volume / customer additions secured in the half.

  Adjusted EBITDA declined during the period due the reduction in volumes, the impact of which could not be fully offset by ongoing cost savings activities. Profitability was also negatively impacted in the first half of 2019 due to a weaker product mix (driven by a higher proportion of standard definition DVD), as well as utility cost increases in selected regions.

DVD Services division-wide initiatives to adapt distribution operations and related customer contract agreements in response to continued volume reductions and increasing operational complexity are moving forward as planned. Customer contract renegotiations to move to volume and activity-based pricing have started in line with specific contract renewal dates over the next few years.

Volume data for DVD Services

In million units		First Half 2018	First Half 2019	Change
Total combined volumes		503.7	**446.0**	*(11)%*
By format	DVD	337.9	**299.2**	*(11)%*
	Blu-ray™	133.5	**117.7**	*(12)%*
	CD	32.3	**29.1**	*(10)%*
By segment	Theatrical / Video	454.6	**402.5**	*(11)%*
	Games & Software	16.8	**14.4**	*(15)%*
	Music & Audio	32.3	**29.1**	*(10)%*

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Connected Home	H1 2018		H1 2019 (excl. IFRS 16)		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	At current rate	At constant rate
Revenues	**1,003**	**-**	**953**	**-**	*(4.9)%*	*(7.4)%*
Adj. EBITDA	**26**	**2.5%**	**20**	**2.1%**	*(21.4)%*	*(24.7)%*

- **Connected Home** revenues totaled €953 million in the first half of 2019, down 7.4% year-on-year at constant rate and 4.9% at current rate, but in line with Group expectations. The division has continued to increase market share in Broadband access and Android based video solutions.

  Broadband business continues the growing trend of 2018, representing €577 million revenues in the first half and a growth year-on-year of 21%. Technicolor has become the undisputed market leader in this segment obtaining a 21% market share, sept points ahead of its closest competitor.
  This sustained growth is mainly driven by a leadership position in DOCSIS3.1 in North America, which is now followed by significant wins in EMEA and LATAM. Technicolor is the leading supplier to large North American cable operators including Comcast, Charter, Cox, Rogers, Videotron and Shaw, and with partnerships with service providers like Vodafone Group, Telecom Argentina, Mediacom, WoW and several others. In the DOCSIS 3.1 segment Connected Home has achieved a global market share of 40%.
  Broadband is the growing segment in the consumer premise equipment market, and it is increasing in strategic relevance for Service Providers. The broadband gateways, in addition to delivering growing network bandwidth, are becoming service platforms as they provide cost-effective edge computing capabilities, close to the consumer and with an efficient and high-performance way to reach the connected devices in the home which will accelerate with Wi-Fi 6. The first Wi-Fi 6 platforms are expected to start being delivered in the fourth quarter this year.

  The number of new projects ramping up has generated a large increase in the level of running inventory, which will be fully consumed during the second half of the year.

The Video segment expected year-on-year decline was mostly due to the significant market spend reduction in the North American market. While serving traditional customers with their chosen solutions, Connected Home is re-positioning the video portfolio towards the AndroidTV-based market maintaining a very strong win-rate and global leadership. To date, Technicolor has accumulated 32 wins in this technology. This segment is expected to develop further, replacing over time other technological solutions to enable the aggregation of applications and content towards the end user. Revenues year-on-year for AndroidTV grew by 33%.

On the supply side, DRAM pricing continued to drop during the first half, and this trend is expected to continue in the second half contributing to a gradual improvement in profitability given the lag time between procurement and delivery. The MLCC supply shortages experienced last year have been resolved, but prices are still significantly higher than before the crisis and should start to normalize in 2020.

For the second half of this year, margins are expected to improve driven by a more favorable business mix, the positive evolution of component costs and productivity improvements. The industrial footprint is also being adapted in anticipation of possible evolution of international trade relations between the US and China.

Revenue Breakdown for Connected Home

In € million		First Half 2018	2019	At constant rate
Total revenues		1,003	**953**	*(7)%*
By region	North America	472	**398**	*(21)%*
	Europe, Middle East and Africa	195	**260**	*33%*
	Latin America	159	**162**	*2%*
	Asia-Pacific	177	**133**	*(25)%*
By product	Video	543	**376**	*(31)%*
	Broadband	460	**577**	*21%*

First Half Adjusted EBITDA (excluding impact of IFRS 16) amounted to €20 million down €6 million at constant rate year-on-year. The margin decline was mainly driven by the volume reduction and margin mix in North American video market but partially compensated by reduction in opex.

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Corporate & Other	**H1 2018** In € million	As a % of revenues	**H1 2019 (excl. IFRS 16)** In € million	As a % of revenues	**Change YoY** At current rate	At constant rate
Revenues	**15**		**9**		*(40.9)%*	*(40.9)%*
Adj. EBITDA	**(8)**	**ns**	**(15)**	**ns**	*(92.6)%*	*(87.6)%*

- **Corporate & Other** includes the Trademark Licensing business.

Corporate & Other recorded revenues of €9 million in the first half of 2019, down year on year as almost no retained patent licensing revenue occurred. Adjusted EBITDA (excluding impact of IFRS 16) amounted to €(15) million.

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Summary of consolidated results for the first half of 2019

In € million	First Half (IFRS)			First Half (excl. IFRS 16)		
	2018[2]	2019	Change[3]	2018[4]	2019	Change[5]
Revenues from continuing operations	**1,774**	**1,764**	**(0.5)%**	**1,774**	**1,764**	**(0.5)%**
Change at constant currency (%)			(3.8)%			(3.8)%
o/w Entertainment Services	756	802	+6.1%	756	802	+6.1%
Connected Home	1,003	953	(4.9)%	1,003	953	(4.9)%
Corporate & Other	15	9	(40.9)%	15	9	(40.9)%
Adjusted EBITDA from continuing operations	**73**	**104**	**+43.5%**	**73**	**62**	**(14.9)%**
Change at constant currency (%)			+40.4%			(18.1)%
As a % of revenues	4.1%	5.9%	180bps	4.1%	3.5%	(60)bps
o/w Entertainment Services	55	90	+65.4%	55	56	+3.0%
Connected Home	26	24	(6.7)%	26	20	(21.4)%
Corporate & Other	(8)	(10)	(32.2)%	(8)	(15)	(92.6)%
Depreciation and amortization ("D&A")[6]	**104**	**175**	**+68.5%**	**104**	**137**	**+31.9%**
Recurring EBITA	**(9)**	**(44)**	**ns**	**(9)**	**(48)**	**ns**
EBIT from continuing operations	**(91)**	**(88)**	**+3.3%**	**(91)**	**(93)**	**(2.2)%**
Change at constant currency (%)			+5.9%			+0.2%
As a % of revenues	(5.1)%	(5.0)%	10bps	(5.1)%	(5.3)%	(20)bps
Financial result	(20)	(48)	(28)	(20)	(37)	(18)
Income tax	(10)	(7)	3	(10)	(7)	4
Share of profit/(loss) from associates	-	(1)	(1)	-	(1)	(1)
Profit/(loss) from continuing operations	**(120)**	**(143)**	**(22)**	**(120)**	**(138)**	**(17)**
Profit/(loss) from discontinued operations	(32)	4	35	(32)	5	36
Net income	**(152)**	**(139)**	**(13)**	**(152)**	**(133)**	**19**

Restructuring provisions accounted for €(12) million at current rate and related mainly to Entertainment Services.

The EBIT from continuing operations (excluding impact of IFRS 16) amounts to a loss of €(93) million in the first half of 2019.

Financial result (excluding impact of IFRS 16) totaled €(37) million in the first half of 2019 compared to €(20) million in the first half of 2018, reflecting:

- Net interest costs at €(22) million are slightly up from last year (at €(18) million) aligned with the evolution of the net debt;
- Other financial charges amounted to €(16) million in the first half of 2019 compared to €(2) million in the first half of 2018. Negative forex results linked to BRL movements explain the difference.

Income tax amounted to €(7) million, lower by €4 million at current rate compared to the first half of 2018.

Profit/(loss) from discontinued operations improved by €36 million mainly related to the disposal of Patent Licensing and R&I.

[2] Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.
[3] Year-on-year change at current currency.
[4] Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.
[5] Year-on-year change at current currency.
[6] Including impact of provisions for risks, litigations and warranties and IT capacity use for rendering in Production Services.

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Group net income (excluding impact of IFRS 16) therefore improved at €(133) million at current rate in the first half of 2019 compared to the €(152) million loss of the first half of 2018.

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 2019 compared to the first half of 2018 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 EBIT from continuing operations of €(93) million in the first half of 2019 compared to €(91) million in the first half of 2018.

	First Half (IFRS)			**First Half (excl. IFRS 16)**		
In € million	**2018**[7]	**2019**	Change	**2018**[8]	**2019**	Change
EBIT from continuing operations	(91)	**(88)**	3	(91)	**(93)**	(2)
Restructuring charges, net	(38)	**(12)**	26	(38)	**(12)**	26
Net impairment losses on non-current operating assets	(3)	**(1)**	2	(3)	**(1)**	2
Other income/(expense)	(19)	**(4)**	15	(19)	**(5)**	14
Adjusted EBIT from continuing operations	**(31)**	**(71)**	**(40)**	**(31)**	**(76)**	(44)
As a % of revenues	(1.8)%	**(4.0)%**	(220)bps	**(1.8)%**	**(4.3)%**	(250)bps
Depreciation and amortization ("D&A")[9]	104	**159**	55	104	**121**	17
IT capacity use for rendering in Production S.	0	**16**	16	0	**16**	16
Adjusted EBITDA from continuing operations	**73**	**104**	**32**	**73**	**62**	(11)
As a % of revenues	4.1%	**5.9%**	180bps	**4.1%**	**3.5%**	(60)bps

[7] Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.
[8] Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.
[9] Including impact of provisions for risks, litigations and warranties.

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Free Cash Flow Reconciliation and Summarized financial structure (unaudited)

Technicolor defines "Free Cash Flow" as net cash from operating activities (continuing and discontinued) plus proceeds from sales of property, plant and equipment ("PPE") and intangible assets, minus purchases of PPE, purchases of intangible assets including capitalization of development costs.

In € million	First Half (IFRS)		First Half (excl. IFRS 16)	
	June 30, 2018[10]	June 30, 2019	June 30, 2018[11]	June 30, 2019
Adjusted EBITDA from continuing operations	**73**	**104**	**73**	**62**
Changes in working capital and other assets and liabilities	(56)	(175)	(56)	(175)
IT capacity use for rendering in Production Services	-	(16)	-	(16)
Pension cash usage of the period	(12)	(12)	(12)	(12)
Restructuring provisions – cash usage of the period	(26)	(15)	(26)	(17)
Interest paid	(20)	(33)	(20)	(22)
Interest received	2	1	2	1
Income tax paid	(13)	(10)	(13)	(10)
Other items	(8)	(16)	(8)	(16)
Net operating cash generated from continuing activities	**(61)**	**(172)**	**(61)**	**(207)**
Purchases of property, plant and equipment (PPE)	(30)	(43)	(30)	(43)
Proceeds from sale of PPE and intangible assets	-	1	-	1
Purchases of intangible assets including capitalization of development costs	(45)	(47)	(45)	(47)
Net operating cash used in discontinued activities	17	(6)	17	(6)
Free cash flow	**(120)**	**(269)**	**(120)**	**(302)**
Nominal gross debt	1,113	1,403	1,113	1,130
Cash position	197	65	197	65
Net financial debt at nominal value (non IFRS)	**916**	**1,338**	**916**	**1,065**
IFRS adjustment	**(6)**	**(5)**	**(6)**	**(5)**
Net financial debt (IFRS)	**910**	**1,333**	**910**	**1,060**

- Capital expenditures amounted to €90 million, up by €15 million year-on-year reflecting the increased investment in Film & Episodic Visual Effects.
- Cash outflow for restructuring (excluding impact of IFRS 16) totaled €17 million in the first half of 2019, down by €9 million year-on-year, mainly resulting from lower restructuring cash out in Connected Home and DVD Services.
- The change in working capital & other assets and liabilities was negative by €175 million in the first half of 2019 mostly driven by Connected Home excess inventories funding impact, €83 million, unfavorable mix in payment terms (customers and suppliers) and reduced milestones payments at Film & Episodic Visual Effects.
- Cash position at €65 million at end June 2019, compared to €291 at December end 2018 as a result, mainly, of Free Cash Flow used from continuing activities for €297 million offset by cash from credit line drawings for €100 million.

The Board of Directors approved today these interim consolidated financial statements which have been reviewed by our statutory auditors who are in the process of issuing an unqualified opinion.

[10] Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.
[11] Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

III. UPDATE OF THE BOARD OF DIRECTORS' COMPOSITION

As Mr. Bruce Hack's term as both a Director and Chair of the Board of Directors came to an end following the 2019 general shareholder meeting, the Board of Directors appointed on June 14, 2019, Ms. Anne Bouverot a new Chair of the Board of Directors. Ms. Laura Quatela's term came also to an end at this date.

The shareholder meeting held on June 14, 2019 was consequently rich in new directors as the agenda proposed the appointment of five new Directors, all appointed: Ms. Anne Bouverot, Mr. Xavier Cauchoix, Mr. Dominique D'Hinnin, Ms. Christine Laurens and Mr. Brian Sullivan.

Besides, the Board of Directors decided to appoint Ms. Cécile Frot-Coutaz as Board Observer, announcing its objective to propose her appointment as a Director at the next general shareholder meeting.

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IV. GROUP UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2019

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(€ in million)	Notes	For the 6-month ended June 2019	For the 6-month ended June 2018 (*)
CONTINUING OPERATIONS			
Revenues		1,764	1,774
Cost of sales		(1,613)	(1,572)
Gross margin		**151**	**202**
Selling and administrative expenses	*(3.2)*	(163)	(166)
Research and development expenses		(60)	(67)
Restructuring costs	*(9.1)*	(12)	(38)
Net impairment gains (losses) on non-current operating assets	*(3.2)*	(1)	(3)
Other income (expense)	*(3.2)*	(4)	(19)
Earning before Interest & Tax (EBIT) from continuing operations		**(88)**	**(91)**
Interest income		1	2
Interest expense		(33)	(20)
Other financial income (expense)		(16)	(2)
Net financial income (expense)	*(7.3)*	**(48)**	**(20)**
Share of gain (loss) from associates		(1)	0
Income tax	*(4)*	(7)	(10)
Profit (loss) from continuing operations		**(143)**	**(120)**
DISCONTINUED OPERATIONS			
Net gain (loss) from discontinued operations	*(11)*	4	(32)
Net income (loss)		**(139)**	**(152)**
Attribuable to :			
- Equity holders		*(139)*	*(152)*
- Non-controlling interest		*(0)*	*(1)*

EARNINGS PER SHARE (in euro, except number of shares)		For the 6-month ended June 2019	For the 6-month ended June 2018 (*)
Weighted average number of shares outstanding (basic net of treasury shares held)	*(6.2)*	413,386,184	413,440,227
Earnings (losses) per share from continuing operations			
- basic		(0.35)	(0.29)
- diluted		(0.35)	(0.29)
Earnings (losses) per share from discontinued operations			
- basic		0.01	(0.08)
- diluted		0.01	(0.08)
Total earnings (losses) per share			
- basic		(0.34)	(0.37)
- diluted		(0.34)	(0.37)

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

The accompanying notes on pages 20 to 40 are an integral part of these interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ in million)	*Note*	For the 6-month period ended June 30, 2019	For the 6-month period ended June 30, 2018 (*)
Net income (loss) for the year		**(139)**	**(152)**
Items that will not reclassified to profit and loss			
Remeasurement of the defined benefit obligations	*(8.1)*	(35)	11
Items that may be reclassified subsequently to profit or loss			
Fair value gains / (losses), gross of tax on cash flow hedges:			
- reclassification adjustments when the hedged forecast transactions affect profit or loss	*(7.4)*	4	2
Currency translation adjustments			
- currency translation adjustments of the year		10	1
- reclassification adjustments on disposal or liquidation of a foreign operation		-	-
Total other comprehensive income		**(21)**	**14**
Total other comprehensive income of the period		**(160)**	**(138)**
Attribuable to :			
- Equity holders of the parents		*(159)*	*(138)*
- Non-controlling interest		*(1)*	-

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

The accompanying notes on pages 20 to 40 are an integral part of these interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	Note	June 30, 2019	December 31, 2018
ASSETS			
Goodwill	(5.1)	891	886
Intangible assets	(5.2)	670	705
Property, plant and equipment	(5.3)	205	233
Right-of-use assets	(5.4)	292	-
Other operating non-current assets		36	41
TOTAL OPERATING NON-CURRENT ASSETS		**2,093**	**1,865**
Non-consolidated investments		14	14
Other non-current financial assets		18	10
TOTAL FINANCIAL NON-CURRENT ASSETS		**32**	**24**
Investments in associates and joint-ventures		-	2
Deferred tax assets		210	210
TOTAL NON-CURRENT ASSETS		**2,335**	**2,101**
Inventories		293	268
Trade accounts and notes receivable		468	677
Contract assets		96	77
Other operating current assets		209	264
TOTAL OPERATING CURRENT ASSETS		**1,066**	**1,286**
Income tax receivable		36	40
Other financial current assets		15	14
Cash and cash equivalents		65	291
Assets classified as held for sale	(11)	-	28
TOTAL CURRENT ASSETS		**1,182**	**1,658**
TOTAL ASSETS		**3,517**	**3,759**

The accompanying notes on pages 20 to 40 are an integral part of these interim condensed consolidated financial statements.

(€ in million)	Note	June 30, 2019	December 31, 2018
EQUITY AND LIABILITIES			
Common stock *(414,461,178 shares at June 30, 2019 with nominal value of 1 euro per share)*	*(6.1)*	414	414
Treasury shares	*(6.1)*	(158)	(158)
Subordinated Perpetual Notes		500	500
Additional paid-in capital & reserves		(282)	(113)
Cumulative translation adjustment		(361)	(372)
Shareholders- equity attributable to owners of the parent		**113**	**271**
Non-controlling interests		0	1
TOTAL EQUITY		**113**	**272**
Retirement benefits obligations	*(8.1)*	346	320
Provisions	*(9.1)*	17	19
Contract liabilities		4	4
Other operating non-current liabilities		37	38
TOTAL OPERATING NON-CURRENT LIABILITIES		**403**	**382**
Borrowings	*(7.2)*	977	1,004
Lease liabilities	*(1.2)*	239	-
Deferred tax liabilities		206	193
TOTAL NON-CURRENT LIABILITIES		**1,825**	**1,579**
Retirement benefits obligations	*(8.1)*	26	26
Provisions	*(9.1)*	76	113
Trade accounts and notes payable		798	1,135
Accrued employee expenses		117	116
Contract liabilities		60	100
Other current operating liabilities		288	310
TOTAL OPERATING CURRENT LIABILITIES		**1,365**	**1,799**
Borrowings	*(7.2)*	107	20
Lease debt		75	-
Income tax payable		29	34
Other current financial liabilities		3	4
Liabilities classified as held for sale	*(11)*	-	51
TOTAL CURRENT LIABILITIES		**1,579**	**1,908**
TOTAL LIABILITIES		**3,404**	**3,487**
TOTAL EQUITY & LIABILITIES		**3,517**	**3,759**

The accompanying notes on pages 20 to 40 are an integral part of these interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ in million)	Note	For the 6-month period ended June 30, 2019	For the 6-month period ended June 30, 2018 (*)
Net income (loss)		(139)	(152)
Income (loss) from discontinued activities		4	(32)
Income (loss) from continuing activities		(143)	(120)
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		158	108
Impairment of assets		(1)	10
Net change in provisions		(14)	(3)
Gain (loss) on asset disposals		8	(4)
Interest (income) and expense	*(7.3)*	32	19
Other non-cash items (including tax)		6	16
Changes in working capital and other assets and liabilities		(175)	(56)
Cash generated from continuing activities		**(131)**	**(30)**
Interest paid		(33)	(20)
Interest received		1	2
Income tax paid		(10)	(13)
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)		(173)	(61)
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(10.1)*	(1)	1
Proceeds from sale of investments, net of cash	*(10.1)*	(1)	4
Purchases of property, plant and equipment (PPE)		(43)	(30)
Proceeds from sale of PPE and intangible assets		1	0
Purchases of intangible assets including capitalization of development costs		(47)	(45)
Cash collateral and security deposits granted to third parties		(4)	(1)
Cash collateral and security deposits reimbursed by third parties		3	6
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)		(92)	(65)
Proceeds from borrowings	*(7.2)*	101	0
Repayments of borrowings	*(7.2)*	(17)	(14)
Fees paid linked to the debt		(1)	(1)
Payments on Lease debts		(35)	-
Other		(0)	17
NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)		49	2
NET CASH FROM DISCONTINUED ACTIVITIES (IV)		(10)	16
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		291	318
Net decrease in cash and cash equivalents (I+II+III+IV)		(225)	(108)
Exchange gains/(losses) on cash and cash equivalents		(1)	(13)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		65	197

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

The accompanying notes on pages 20 to 40 are an integral part of these interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ in million)	Share Capital	Treasury shares	Additional paid-in capital	Perpetual Notes	Other reserves	Retained earnings	Cumulative translation	Equity attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance as of December 31, 2017	**414**	**(158)**	**1,211**	**500**	**(78)**	**(1,180)**	**(385)**	**323**	**3**	**326**
Net income (loss)	-	-	-	-	-	(152)	-	(152)	-	(152)
Other comprehensive income	-	-	-	-	13	-	1	14	-	14
Total comprehensive income for the period income	**-**	**-**	**-**	**-**	**13**	**(152)**	**1**	**(138)**	**-**	**(138)**
Reclassification of retained earings in aadditional paid -in capital as of April 26,2018	**-**	**-**	**(1,211)**	**-**	**-**	**1,211**	**-**	**-**	**-**	**-**
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-
Variation of treasury shares	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees	-	-	-	-	(3)	-	-	(3)	-	(3)
Balance as of June 30, 2018	**414**	**(158)**	**-**	**500**	**(69)**	**(121)**	**(384)**	**182**	**3**	**185**
Net income (loss)	-	-	-	-	-	84	-	84	1	85
Other comprehensive income	-	-	-	-	-	-	12	12	-	12
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**84**	**12**	**96**	**1**	**97**
Capital increases	-	-	-	-	-	-	-	-	-	-
Change in NCI	-	-	-	-	-	-	-	-	(3)	(3)
Shared-based payment to employees	-	-	-	-	(6)	-	-	(6)	-	(6)
Tax impact on equity	-	-	-	-	-	(1)	-	(1)	-	(1)
Balance as of December 31, 2018	**414**	**(158)**	**-**	**500**	**(75)**	**(38)**	**(372)**	**271**	**1**	**272**
Net income (loss)	-	-	-	-	-	(139)	-	(139)	-	(139)
Other comprehensive income	-	-	-	-	(31)	-	11	(20)	(1)	(21)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(31)**	**(139)**	**11**	**(159)**	**(1)**	**(160)**
Capital increases	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Variation of treasury shares	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees	-	-	-	-	1	-	-	1	-	1
Balance as of June 30, 2019	**414**	**(158)**	**-**	**500**	**(105)**	**(177)**	**(361)**	**113**	**-**	**113**

The accompanying notes on pages 20 to 40 are an integral part of these interim condensed consolidated financial statements.

1. General information

Technicolor is a worldwide technology leader in the Media & Entertainment sector, developing and monetizing next-generation video and audio technologies. Please refer to Note 3 for detailed operating segments.

In these unaudited 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.

1.1. Main events of the period

Disposal of Research & Innovation
The exclusive negotiations with InterDigital for the sale of the Research & Innovation activity, announced on February 11th, ended positively on May 31st with the transfer of this activity to InterDigital.

This transaction would amend the contingent consideration to be received on the sale of the Patent Licensing business by reducing by 50% the future expected cash receipts.

The impact in the accounts is presented in note 2.1.

1.2. Accounting policies

1.2.1 Basis for preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of June 30, 2019 and adopted by the European Union as of July 24, 2019, which include IAS 34 "Interim Financial Reporting".

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

These interim condensed consolidated financial statements should be read in conjunction with the 2018 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, 2018, and described in the 2018 annual consolidated financial statements, which are an integral part of the 2018 Group's Registration Document, except for the standards, amendments and interpretations which have been applied for the first time in 2019 (see Note 1.2.2).

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

The unaudited interim condensed consolidated financial statements and notes were approved by the Board of Directors of Technicolor SA and authorized for issuance on July 24, 2019.

1.2.2 New standards, amendments and interpretations

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

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

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

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

(€ in million)	December 31, 2018	IFRS 16	IFRIC 23	January 1, 2019
ASSETS				
Tangible assets	233	(42)	-	191
Right-of-use assets	-	330	-	330
Other non-current financial assets	10	4	-	14
TOTAL NON-CURRENT ASSETS	**2,101**	**292**	**-**	**2,393**
TOTAL CURRENT ASSETS	**1,658**	**-**	**-**	**1,658**
TOTAL ASSETS	**3,759**	**292**	**-**	**4,051**
EQUITY & LIABILITIES				
TOTAL EQUITY	**272**	**-**	**-**	**272**
Borrowings	1,004	(27)	-	978
Lease debt	-	260	-	260
Deferred tax liabilities	193	-	10	203
TOTAL NON-CURRENT LIABILITIES	**1,579**	**233**	**-**	**1,811**
Provisions	113	(7)	(10)	97
Borrowings	20	(14)	-	6
Debt lease	-	80	-	80
TOTAL CURRENT LIABILITIES	**1,908**	**59**	**-**	**1,967**
TOTAL EQUITY & LIABILITIES	**3,759**	**292**	**-**	**4,051**

IFRS 16 – Leases

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

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

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

January 1st, 2019	Before adoption	January 1st, 2019	After adoption
Asset - Right-of-use	42	Asset - Right-of-use	330
Liabilities	41	Liabilities	340

Main assumptions:

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

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

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

Transition options and exemptions applied by the Group:

• Scope: The Group has elected to keep unchanged past measurement applying to leases previously identified in accordance with IAS 17. Consequently, conclusion made in accordance with IAS 17 et IFRIC 4 – Determining whether an Arrangement contains a Lease – are still valid. No change has been made to finance leases previously accounted for.

• Exemptions: The Group applied the exemption not to recognize leases that have a lease term of 12 months or less and leases of low-value assets (less than 5,000 US dollars), on a straight-line cost basis.

• Right-of-use: The Group has elected to measure the right-of-use asset at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. Initial direct incurred before January 1, 2019 has been excluded from measuring.

• Impairment: The Group has elected to use option to adjust the right-of-use assets by the amount of IAS 37 onerous contract provision.

IFRS 16 impacts on financial statements as of June 30, 2019

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

(€ in million)	December 31, 2018
Off-balance sheet commitment on continuing operations	**306**
Off-balance sheet commitment on discontinued operations	**26**
Differences on contract estimate terms	82
Other effects	1
Commitment before discounted	**415**
Discounting effect	(116)
Lease liabilities as of January 1, 2019	**299**

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The weighted average marginal borrowing rate is 7,7 % at June 30, 2019.

The weighted average duration of the rental debt is 3,2 years.

P&L comparative table as of June 30, 2019, with and without IFRS16 application

(€ in million)	June 2019	June 2019 excluding IFRS 16	IFRS 16
Revenues	1,764	1,764	-
Cost of sales	(1,613)	(1,616)	3
Gross margin	**151**	**148**	**3**
Selling and administrative expenses	(163)	(163)	1
Research & Development expenses	(60)	(61)	0
Restructuring Costs	(12)	(12)	-
Net impairment gains (losses) on non-current operating assets	(1)	(1)	(0)
Other income (expenses)	(4)	(5)	1
Profit from continuing Operations before Tax & Financial Result	**(88)**	**(93)**	**5**
Interest Income	1	1	-
Interest Expense	(33)	(23)	(10)
Other financial income / (expenses)	(16)	(16)	-
Financial result	**(48)**	**(38)**	**(10)**
Share of Income (Loss) from associates	(1)	(1)	-
Tax	(7)	(7)	-
Profit from continuing Operations after Tax & Financial Result	**(143)**	**(138)**	**(5)**
Discontinued Operations :			
Profits from Discontinued Operations	4	5	(1)
Net income (loss)	**(139)**	**(133)**	**(6)**
Attribuable to :			
Net Profit of the Group	(139)	(133)	(6)
Minority Interests	0	0	-

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

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

(1) Subject to adoption by the European Union.

1.2.3 Basis of measurement & estimates

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

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

- Impairment of goodwill and intangible assets with indefinite useful lives;
- Determination of expected useful lives of intangible assets;
- Determination of the term of the rents for the estimation of the right of use;
- Deferred tax assets recognition;
- Assessment of actuarial assumptions used to determine provisions for employee post-employment benefits;
- Measurement of provisions and contingencies;
- Determination of royalties payables.

The underlying assumptions used for the main estimates are similar to those described as of December 31, 2018. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2019 may subsequently change.

1.2.4 Translation

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

	Closing rate		Average rate	
	June 2019	December 2018	June 2019	June 2018
US Dollar (USD)	1.1364	1.1427	1.1297	1.2077
Pound sterling (GBP)	0.8968	0.9011	0.8723	0.8798
Canadian Dollar (CAD)	1.4886	1.5571	1.5028	1.5468

2. Scope of consolidation

2.1. R&I disposal

Compensation received amounted to one euro; in addition to assets and liabilities transferred, the transaction ends the research agreement by which Interdigital benefited from R&I research. As a part of the transaction, Technicolor also renounces to part of the potential cash-flows from the earn-out clause of the Patent Licensing disposal. Finally, Technicolor commits to funding part of the research led by Interdigital until 2022. As patentable innovation ownership will be kept by Interdigital, this contract will be considered as negative compensation.

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

No other significant acquisition or divestiture occurred during the first half of 2019.

3. Information on operations

3.1. Information by business segments

Technicolor has two continuing businesses and reportable operating segments under IFRS 8: Entertainment Services and Connected Home.

The Group’s Executive Committee makes its operating decisions and assesses performances based on two types of activities. All remaining activities, including unallocated corporate functions, are grouped in the segment “Corporate & Other”.

The Research & Innovation division, previously included in the Corporate & Other segment, is now presented in the Group's discontinued operations.

Prior period has been represented for comparability purposes according to this new organization and reporting structure.

Entertainment Services

The Entertainment Services segment is organized in two divisions:

- The Production Services division provides a full set of award-winning Visual Effects (“VFX”), Animation, digital video and sound Postproduction services;
- The DVD Services division replicates, packages and distributes video, game and music for DVD, Blu-ray™ discs and CD.

The Entertainment Services segment supports content creators from creation to postproduction (Production Services), while offering global distribution solutions through its replication and distribution services for DVD, Blu-ray™ discs and CD (DVD Services).

Entertainment Services segment generates its revenue from the sale of goods and services.

Connected Home

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

Connected Home segment generates primarily its revenue from the sale of goods.

Corporate & Other

This segment includes:

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

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.

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(€ in million)	Entertainment Services [2]	Connected Home	Corporate & Other	TOTAL
	Six months ended June 30, 2019			
Statement of operations items				
Revenues	802	953	9	**1,764**
Intersegment sales	0	(0)	0	**0**
Earning before Interest & Tax (EBIT) from continuing operations	**(35)**	**(37)**	**(16)**	**(88)**
Of which:				
Net impairment losses on non-current operating assets	(1)	(1)	0	(1)
Restructuring costs	(10)	(1)	(0)	(12)
Other income (expenses)	(2)	(1)	(1)	(4)
Depreciation & amortization	(97)	(55)	(3)	(156)
IT capacity use for rendering in Production Services	(16)	0	0	(16)
Other non-cash items [1]	1	(4)	(1)	(4)
Adjusted EBITDA	**90**	**24**	**(10)**	**104**
Statements of financial position items				
Segment assets	1,648	1,398	109	3,154
Unallocated assets				363
Total consolidated assets				**3,517**
Segment liabilities	456	901	510	1,867
Unallocated liabilities				1,537
Total consolidated liabilities				**3,404**
Other information				
Net capital expenditures	(51)	(36)	(2)	**(90)**
Capital employed	399	(42)	175	**532**

(1) Mainly variation of provisions for risks, litigations and warranties.
(2) Revenues from Production Services and DVD Services were €428 million and €374 million, respectively.

As of June 30, 2019, the aggregate amount of the transaction prices allocated to the remaining performance obligations was €263 million and related to the Films and Animations businesses of our Production Services division. Revenues will be recognized until completion of the projects.

(€ in million)	Entertainment Services [2]	Connected Home	Corporate & Other	TOTAL
	Six months ended June 30, 2018 (*)			
Statement of operations items				
Revenues	756	1,003	15	**1,774**
Intersegment sales	(0)	(0)	(0)	(0)
Earning before Interest & Tax (EBIT) from continuing operations	**(41)**	**(38)**	**(12)**	**(91)**
Of which:				
Net impairment losses on non-current operating assets	(1)	(2)	-	(3)
Restructuring costs	(25)	(13)	0	(38)
Other income (expenses)	(8)	(8)	(3)	(19)
Depreciation & amortization	(62)	(45)	(2)	(109)
Other non-cash items [1]	0	3	1	4
Adjusted EBITDA	**55**	**26**	**(9)**	**73**
Statements of financial position items				
Segment assets	1,498	1,342	89	2,929
Unallocated assets				563
Total consolidated assets				**3,492**
Segment liabilities	516	1,012	382	1,910
Unallocated liabilities				1,397
Total consolidated liabilities				**3,307**
Other information				
Net capital expenditures	(31)	(42)	(2)	**(75)**
Capital employed	576	23	21	**620**

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

(1) Mainly variation of provisions for risks, litigations and warranties.
(2) Revenues from Production Services and DVD Services were €376 million and €380 million, respectively.

3.2. Operating income & expenses

(€ in million)	For the 6-month period ended June 30, 2019	2018 (*)
Selling and administrative expenses	(163)	(166)
Net impairment gains (losses) on non-current operating assets [1]	(1)	(3)
Other income (expense)	(4)	(19)

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

(1) Fixed assets write-off.

Other expenses for the period ended June 30, 2019 included mainly a loss on a small business disposal from the Connected Home Business.

Other expenses for the period ended June 30, 2018 included mainly a provision of €8 million in the Connected Home segment related to a settlement with a client and a provision of €5 million in the DVD Services division.

For the period ended June 30, 2019, the Group is still assessing related parties following the change of board members decided during the general assembly of June 14, 2019.

4. Income Tax

The income tax expense for the six months ended June 30, 2019 is determined using the year-end 2019 forecasted effective tax rate. This rate is computed at entity level or at the tax consolidation level if appropriate.

The income tax charge for the six months ended June 30, 2019 is summarized below:

	For the 6-month period ended June 30,	
(€ in million)	2019	2018 (*)
France	-	-
Foreign	(7)	(10)
Total Income Tax	**(7)**	**(10)**

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

5. Goodwill, intangible & tangible assets

5.1. Goodwill

The following table provides the allocation of the goodwill to each Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2018 and June 30, 2019.

(€ in million)	Connected Home	Entertainment Services		Total
		Production Services	DVD Services	
At December 31, 2018	**430**	**186**	**270**	**886**
Exchange difference	3	1	1	5
Acquisitions of businesses	-	-	-	-
Disposals	-	-	-	-
Impairment loss	-	-	-	-
Other	-	-	-	-
At June 30, 2019	**433**	**187**	**271**	**891**

5.2. Intangible assets

(€ in million)	Trademarks	Patents & Customer Relationships	Other intangibles	Total Intangible Assets
At December 31, 2018, Net,	**257**	**302**	**146**	**705**
Cost	*264*	*710*	*455*	*1,429*
Accumulated depreciation	*(7)*	*(408)*	*(309)*	*(724)*
Exchange differences	1	1	1	3
Acquisitions of business	-	-	-	-
Additions	-	2	40	42
Disposal	-	-	-	-
Depreciation charge	-	(31)	(38)	(69)
Impairment loss	-	-	-	-
Other	-	2	(13)	(11)
At June 30, 2019, Net,	**258**	**276**	**136**	**670**
Cost	*265*	*737*	*463*	*1,465*
Accumulated depreciation	*(7)*	*(461)*	*(327)*	*(795)*

5.3. Property, plant & equipment

(€ in million)	Land	Buildings	Machinery & Equipment	Other Tangible Assets (1)	TOTAL
At December 31, 2018, Net,	**3**	**19**	**89**	**122**	**233**
Cost	*3*	*62*	*1,110*	*387*	*1,562*
Accumulated depreciation	*-*	*(43)*	*(1,021)*	*(265)*	*(1,329)*
Exchange differences	-	-	-	2	2
Additions	-	-	1	53	54
Depreciation charge	-	(1)	(22)	(13)	(36)
Impairment loss	-	-	-	-	-
Other (2)	-	-	7	(55)	(48)
At June 30, 2019, Net,	**3**	**18**	**75**	**109**	**205**
Cost	*3*	*62*	*1,107*	*371*	*1,543*
Accumulated depreciation	*-*	*(44)*	*(1,032)*	*(262)*	*(1,338)*

(1) Includes assets in progress.
(2) Including IFRS 16 reclassification. See note 1.2.2

5.4. Right-of-use assets

(€ in million)	Real Estate	Others	Total Right-of-use assets
At December 31, 2018, Net,	**-**	**-**	**-**
IFRS16 application	279	50	330
New contracts	6	1	7
Change in contract	-	-	-
Reclassification	-	-	-
Depreciation charge	(36)	(12)	(48)
Impairment loss	-	-	(1)
Other	3	1	4
At June 30, 2019, Net,	**251**	**41**	**292**

6. Equity & Earnings per share

6.1. Change in share capital

(In euros, except number of shares)	Number of shares	Par value	Share capital in Euros
Share Capital as of December 31, 2018	**414,461,178**	**1**	**414,461,178**
Issuance of new shares	-	-	-
Share Capital as of June 30, 2019	**414,461,178**	**1**	**414,461,178**

As of June 30, 2019, Technicolor owns 1,074,994 treasury shares.

6.2. *Earnings (Loss) per share*

Diluted earnings (loss) per share

(€ in million, except number of shares)	For the 6-month period ended June 30, 2019	2018 (*)
Net income (loss)	**(139)**	**(152)**
Net (income) loss attributable to non-controlling interest	(0)	(1)
Net (gain) loss from discontinued operations	4	(32)
Numerator: **Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders**	**(143)**	**(120)**
Basic weighted number of outstanding shares ('000)	**413,386**	**413,440**
Dilutive impact of stock-option, free & performance share plans	-	-
Denominator: **Diluted weighted number of outstanding shares *('000)***	**413,386**	**413,440**

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

Certain stock-options and performance share plans have no dilution impact due to the current stock price and conditions not met as of June 30, 2019 but could have a dilution impact in the future.

7. Financial assets, financing & derivative financial instruments

7.1. Fair value of financial assets and liabilities

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

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

(€ in million)	June 30, 2019	Fair value measurement by accounting categories as of June 30, 2019					December 31, 2018
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivative instruments (see Note 7.4)	Fair Value measurement	
Non-consolidated Investments	**14**	**-**	14	-	-	Level 2	**14**
Cash collateral & security deposits	13	-	13	-	-	Level 1	9
Loans & others	5	5	-	-	-		1
Derivative financial instruments	0	-	-	-	-	Level 2	0
Other non-current financial assets	**18**						**10**
Total non-current financial assets	**32**						**24**
Cash collateral and security deposits	12	-	12	-	-	Level 1	12
Other current financial assets	-	-	-	-	-		2
Derivative financial instruments	3	-	-	-	3	Level 2	-
Other financial current assets	**15**						**14**
Cash	41	-	41	-	-	Level 1	134
Cash equivalents	24	-	24	-	-	Level 1	157
Cash and cash equivalents	**65**						**291**
Total current financial assets	**80**						**305**
Borrowings [1]	(1,084)	(1,084)	-	-	-		(1,024)
Lease liabilities	(314)	(314)	-	-	-		NA
Other current financial liabilities	(3)	-	-	-	(3)	Level 2	(4)
Total financial liabilities	**(1,401)**						**(1,028)**

(1) Borrowings are recognized at amortized costs. The fair value of the Group debt is €1,032 million as of June 30, 2019 (€972 million as of December 31, 2018). This fair value is based on quoted prices in active markets for term loan debt (Level 1).

Some cash collaterals for U.S. entities are classified as current because of their short maturity but are renewed automatically for periods of 12 months.

7.2. Borrowings

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

7.2.2. Analysis by nature

(€ in million)	June 30, 2019	December 31, 2018
Debt due to financial institutions	1,079	978
Lease liabilities [(1)]	314	-
Other financial debt [(1)]	2	43
Accrued interest	3	3
Debt under IFRS	**1,398**	**1,024**
Total non-current	*1,216*	*1,004*
Total current	*182*	*20*

(1) In 2019 includes operating lease obligations that under IFRS 16 are considered financial debt for €273 million and capital lease liabilities, mainly in the Production Services division, for €41 million at June 30, 2019 and €41 million at December 31, 2018 (presented within "Other Financial Debt").

7.2.3. Summary of debt

Details of the Group's debt as of June 30, 2019 are given in the table below:

(in million currency)	Currency	Nominal Amount	IFRS Amount (see note 7.2.1)	Type of rate	Nominal rate [(1)]	Effective rate [(1)]	Repayment Type	Final maturity
Term Loan Debt	USD	258	257	Floating [(2)]	5.27%	5.38%	Amortizing [(3)]	December 2023
Term Loan Debt	EUR	275	274	Floating [(4)]	3.00%	3.10%	Bullet	December 2023
Term Loan Debt	EUR	450	447	Floating [(5)]	3.50%	3.62%	Bullet	December 2023
Subtotal	**EUR**	**983**	**978**		**3.82%**	**3.94%**		
Lease Liabilities [(6)]		314	314	Fixed	7.48%	7.48%		
Other Debt [(7)]		106	106	Various	2.85%	2.85%		
TOTAL		**1,403**	**1,398**		**4.57%**	**4.65%**		

(1) Rates as of June 30, 2019.
(2) 3-month Libor with a floor of 0% + 275bp.
(3) Amortization of $750,000 per quarter
(4) 3-month Euribor with a floor of 0% + 300bp.
(5) 3-month Euribor with a floor of 0% + 350bp.
(6) Of which €41 million are capital leases and €273 million is operating lease debt under IFRS 16
(7) Of which €100 million are credit line drawings and €3 million is accrued interest.

7.2.4. Main features of the Group's borrowings

7.2.4.1. Analysis by maturity

(€ in million)	June 30, 2019	December 31, 2018
Less than 1 month	112	6
Between 1 and 6 months	33	3
Between 6 months and less than 1 year	37	11
Total current debt less than 1 year	**182**	**20**
Between 1 and 2 years	70	15
Between 2 and 3 years	43	17
Between 3 and 4 years	29	5
Between 4 and 5 years	990	972
Over 5 years	89	-
Total non-current debt	**1,221**	**1,009**
Total nominal debt	**1,403**	**1,029**
IFRS Adjustment	(5)	(5)
Debt under IFRS	**1,398**	**1,024**

7.2.4.2. Undrawn credit lines

(€ in million)	June 30, 2019	December 31, 2018
Undrawn, committed lines expiring in more than one year	260	359

The Group has a receivables backed committed credit facility in an amount of U.S.$125 million (€110 million at the June 30, 2019 exchange rate) which matures in 2021 and a €250 million revolving credit facility maturing in 2021 (the "RCF"). The receivables backed facility was not drawn at June 30, 2019 but the RCF was drawn in an amount of €100 milllion. The availability of the receivables backed credit facility line varies depending on the amount of receivables.

7.2.4.3. Financial covenants and other limitations

For a detailed discussion of the limitations under the Term Loan Debt and the RCF please refer to Note 8.3.4 to the Group's 2018 consolidated financial statements.

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

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

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

Because the outstanding drawings on the RCF were not more than 40% of the RCF amount and the outstanding availability under the Wells Fargo credit line was not less than U.S.$25 million, the covenant did not apply at June 30, 2019.

Leverage covenant

Had the covenant applied at June 30, 2019, total gross debt of the Group could not have been more than 4.00 times the EBITDA of the Group for the twelve months ending June 30, 2019. Under the terms of the RCF and the credit line with Wells Fargo the gross debt does not include lease liabilities that became financial debt due to the application of IFRS 16 (see note 1.2.2).

For information purposes, the calculation at June 30 was:

Gross Debt	€1,125 million
Covenant EBITDA	€298 million
Gross Debt / Covenant EBITDA Ratio	3.78

7.3. Net financial income (expense)

(€ in million)	For the 6-month ended	
	June 2019	June 2018 (*)
Interest income	1	2
Interest expense [(1)]	(33)	(20)
Net interest expense	**(32)**	**(18)**
Net interest expense on defined benefit liability	(3)	(3)
Change in fair value of on financial instruments	1	-
Foreign exchange gain / (loss)	(7)	4
Other	(7)	(3)
Other financial income (expense)	**(16)**	**(2)**
Net financial income (expense)	**(49)**	**(20)**

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.
(1) Including €(10) millions of IFRS 16 impact

7.4. Derivative financial instruments

The Group uses derivatives to reduce market risk. Technicolor uses forward foreign currency operations to hedge foreign exchange risk and interest rate swaps and caps to reduce interest rate risk.

The Group executes operations on the over the counter derivatives markets. The table below gives the fair value of these derivative operations at June 30, 2019.

(€ in million)	June 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Forward currency hedges	3	2	1	4
Interest rate hedges	-	1	-	1
Instruments not documented as hedges	-	-	-	-
Total	**3**	**3**	**1**	**5**

Credit risk on these transactions is minimized by the foreign exchange policy of trading short-term operations as well as bilateral collateral agreements with certain of the Group's banks. The maximum credit risk on these derivatives at June 30, 2019 is equal to the marked-to-market carrying value of the assets shown in the table above of €3 million, part of which is covered by collateral deposited by the Group's banks with Technicolor.

The impact of the hedges of future cash flows is represented by the gains/(losses) before taxes on the fair value of instruments hedging such cash flows and is recorded in net equity. At June 30, 2019 the impact amounted to a gain of €0.6 million.

8. Employee benefit

8.1. Post-employment & long-term benefits

(€ in million)	Pension plan benefits	Medical post-retirement benefits	Total
As of December 31, 2018	**340**	**6**	**346**
Net periodic pension cost	5	-	5
Curtailment	(3)	-	(3)
Benefits paid and contributions	(12)	-	(12)
Change in scope	(4)	-	(4)
Actuarial (gains) losses recognized in OCI	35	-	35
Currency translation adjustments and other	5	-	5
As of June 30, 2019	**366**	**6**	**372**
Of which current	*26*	*-*	*26*
Of which non-current	*340*	*6*	*346*

As of June 30, 2019, the present value of the obligation amounted to €567 million, the fair value of plan assets amounted to €195 million.

8.2. Share-based compensation plans

As of June 30, 2019, the number of stocks options and performance shares is as follows:

(in millions of unit)	June 30, 2019
Number of outstanding stock-options and performance shares as of December 31,2018	17.1
Number of forfeited stock-options and performance shares during 2019 first half	(3.0)
Number of outstanding stock-options and performance shares as of June 30, 2019	**14.1**

The impact of compensation plans during the period amounted to €(1) million and €3 million for the six months ended June 30, 2019 and June 30, 2018, respectively. The counterpart has been accounted fully in equity in 2019 and 2018.

9. Provisions & contingencies

9.1. Detail of provisions

(€ in million)	Provisions for warranty	Provisions for risks & litigations related to		Provisions for restructuring related to		Total
		continuing operations	discontinued operations	continuing operations	discontinued operations	
As of December 31, 2018	**36**	**29**	**39**	**29**	**-**	**132**
Current period additional provision	6	8	2	14	-	30
Release	(4)	(0)	(1)	(2)	-	(7)
Usage during the period	(5)	(6)	(20)	(15)	-	(46)
Other movements and currency translation adjustments [1]	-	(10)	-	(7)	-	(17)
As of June 30, 2019	**33**	**21**	**20**	**19**	**-**	**93**
Of which current	*33*	*18*	*7*	*18*	*-*	*76*
Of which non-current	*-*	*3*	*13*	*1*	*-*	*17*

(1) Includes:
- **The restatement of IFRIC 23 tax provisions for €(10) million. Please refer to Note 1.2.2 for more details.**
- The restatement of provisions for onerous lease for €(7) million as transition method applying IFRS 16. Please refer to Note 1.2.2 for more details.

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

9.2. Contingencies

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

There was no other significant event during the first six months of 2019 regarding the litigation matters disclosed in Note 10 to our 2018 audited consolidated financial statements, and no other significant new litigation has been commenced since December 31, 2018.

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

10.1 Acquisitions and disposals of subsidiaries & investments

10.1.1 Acquisitions

For the first 6 months ended June 30, 2019, the acquisition of activities and investments, net of cash position of companies acquired amounted to €1 million mainly related to the earn out clause paid in relation with the acquisition of Oui Do.

For the first 6 months ended June 30, 2018, the acquisition of activities and investments, net of cash position of companies acquired amounted to €1 million mainly related to the purchase price adjustments received in relation with the acquisition of LG Electronics set-top box business.

10.1.2 Disposals

For the first six months ended June 30, 2019, net cash impact amounted to €(1) million and related to the negative compensation for the business disposal in the connected home segment net from earn-out received from the sale of Digital Cinema activities.

For the first 6 months ended June 30, 2018, net cash impact from disposal of activities and investments amounted to €4 million. It was mainly related to the sale of Digital Cinema activities.

10.2 Cash impacts on financing operations

The table below summarizes the Group's borrowing changes in the Statement of Balance Sheet position:

(€ in million)	December 31, 2018	Cash impact of borrowing variation	Non cash variation						June 30, 2019
			Change in accounting method	Leases recognition	IFRS Discount of Term Loan Debt	Currency Translation Adjustments	Transfer Current - Non Current		
Non Current Borrowing	1,004	(4)	233	12	1	5	(35)		1,216
Current Borrowing	20	53	66	8	-	-	35		182
Total Borrowing	1,024	49	299	20	1	5	-		1,398

11. Discontinued operations and held for sale operations

On May 31, 2019, the Group concluded the sale to Interdigital of its Research & Innovation business. On July 30, 2018, the Group concluded the sale its Patents and Licensing activity to InterDigital. The agreement includes the sale of most of Technicolor patents portfolio, except from those related to mobile networks activity, a small number of patents related to emerging technologies and patents related to collective patents.

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

11.1 Results of discontinued operations

(€ in million)	For the 6-month ended June 2019	For the 6-month ended June 2018 (*)
DISCONTINUED OPERATIONS		
Revenues	6	10
Cost of sales	(1)	(11)
Gross margin	**5**	**(1)**
Selling and administrative expenses	(4)	(9)
Research and development expenses	(7)	(10)
Restructuring Costs	(0)	(1)
Net impairment gains (losses) on non-current operating assets	(1)	(4)
Other income (expenses)	10	(4)
Earning before Interest & Tax from discontinued operations	**3**	**(30)**
Financial net income (expenses)	1	(2)
Share of Income (Loss) from associates	-	-
Income tax	(0)	(0)
Net income (loss)	**4**	**(32)**

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

11.2 Statement of cash flows from discontinued operations

(€ in million)	For the 6-month period ended June 30, 2019	June 30, 2018 (*)
Income (loss) from discontinued activities	**4**	**(32)**
Summary adjustments to reconcile profit from discontinued activities to cash generated from discontinued operations		
Depreciation and amortization	1	0
Impairment of assets	0	4
Net change in provisions	(19)	(7)
Gain (loss) on asset disposals	(9)	0
Other non-cash items (including tax)	2	0
Changes in working capital and other assets and liabilities	9	52
Income tax paid	5	(2)
NET OPERATING CASH GENERATED FROM DISCONTINUED ACTIVITIES (I)	**(6)**	**15**
Proceeds from sale of investments, net of cash	(5)	-
Proceeds from sale of PPE and intangible assets	1	-
NET INVESTING CASH USED IN DISCONTINUED ACTIVITIES (II)	**(4)**	**(0)**
Repayments of borrowings	1	(0)
Fees paid linked to the debt	(1)	-
NET FINANCING CASH USED IN DISCONTINUED ACTIVITIES (III)	**0**	**(0)**
NET CASH FROM DISCONTINUED ACTIVITIES (I+II+III)	**(10)**	**16**

(*) Amounts for the six months ended June 30, 2018 are re-presented to reflect the impacts of Discontinued Operations.

12. Subsequent events

There is no subsequent event that may have a significant impact on the interim condensed consolidated Group financial accounts.

V. STATUTORY AUDITORS' REPORT

Statutory auditors' report on the interim condensed consolidated financial
For the six-month period ended June 30, 2019

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 III 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, for the six-month period ended June 30, 2019,
- 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.

5.1. Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to the matter set out in note 1.2.2 to the interim condensed consolidated financial statements regarding the impact of the first application of IFRS 16 – "Leases".

5.2. 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

Paris-La-Défense, July 29, 2019
Deloitte & Associés

Bertrand Boisselier
Associé

Courbevoie, July 29, 2019
Mazars

Jean-Luc Barlet
Associé

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