



2016 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 2016 condensed consolidated accounts which are prepared in compliance with articles L 451-1-2 III of the *Code monétaire et financier* and 222-4 et seq of the general regulation of the *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 28th, 2016

Frederic Rose

Chief Executive Officer, Technicolor



II. GROUP MANAGEMENT REPORT THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

1.1. Presentation on financial results for the first half of 2016 published on July 27th, 2016

Technicolor announced in a press release dated July 27, 2016 its financial results for the first half of 2016. Earnings before Interest & Tax (EBIT) from continuing operations amounted to €95 million compared to €132 million in the first half of 2015. Revenues amounted to €2,420 million compared to €1,621 million in the first half of 2015. Net finance expenses totaled €73 million in the first half of 2016 compared to €44 million the first half of 2015.

The income tax charge for the six months ended June 30, 2016 amounts to €30 million (€29 million in the first half of 2015). Net result amounted to a loss of €52 million in the first half of 2016 compared to a profit of €48 million in the first half of 2015.

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 2016

- Revenue growth driven by the larger scale of the Group's Operating businesses (Connected Home and Entertainment Services) and strong organic growth in Connected Home and Production Services;
- Adjusted EBITDA of the Operating businesses at €177 million, up by €95 million year-over-year at constant currency;
- Strong free cash flow generation resulting from the good performance achieved by the Operating businesses;
- Adjusted EBITDA margin of Connected Home at 7.7%, up by 3.4 points year-on-year as the integration process is ahead of plan;
- The strong increase in Production Services Adjusted EBITDA more than offset a negative contribution in DVD Services of the North American assets of Cinram, which are expected to perform at Group's standards in the second half of 2016;
- The strong performance of Licensing activities partially offset the sharp decline in MPEG LA revenues;
- The Company will prepay €100 million of senior debt this week as a result of its good free cash flow generation in the first half of 2016.



2016 objectives confirmed

Technicolor confirms its 2016 objectives of a free cash flow in excess of €240 million, and an Adjusted EBITDA in the range of €600 million to €630 million.

The Adjusted EBITDA objective consisting of:

- An Adjusted EBITDA in excess of €475 million for the Operating businesses versus €266 million in 2015, reflecting:
 - For Connected Home: revenues in the second half of 2016 at a similar level to that of the first half of 2016, with continued focus on operating improvement;
 - For Entertainment Services: an Adjusted EBITDA margin expected to grow materially in the second half of 2016, driven by continued revenue growth and synergies in Production Services, and favorable seasonality and payback from cost initiatives executed in the first half of 2016 for DVD Services;
- An Adjusted EBITDA for the Technology segment in excess of €200 million versus €396 million in 2015¹, based on the contribution of new licensing agreements. This notwithstanding a much lower contribution than expected from MPEG LA;
- Corporate and Other Adjusted EBITDA for an amount of around €(80) million.

Leverage ratio inferior to 1.4x at end December 2016 compared to a ratio of 1.74x at end December 2015.

¹ Following the disposal of M-GO, completed in January 2016, and the discontinuation of Virdata, the Group transferred the M-GO and Virdata activities from the Technology segment to the Other segment in the second quarter of 2016. Accordingly, financial information has been restated for 2015.

Summary of consolidated results for the first half of 2016 (unaudited)

Key financial indicators

In € million	First Half		Change YoY	
	2015	2016	Reported	At constant rate
Group revenues from continuing operations	1,621	2,420	+49.3%	+51.6%
Group revenues excluding exited activities ²	1,561	2,418	+54.9%	+57.3%
Adjusted EBITDA from continuing operations	250	265	+6.1%	+8.4%
As a % of revenues	15.4%	11.0%	(4.4)pts	
Adjusted EBIT before PPA³ amortization	159	171	+7.5%	+10.4%
As a % of revenues	9.8%	7.1%	(2.7)pts	
Adjusted EBIT from continuing operations	159	154	(3.5)%	(0.8)%
As a % of revenues	9.8%	6.4%	(3.4)pts	
EBIT from continuing operations	132	95	(27.8)%	(25.2)%
As a % of revenues	8.1%	3.9%	(4.2)pts	
Financial result	(44)	(73)	(29)	
Income tax	(29)	(30)	(1)	
Share of profit/(loss) from associates	1	0	(1)	
Profit/(loss) from continuing operations	60	(8)	(68)	
Profit/(loss) from discontinued operations	(12)	(44)	(32)	
Net income	48	(52)	(100)	
Group free cash flow	117	98	(19)	
Net financial debt at nominal value (non-IFRS)	628	896	+268	
Net financial debt (IFRS)	563	829	+266	

Group revenues from continuing operations totaled €2,420 million in the first half of 2016, up by more than 50% at constant currency compared to the first half of 2015, resulting from the strong performance of the Operating businesses, namely Connected Home and Entertainment Services. This performance reflected the contribution of the acquisitions and customer wins in DVD Services completed in 2015, as well as solid organic growth in Connected Home and double-digit organic growth in Production Services. In Licensing, the sharp decline of the MPEG LA contribution, which was higher than anticipated, was partially offset by a 58% revenue growth across other Licensing activities.

² Exited activities include legacy activities, Digital Cinema and Distribution Services in the Entertainment Services segment, and IZ-ON, M-GO and Virdata activities in the Other segment.

³ Purchase Price Allocation.



Adjusted EBITDA from continuing operations amounted to €265 million in the first half of 2016, up 8.4% at constant currency compared to the first half of 2015. The Operating businesses generated €177 million of Adjusted EBITDA, up by €95 million year-on-year at constant currency, and represented 67% of the Group's Adjusted EBITDA. The strong increase in Adjusted EBITDA for the Connected Home segment, driven by its change of scale and associated synergies, fully offset the €79 million decline recorded by the Technology segment. In the Entertainment Services segment, the significant growth in Adjusted EBITDA of Production Services was in part offset by an adverse performance in DVD Services as the North American assets of Cinram, acquired end 2015, were not breakeven in the first half. Technicolor launched significant cost cutting measures to bring these assets to its profitability standards in the second half of 2016 and recorded some improvement at the end of the first half. In Production Services, Adjusted EBITDA grew as fast as revenues, with margin starting to benefit from synergies in the second quarter of 2016.

Adjusted EBIT from continuing operations reached €154 million in the first half of 2016, relatively stable at constant currency compared to the first half of 2015. During the first half of 2016, Technicolor performed the purchase price allocations ("PPA") of the acquisitions made in the second half of 2015 and recorded a €18 million of amortization in the first half of 2016. Excluding this impact, Adjusted EBIT was up 7.5% year-on-year. Technicolor estimates the amortization of the purchase price allocations at around €40 million in 2016.

EBIT from continuing operations totaled €95 million in the first half of 2016, down 27.8% compared to the first half of 2015. This decrease was mostly due to €20 million of non-current items, out of which €8 million of research and development write-offs and €8 million of integration costs related to the acquisition of Cisco Connected Devices, that both impacted the Connected Home segment. In addition, restructuring costs were €8 million higher year-on-year, resulting principally from cost initiatives executed in the first half in the Technology segment, including the shutdown of the Hannover facility.

The Group's financial result amounted to €(73) million in the first half of 2016 compared to €(44) million in the first half of 2015, reflecting:

- Interest costs were €45 million in the first half of 2016, reflecting an increase in borrowing costs of €12 million, mainly due to the issuance of new Term Loan Debt to finance the acquisitions of The Mill and Cisco Connected Devices in September and November 2015;
- Other financial charges amounted to €29 million in the first half of 2016 compared to €17 million in the first half of 2015. This increase resulted primarily from the 22% appreciation of the Brazilian real that led to a non-cash revaluation of Technicolor's US dollar assets in Brazil.

Income tax increased slightly as a result of the Group's Operating businesses getting stronger, in particular outside France.

As of the end of June 2016, Technicolor has settled with all plaintiffs in the Cathode-Ray Tube ("CRT") litigation case in the US, except Sharp and a second group of plaintiffs with smaller claims. Technicolor recognized a non-current expense amounting to €50 million in the first half of 2016 corresponding to the amount of these settlements and to an accrual for the remaining claims. The cash impact will be €46 million in 2016, up by €10 million compared to the amount of €36 million previously announced in February 2016.

Net income was a loss of €52 million in the first half of 2016 compared to a profit of €48 million in the first half of 2015.

Statement of financial position and cash position

In € million	First Half		Change YoY
	2015	2016	Reported
Operating cash flow from continuing operations	208	224	+7.3%
Group free cash flow	117	98	(16.2)%
Nominal gross debt	1,370 ⁴	1,330	(40)
Cash position	385 ⁴	434	+49
Net financial debt at nominal value (non IFRS)	985⁴	896	(89)
IFRS adjustment	(77) ⁴	(67)	+10
Net financial debt (IFRS)	908⁴	829	(79)

Operating cash flow from continuing operations, which is defined as Adjusted EBITDA less net capital expenditures, restructuring cash out and working capital & other assets and liabilities variation to facilitate reconciliation with the IFRS statement of cash flow, amounted to €224 million in the first half of 2016, up by €16 million compared to first half of 2015, including:

- Capital expenditures amounted to €74 million, up by €31 million year-on-year, due to higher capitalized R&D in the Connected Home segment following the acquisition of Cisco Connected Devices and capacity expansion in the Production Services division, as Technicolor added new capacity in India, Canada, London (UK) and Paris (France) to support the execution of its strong order backlog;
- Cash outflow for restructuring totaled €33 million in the first half of 2016, up by €5 million year-on-year, resulting from higher restructuring costs in the Technology segment and in the DVD Services division;
- The variation of working capital & other assets and liabilities was positive €66 million in the first half of 2016, as the Connected Home segment succeeded in absorbing the Cisco Connected Devices acquisition through rigorous inventory management.

Group free cash flow amounted to €98 million in the first half of 2016, including:

- Financial charges were €47 million, up by €6 million year-on-year, due to the issuance of a new Term loan in the second half of 2015 to finance the acquisitions of Cisco Connected Devices and The Mill;
- Tax cash outflow was €40 million, up by €7 million year-on-year, due to stronger Operating businesses;
- Other cash charges reached €21 million, mainly reflecting pensions for €12 million and Connected Home integration cash outflow for €6 million.

Nominal gross debt totaled €1,330 million at end June 2016, down €40 million versus end December 2015, after a Term Loan debt repayment of €34 million and other debt reimbursement for €6 million.

⁴ At end December 2015.

The Group's cash position amounted to €434 million at end June 2016, up by €49 million compared to end December 2015, due primarily to the solid free cash flow generation.

Net debt at nominal value amounted to €896 million at end June 2016, down by €89 million compared to end December 2015.

Segment review – H1 2016 result highlights⁵

Connected Home

	H1 2015		H1 2016		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenues	652		1,378		+111.4%	+114.0%
Revenues excl. CCD ⁶	652		670		+2.7%	+4.8%
Adj. EBITDA	28	4.3%	106	7.7%	ns	ns

Connected Home revenues totaled €1,378 million in the first half of 2016. Excluding Cisco Connected Devices, Connected Home recorded above-market revenue growth of almost 5% at constant currency compared to the first half of 2015, mainly due to a sustained level of activity in Europe, Middle-East and Africa ("EMEA") and Asia-Pacific ("APAC"), resulting from new customer wins and awards secured in the course of 2015, which helped to offset a lower revenue level in North America in the second quarter of 2016, primarily due to the seasonality of one product category for a large US customer. Excluding Latin America, affected by the severe economic downturn in Brazil in the first half of 2016, Connected Home revenues in North America, EMEA and APAC were up almost 22% year-over-year at constant currency.

In the first half of 2016, Technicolor secured a number of new major awards and customer wins across all regions, particularly for next generation devices. In North America, the Group recorded several new contracts for the supply of both broadband gateways and video set top boxes to major Network Service Providers, particularly to the three largest US operators. Technicolor also added in the second quarter of 2016 a large US operator as a new customer for the delivery of Over-the-Top ("OTT") devices. In EMEA, Technicolor's commercial activity was very strong, as reflected by several new awards and customer wins secured in the first half, especially for next generation broadband and OTT devices. In APAC, the Group continued to expand its business with several leading operators in the region, securing a number of new awards for broadband products in the period, particularly in China and Australia.

⁵ Excluding exited activities.

⁶ Cisco Connected Devices ("CCD").

Gross margin stood at 16.4% in the first half of 2016, up by 0.6 point compared to the first half of 2015. Adjusted EBITDA amounted to €106 million in the first half of 2016, up from €28 million in the first half of 2015, reflecting an increased Adjusted EBITDA margin of 7.7%, up by 3.4 points year-over-year. This strong performance resulted from continued solid operating execution and efficiency across the business, as well as from the positive impact of the integration of Cisco Connected Devices and associated cost synergies, which progressed very well in the period. In the first half, Connected Home focused in particular on the migration of the Cisco supply chain to the Technicolor supply chain, successfully completed in July.

Entertainment Services

	H1 2015		H1 2016		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenues	651		863		+32.6%	+35.4%
<u>o/w</u> Production Services	249		369		+48.0%	+53.8%
DVD Services	402		494		+23.0%	+24.0%
Adj. EBITDA	60	9.2%	71	8.2%	+18.3%	+23.5%

Entertainment Services revenues amounted to €863 million in the first half of 2016, up 35.4% at constant currency compared to the first half of 2015, as a result of strong organic growth and the addition of Mikros Image and The Mill in Production Services, combined with new customer additions and the performance of selected key titles in DVD Services.

- **Production Services** revenues amounted to €369 million in the first half of 2016, up 53.8% at constant currency compared to the first half of 2015, driven by double-digit organic growth and the additions of Mikros Image and The Mill. Technicolor reported strong organic growth, with a record level of activity in Visual Effects (“VFX”) for TV series and sustained growth across VFX for Advertising, Animation and Games activities. After a broadly stable first quarter, revenues in VFX for feature films rebounded in the second quarter of 2016, as the workload on large-scale projects increased. In addition, the Group won several awards during the first half of 2016 across its different activities, building a very solid pipeline.

In the first half of 2016, Technicolor confirmed its leadership in Production Services and fully benefited from its multi-segment strategy. In this context, the Group further expanded its operational platform by adding new capacity, notably in the UK, Canada and India, and is poised to capture additional growth across its different market segments. In addition, Technicolor demonstrated its expertise in managing highly-complex projects, developing new visual experiences, including promising Virtual Reality (“VR”) experiences, while deepening its relationships with all major content creators.



- **DVD Services** revenues reached €494 million in the first half of 2016, up 24.0% at constant currency compared to the first half of 2015. Revenue growth was primarily driven by a year-on-year increase in total combined disc volumes of c.22%, which were supported by new customer additions secured in 2015, as well as selected key new release Theatrical titles produced in the first half of 2016. During the period, DVD volumes increased by c.7%, while Blu-ray™ disc volumes were up c.30% compared to the first half of 2015. Overall Games volumes grew by c.19% year-over-year, driven by ongoing growth of Xbox One demand. CD volumes also increased substantially year-on-year, due primarily to last year's new customer additions.

Adjusted EBITDA reached €71 million in the first half of 2016, up 23.5% at constant currency compared to the first half of 2015, as a much stronger contribution of Production Services fully offset an adverse DVD Services performance resulting from the integration of the North American assets of Cinram.

- In **Production Services**, Adjusted EBITDA was sharply higher in the first half of 2016 compared to the first half of 2015, due to the incremental contribution from acquisitions and increased levels of activity in VFX activities.
- Before integration of the North American assets of Cinram, **DVD Services** recorded an improved performance year-on-year. These assets are expected to perform at the Group's standards in the second half of 2016 following the cost reduction program executed during the first half.

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Technology

	H1 2015		H1 2016		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenues	258		177		(31.5)%	(30.6)%
<u>o/w</u> Licensing	100		158		+58.3%	
MPEG LA	158		18		(88.5)%	
Adj. EBITDA	209	81.2%	130	73.9%	(37.7)%	(37.8)%
<u>o/w</u> Licensing & R&I ⁷	51		112		+117.9%	
MPEG LA	158		18		(88.5)%	

Technology revenues amounted to €177 million in the first half of 2016, down 30.6% at constant currency compared to the first half of 2015, driven by a sharp decline of MPEG LA. Excluding MPEG LA, revenues were up 58.3%, reflecting a strong level of activity in Patent Licensing and sustained Trademark Licensing performance. MPEG LA revenues were only €18 million in the first half of 2016, much less than had been anticipated. However, Technicolor still expects to generate at least €200 million of Adjusted EBITDA for its Technology segment in 2016.

⁷ Research and Innovation.

In the first half of 2016, Technicolor has been particularly active in Patent Licensing, signing non-exclusive agreements in both Video Coding and Digital TV in the first quarter, and in Set Top Box during the second quarter, while continuing discussions in the Mobile space. The Group has started implementing a reduction in the size of its very large portfolio, which includes patents that no longer fit its strategy and are costly to maintain. In the first half of 2016, Technicolor also increased its Trademark Licensing revenues.

Adjusted EBITDA reached €130 million in the first half of 2016, or a margin of 73.9%, including €18 million generated by MPEG LA. This good performance, in the context of a minor MPEG LA contribution, was driven by a strong level of activity in Patent Licensing and growing Trademark Licensing revenues. During the first half, Technicolor also launched cost improvement initiatives, including a revised filing policy and the shutdown of the Group's research lab in Hannover. These actions are expected to generate cost savings in 2017 with a limited impact in the second half of 2016.

Segment review – Q2 2016 revenue highlights⁸

Group revenues by segment

In € million	Second Quarter		Change YoY	
	2015	2016	Reported	At Constant rate
Connected Home	335	680	+102.9%	+106.7%
<u>o/w</u> Connected Home excl. CCD	335	367	+9.6%	+11.8%
Entertainment Services	313	413	+31.9%	+36.3%
<u>o/w</u> Production Services	128	190	+48.6%	+56.0%
DVD Services	185	223	+20.3%	+22.7%
Technology	140	65	(53.9)%	(54.1)%
Group revenues	789	1,158	+46.8%	+50.2%

Connected Home revenues were €680 million in the second quarter of 2016. Excluding Cisco Connected Devices, Connected Home revenues reached €367 million and were up almost 12% at constant currency compared to the second quarter of 2015, continuing to outperform the global CPE ("Consumer Premises Equipment") market. This performance reflected a strong level of activity across Europe, Middle-East and Africa and Asia-Pacific, improved overall revenue trend in Latin America compared to the first quarter of 2016, driven by Mexico, and ongoing solid momentum with the three largest operators in North America, which helped to offset some pockets of weakness in the period, particularly in Brazil and Canada.

- In **North America** (50% of sales), Connected Home revenues grew c.216% at constant currency in the second quarter of 2016 compared to the second quarter of 2015, mainly reflecting the addition of Cisco Connected Devices. Technicolor continued to gain traction with the region's three largest operators, as reflected by several new awards secured during the period, particularly for video products, while it also added a large operator as a new customer for the delivery of OTT set top boxes.

⁸ Excluding exited activities.



The level of activity in the region was however affected by the consumption pattern of some customers in the US, notably for Connected Life devices and services, as well as by lower overall customer demand in Canada.

- In **Europe, Middle East and Africa** (20% of sales), Connected Home posted revenue growth of c.71% at constant currency in the second quarter of 2016 compared to the second quarter of 2015, driven by the addition of Cisco Connected Devices and the benefit of new customer wins and awards secured by both Technicolor and Cisco Connected Devices in 2015. During the period, Connected Home benefited from a strong customer demand for cable and telecom broadband devices and ongoing deployments of new products launched in the second half of 2015, particularly OTT set top boxes.
- In **Latin America** (20% of sales), Connected Home revenues grew c.27% at constant currency in the second quarter of 2016 compared to the second quarter of 2015. While overall market conditions remained difficult in Brazil, due to the severe economic downturn, the level of activity was particularly strong in Mexico, reflecting a sustained customer demand for all product categories.
- In **Asia-Pacific** (10% of sales), Connected Home revenues more than doubled in the second quarter of 2016 compared to the second quarter of 2015, reflecting a strong increase in set top box shipments to Indian customers, driven by the ongoing digitization program in the country, as well as higher deliveries of broadband telecom devices during the period, particularly in Australia.

Revenue breakdown for Connected Home

In € million		Second Quarter			First Half		
		2015	2016	Change ⁹	2015	2016	Change ⁹
Total revenues		335	680	+106.7%	652	1,378	+114.0%
<u>By region</u>	North America	109	338	+216.1%	202	724	+260.4%
	Europe, Middle-East and Africa	80	136	+70.8%	148	316	+113.1%
	Latin America	111	135	+26.6%	242	228	(1.6)%
	Asia-Pacific	36	71	+102.7%	60	110	+87.7%
<u>By product</u>	Video	142	361	+158.1%	295	790	+161.9%
	Broadband ¹⁰	193	319	+68.8%	357	588	+74.4%

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⁹ Year-on-year change at constant currency.

¹⁰ Including Connected Life devices and services.



- **Entertainment Services** revenues amounted to €413 million in the second quarter of 2016, up 36.3% at constant currency compared to the second quarter of 2015, due to strong organic growth and the addition of Mikros Image and The Mill in Production Services, as well as new customer additions in DVD Services.
- **Production Services** revenues totaled €190 million in the second quarter of 2016, up 56.0% at constant currency compared to the second quarter of 2015. This strong performance reflected another quarter of double-digit organic growth, as well as the additions of Mikros Image and The Mill.

The level of activity in VFX for feature films rebounded year-over-year, with several large-scale projects progressing in the quarter. Technicolor successfully secured additional awards in the period and further strengthened its strong project pipeline. In the second quarter, VFX teams continued work on several Theatrical titles, including *Ghost in the Shell* (Paramount), *Pirates of the Caribbean: Dead Men Tell No Tales* (Disney) and *Passengers* (Sony), while starting to ramp up work on *Alien: The Covenant* (Fox) and *The Mummy* (Universal). VFX teams also completed work on projects such as *X-Men: Apocalypse* (Fox), *Suicide Squad* (Warner), *Ghostbusters* (Sony) and *Independence Day: Resurgence* (Fox).

In VFX for TV series, Technicolor recorded another quarter of strong double-digit revenue growth, with Mr. X having progressed at a very rapid pace since it was added to the Group's brand portfolio. During the quarter, VFX teams started work on Netflix's *Godless*, while continuing work on the new seasons of History's *Vikings*, Amazon's *Goliath* and FX's *The Strain*, among others. In addition, Mr. X's work on *Penny Dreadful* season 3 (Showtime) and *Vikings* season 4 has been nominated for 2 Emmys Awards in the Outstanding Special Visual Effects Category.

In VFX for Advertising, revenues continued to be particularly strong during the period, with high double-digit organic growth and the addition of The Mill. During the quarter, Technicolor further demonstrated its expertise in managing highly complex projects, completing new epic visual spots such as the *Yes, I can* campaign to support UK Channel 4's coverage of the 2016 Paralympic Games, the artistic campaign realized for the launch of Google's *Tilt Brush* app, the spot introducing *Kenny*, the new Koala mascot for Cushelle. In addition, VFX teams also completed a fully-immersive 360-degree virtual reality project for Jack Daniels and brought back to life *The Flintstones* in a campaign for Halifax.

In Animation, revenues also grew double-digit in the second quarter, reflecting a high level of activity in TV animation. During the quarter, Mikros Image continued work on *Captain Underpants* (DreamWorks Animation), while just starting work at the end of the second quarter on *Sherlock Gnomes* (Rocket/Paramount) and *Asterix* (M6). In addition, two animated series from Technicolor's Creative group, *The Deep* and *Atomic Puppet*, premiered in the US, the UK and other territories during the quarter.

In Games, revenues continued to grow rapidly, driven by the extension of the team dedicated to Rockstar Games. During the quarter, Games teams also completed work on a high profile mobile game another major Games publisher.

In Postproduction, revenues were stable in the second quarter of 2016, with a strong level of activity with OTT service providers and TV broadcasters. During the quarter, Postproduction teams also received three Emmy Awards nominations in the Outstanding Sound Mixing and Editing Categories.



- **DVD Services** revenues amounted to €223 million in the second quarter of 2016, up 22.7% at constant currency compared to the second quarter of 2015, primarily driven by a year-over-year increase in total combined disc volumes of c.19%. During the period, DVD volumes were up c.1%, while Blu-ray™ disc volumes increased by c.36% compared to the second quarter of 2015. Games volumes were up c.39% year-on-year, while CD volumes were also substantially higher, due to last year's customer additions.

Key theatrical titles produced in the second quarter included *Zootopia* (Disney), *Batman vs. Superman: Dawn of Justice* (Warner), *Deadpool* (Fox) and *The Divergent Series: Allegiant* (Lionsgate), while key games titles included *Doom* (Bethesda Softworks) and *Overwatch* (Activision).

Volume data for DVD Services

		Second Quarter			First Half		
In million units		2015	2016	Change	2015	2016	Change
Total combined volumes		228.8	272.3	+19.0%	499.8	609.9	+22.0%
<u>By format</u>	DVD	185.1	187.5	+1.3%	396.1	424.7	+7.2%
	Blu-ray™	41.4	56.3	+36.0%	100.0	130.2	+30.2%
	CD	2.3	28.5	ns	3.7	55.0	ns
<u>By segment</u>	Theatrical/Broadcast	213.8	230.8	+7.9%	466.3	527.1	+13.0%
	Games	5.9	8.2	+39.1%	15.5	18.4	+18.8%
	Software & Kiosk	6.7	4.8	(29.4)%	14.3	9.4	(34.5)%
	Music & Audio	2.3	28.5	ns	3.7	55.0	ns

- **Technology** revenues amounted to €65 million in the second quarter of 2016, down 54.1% at constant currency compared to the second quarter of 2015, driven by a €78 million decline in MPEG LA revenues. MPEG LA revenues were particularly high and represented around 64% of total Licensing revenues in the second quarter of 2015. Excluding MPEG LA, Licensing revenues increased almost 5% compared to the second quarter of 2015. This solid performance was largely driven by Patent Licensing, with the signature of an agreement in Set Top Box with a South Asian manufacturer and the disposal of non-strategic audio patents. As part of its new strategy to focus around 4 key pillars, Technicolor decided to monetize patents through non-exclusive licensing agreements as it has always done, and also through the sale of patents that no longer fit its strategy.

In the second quarter of 2016, Trademark Licensing revenues were broadly stable year-on-year, while the Group reached new milestones in the dissemination and deployment of its High Dynamic Range ("HDR") technology.

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

	Six months ended June 30,	
	2016 Unaudited	2015 Unaudited
<i>(in € million)</i>		
Continuing operations		
Revenues	2,420	1,621
Cost of sales ¹¹	(1,969)	(1,227)
Gross margin	451	394
Selling and administrative expenses	(204)	(166)
Research and development expenses	(93)	(68)
Restructuring costs	(39)	(31)
Net impairment losses on non-current operating assets	(8)	(9)
Other income (expense)	(12)	12
Earnings before interest and tax (EBIT) from continuing operations	95	132
Interest income	1	6
Interest expense	(45)	(33)
Other financial income (expense)	(29)	(17)
Net financial income (expense)	(73)	(44)
Share of loss from associates	-	1
Income tax	(30)	(29)
Profit (loss) from continuing operations	(8)	60
Discontinued operations		
Net gain (loss) from discontinued operations	(44)	(12)
Net income (loss)	(52)	48
Attributable to:		
- Equity holders	(52)	50
- Non-controlling interest	-	(2)
	Six months ended June 30,	
	2016 Unaudited	2015 Unaudited
<i>(in euro, except number of shares)</i>		
Weighted average number of shares outstanding (basic net of treasury shares held)	411,485,478	348,259,537
Earnings (losses) per share from continuing operations		
- basic	(0.02)	0.17
- diluted	(0.02)	0.17
Earnings (losses) per share from discontinued operations		
- basic	(0.11)	(0.04)
- diluted	(0.11)	(0.04)
Total earnings (losses) per share		
- basic	(0.13)	0.13
- diluted	(0.13)	0.13

¹¹ In 2016, amortization of customer relationships has been reclassified from cost of sales to selling and administrative expenses as it better reflects the nature of these expenses. Had such comparable 2015 expenses been classified the same way, selling and administrative expenses would have amounted to €172 million instead of €166 million and cost of sales to €1,221 million instead of €1,227 million.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in € million)</i>	June 30, 2016 Unaudited	December 31, 2015 ¹² Audited
ASSETS		
Goodwill	991	1,007
Intangible assets	737	763
Property, plant and equipment	290	304
Other operating non-current assets	72	77
Total operating non-current assets	2,090	2,151
Investments and available-for-sale financial assets	18	22
Other non-current financial assets	40	40
Total financial non-current assets	58	62
Investments in associates and joint ventures	14	16
Deferred tax assets	444	455
Total non-current assets	2,606	2,684
Inventories	219	301
Trade accounts and notes receivable	732	709
Other operating current assets	423	294
Total operating current assets	1,374	1,304
Income tax receivable	63	62
Other financial current assets	23	23
Cash and cash equivalents	434	385
Assets classified as held for sale	7	24
Total current assets	1,901	1,798
Total assets	4,507	4,482

¹² The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements since adjustments to the valuation of 2015 acquisitions were made during the first semester of 2016.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in € million)</i>	June 30, 2016 Unaudited	December 31, 2015 ¹³ Audited
EQUITY AND LIABILITIES		
Common stock	412	411
Treasury shares	(156)	(155)
Subordinated perpetual notes	500	500
Additional paid-in capital & reserves	130	250
Cumulative translation adjustment	(271)	(284)
Shareholders' equity attributable to owners of the parent	615	722
Non-controlling interest	2	4
Total equity	617	726
Retirement benefits obligations	395	353
Provisions	42	40
Other non-current operating liabilities	182	157
Total operating non-current liabilities	619	550
Borrowings	1,177	1,207
Deferred tax liabilities	220	230
Total non-current liabilities	2,016	1,987
Retirement benefit obligations	29	29
Provisions	132	125
Trade accounts and notes payable	765	745
Accrued employee expenses	134	166
Other current operating liabilities	684	546
Total operating current liabilities	1,744	1,611
Borrowings	86	86
Income tax payable	41	59
Other current financial liabilities	3	1
Liabilities classified as held for sale	-	12
Total current liabilities	1,874	1,769
Total liabilities	3,890	3,756
Total equity and liabilities	4,507	4,482

¹³ The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements since adjustments to the valuation of 2015 acquisitions were made during the first semester of 2016.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Six months ended June 30,	
	2016 Unaudited	2015 Unaudited
Net income (loss)	(52)	48
Income (loss) from discontinued activities	(44)	(12)
Profit (loss) from continuing activities	(8)	60
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>		
Depreciation and amortization	104	88
Impairment of assets ¹⁴	8	10
Net changes in provisions	4	(19)
Gain (loss) on asset disposals	-	(6)
Interest (income) and expense	44	27
Other non-cash items (including tax)	46	36
Changes in working capital and other assets and liabilities	67	30
Cash generated from continuing activities	265	226
Interest paid	(37)	(29)
Interest received	2	6
Income tax paid	(40)	(33)
Net operating cash generated from continuing activities	190	170
Net operating cash used in discontinued activities	(18)	(10)
Net cash from operating activities (I)	172	160
Acquisition of subsidiaries, associates and investments, net of cash acquired	(24)	(28)
Proceeds from sale of investments, net of cash	18	2
Purchases of property, plant and equipment ("PPE")	(35)	(20)
Proceeds from sale of PPE and intangible assets	1	-
Purchases of intangible assets including capitalization of development costs	(40)	(23)
Cash collateral and security deposits granted to third parties	(2)	(3)
Cash collateral and security deposits reimbursed by third parties	7	6
Loans (granted to) / reimbursed by third parties	-	-
Net investing cash used in continuing activities	(75)	(66)
Net investing cash used in discontinued activities	-	-
Net cash used in investing activities (II)	(75)	(66)
Increase of Capital	13	4
Proceeds from borrowings	-	1
Repayments of borrowings	(40)	(27)
Fees paid linked to the debt	(2)	(6)
Dividends and distributions paid to Group's shareholders	(25)	(17)
Other	2	(5)
Net financing cash generated used in continuing activities	(52)	(50)
Net financing cash used in discontinued activities	-	-
Net cash used in financing activities (III)	(52)	(50)
Cash and cash equivalents at beginning of year	385	328
Net increase in cash and cash equivalents (I+II+III)	45	44
Exchange gains/(losses) on cash and cash equivalents	4	9
Cash and cash equivalents at end of year	434	381

¹⁴ Including €5 million of impairment of assets as part of restructuring plans in 2015.

Summary of consolidated results as reported (unaudited)

In € million	First Half		Change ¹⁵
	2015	2016	
Group revenues from continuing operations	1,621	2,420	+49.3%
Change at constant currency (%)		+51.6%	
<u>o/w</u> Connected Home	652	1,378	+111.4%
Entertainment Services	687	863	+25.5%
Technology	258	177	(31.5)%
Other	24	2	(91.7)%
Adjusted EBITDA from continuing operations	250	265	+6.1%
Change at constant currency (%)		+8.4%	
As a % of revenues	15.4%	11.0%	(4.4)pts
<u>o/w</u> Connected Home	28	106	ns
Entertainment Services	64	71	+11.7%
Technology	209	130	(37.7)%
Other	(51)	(42)	+16.6%
Adjusted EBIT from continuing operations	159	154	(3.5)%
Change at constant currency (%)		(0.8)%	
As a % of revenues	9.8%	6.4%	(3.4)pts
<u>o/w</u> Connected Home	14	72	ns
Entertainment Services	1	2	+83.3%
Technology	200	125	(37.4)%
Other	(56)	(46)	+18.1%
EBIT from continuing operations	132	95	(27.8)%
Change at constant currency (%)		(25.2)%	
As a % of revenues	8.1%	3.9%	(4.2)pts
Financial result	(44)	(73)	(29)
Income tax	(29)	(30)	(1)
Share of profit/(loss) from associates	1	0	(1)
Profit/(loss) from continuing operations	60	(8)	(68)
Profit/(loss) from discontinued operations	(12)	(44)	(32)
Net income	48	(52)	(100)
Group free cash flow	117	98	(19)
Net financial debt at nominal value (non IFRS)	628	896	+268
Net financial debt (IFRS)	563	829	+266

¹⁵ Year-on-year change at current currency.



Summary of the impact of exited activities (unaudited)

In € million	Second Quarter			First Half		
	2015	2016	Change ¹⁶	2015	2016	Change ¹⁶
Group revenues	816	1,158	+41.9%	1,621	2,420	+49.3%
<u>o/w</u> Connected Home	335	680	+102.9%	652	1,378	+111.4%
Entertainment Services	329	413	+25.6%	687	863	+25.5%
Technology	140	65	(53.9)%	258	177	(31.5)%
Other	12	0	ns	24	2	(92.0)%
Impact of exited activities	27	0	ns	60	2	(96.9)%
<u>o/w</u> Entertainment Services	16	0	ns	37	0	ns
Other	12	0	ns	24	2	(91.7)%
Group revenues excl. exited act.	789	1,158	+46.8%	1,561	2,418	+54.9%
<u>o/w</u> Connected Home	335	680	+102.9%	652	1,378	+111.4%
Entertainment Services	313	413	+31.9%	651	863	+32.6%
Technology	140	65	(53.9)%	258	177	(31.5)%
Other	0	0	ns	0	0	ns
Adjusted EBITDA				250	265	+6.1%
As a % of revenues				15.4%	11.0%	(4.4)pts
<u>o/w</u> Connected Home				28	106	ns
Entertainment Services				64	71	+11.7%
Technology				209	130	(37.7)%
Other				(51)	(42)	+16.6%
Impact of exited activities				(4)	(4)	+22.3%
<u>o/w</u> Entertainment Services				4	0	ns
Other				(7)	(4)	+38.6%
Adjusted EBITDA excl. exited act.				254	270	+6.3%
As a % of revenues				16.3%	11.2%	(5.1)pts
<u>o/w</u> Connected Home				28	106	+ns
Entertainment Services				60	71	+18.3%
Technology				209	130	(37.7)%
Other				(44)	(38)	+13.0%

¹⁶ Year-on-year change at current currency.

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 2016 compared to the first half of 2015 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 €(59) million in the first half of 2016 compared to €(27) million in the first half of 2015.

In € million	First Half		
	2015	2016	Change ¹⁷
EBIT from continuing operations	132	95	(37)
Restructuring charges, net	(31)	(39)	(8)
Net impairment losses on non-current operating assets	(9)	(8)	+1
Other income/(expense)	12	(12)	(24)
Adjusted EBIT from continuing operations	159	154	(5)
As a % of revenues	9.8%	6.4%	(3.4)pts
Purchase price allocation ("PPA") amortization	0	18	+18
Adjusted EBIT before PPA amortization	159	171	+12
As a % of revenues	9.8%	7.1%	(2.7)pts
Depreciation and amortization ("D&A") ¹⁸	91	94	+3
Adjusted EBITDA from continuing operations	250	265	+15
As a % of revenues	15.4%	11.0%	(4.4)pts

¹⁷ Year-on-year change at current currency.

¹⁸ Including impact of provisions for risks, litigations and warranties, and excluding PPA amortization.



Reconciliation of Group free cash flow (unaudited)

In € million	First Half		Change YoY Reported
	2015	2016	
Adjusted EBITDA from continuing operations	250	265	+15
Restructuring provisions - cash usage of the period	(28)	(33)	(5)
Purchases of property, plant and equipment ("PPE")	(20)	(35)	(15)
Proceeds from sale of PPE and intangible assets	0	1	+1
Purchases of intangible assets including capitalization of development costs	(23)	(40)	(17)
Changes in working capital and other assets and liabilities	29	66	+37
Operating cash flow from continuing operations	208	224	+16
Net changes in pension reserves	(9)	(8)	+1
Provisions for risks & litigations - cash usage of continuing operations	(4)	(5)	(1)
Other non-current items (cash impact)	9	(4)	(13)
Interest paid	(29)	(37)	(8)
Interest received	6	2	(4)
Net interest expense on defined benefit liability	(4)	(4)	-
Other Financial items	(17)	(12)	+5
Income tax paid	(33)	(40)	(7)
Net operating cash used in discontinued activities	(10)	(18)	(8)
Group free cash flow	117	98	(19)

III. TECHNICALOR UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2016

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

		For the 6-month period ended June 30,	
(€ in million)	Note	2016	2015
CONTINUING OPERATIONS			
Revenues		2,420	1,621
Cost of sales ⁽¹⁾		(1,969)	(1,227)
Gross Margin		451	394
Selling and administrative expenses ⁽¹⁾	(3.2)	(204)	(166)
Research and development expenses		(93)	(68)
Restructuring costs	(9.1)	(39)	(31)
Net impairment gains (losses) on non-current operating assets	(3.2)	(8)	(9)
Other income (expense)	(3.2)	(12)	12
Earning before Interest & Tax (EBIT) from continuing operations^(*)		95	132
Interest income		1	6
Interest expense		(45)	(33)
Other financial income (expense)		(29)	(17)
Net financial income (expense)	(7.3)	(73)	(44)
Share of gain (loss) from associates		-	1
Income tax	(4)	(30)	(29)
Profit (loss) from continuing operations		(8)	60
DISCONTINUING OPERATIONS			
Net gain (loss) from discontinuing operations	(11)	(44)	(12)
Net income (loss)		(52)	48
<i>Attributable to:</i>			
- Equity holders		(52)	50
- Non-controlling interest		-	(2)
EARNINGS PER SHARE			
(in euro, except number of shares)	Note	June 30, 2016	2015
Weighted average number of shares outstanding (basic net of treasury shares held) ⁽²⁾	(6.2)	411,485,478	348,259,537
Earnings (losses) per share from continuing operations			
- basic		(0.02)	0.17
- diluted		(0.02)	0.17
Earnings (losses) per share from discontinuing operations			
- basic		(0.11)	(0.04)
- diluted		(0.11)	(0.04)
Total earnings (losses) per share			
- basic		(0.13)	0.13
- diluted		(0.13)	0.13

(*) Formerly Profit (loss) from continuing operations before tax and net financial income (expense).

(1) In 2016, amortization of customer relationships has been reclassified from cost of sales to selling and administrative expenses as it better reflects the nature of these expenses. Had such comparable 2015 expenses been classified the same way, selling and administrative expenses would have amounted to €172 million instead of €166 million and cost of sales to €1,221 million instead of €1,227 million.

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

The accompanying notes on pages 8 to 30 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,	
		2016	2015
Net income (loss) for the year		(52)	48
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligations	(8.1)	(52)	18
Items that may be reclassified subsequently to profit or			
Fair values gains / (losses), gross of tax on cash flow hedges:		-	-
- reclassification adjustments when the hedged forecast transactions affect profit or loss	(7.4)	3	8
Currency translation adjustments:			
- currency translation adjustments of the year		13	19
- reclassification adjustments on disposal or liquidation of a foreign operation		-	(2)
Total other comprehensive income ⁽¹⁾		(36)	43
Total comprehensive income for the year		(88)	91
<i>Attributable to:</i>			
- Equity holders of the parents		(88)	93
- Non-controlling interest		-	(2)

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

The accompanying notes on pages 8 to 30 are an integral part of these interim condensed consolidated financial statements.



UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)		Note	June 30, 2016	December 31, 2015 ^(*)
ASSETS				
Goodwill	(5.1)		991	1,007
Intangible assets	(5.2)		737	763
Property, plant & equipment	(5.3)		290	304
Other operating non-current assets			72	77
TOTAL OPERATING NON-CURRENT ASSETS			2,090	2,151
Investments and available-for-sale financial assets	(7.1)		18	22
Other non-current financial assets	(7.1)		40	40
TOTAL FINANCIAL NON-CURRENT ASSETS			58	62
Investments in associates and joint-ventures			14	16
Deferred tax assets			444	455
TOTAL NON-CURRENT ASSETS			2,606	2,684
Inventories			219	301
Trade accounts and notes receivable			732	709
Other operating current assets			423	294
TOTAL OPERATING CURRENT ASSETS			1,374	1,304
Income tax receivable			63	62
Other financial current assets	(7.1)		23	23
Cash and cash equivalents	(7.1)		434	385
Assets classified as held for sale	(11)		7	24
TOTAL CURRENT ASSETS			1,901	1,798
TOTAL ASSETS			4,507	4,482

(*) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements since adjustments to the valuation of 2015 acquisitions were made during the first semester of 2016 as detailed in Note 2.2.

The accompanying notes on pages 8 to 30 are an integral part of these interim condensed consolidated financial statements.



UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)		Note	June 30, 2016	December 31, 2015 ^(*)
EQUITY & LIABILITIES				
Common stock	(6.1)		412	411
Treasury shares	(6.1)		(156)	(155)
Subordinated Perpetual Notes			500	500
Additional paid-in capital & reserves			130	250
Cumulative translation adjustment			(271)	(284)
Shareholders' equity attributable to owners of the parent			615	722
Non-controlling interest			2	4
TOTAL EQUITY			617	726
Retirement benefits obligations	(8.1)		395	353
Provisions	(9.1)		42	40
Other non-current operating liabilities			182	157
TOTAL OPERATING NON-CURRENT LIABILITIES			619	550
Borrowings	(7.2)		1,177	1,207
Deferred tax liabilities			220	230
TOTAL NON-CURRENT LIABILITIES			2,016	1,987
Retirement benefits obligations	(8.1)		29	29
Provisions	(9.1)		132	125
Trade accounts and notes payable			765	745
Accrued employee expenses			134	166
Other current operating liabilities			684	546
TOTAL OPERATING CURRENT LIABILITIES			1,744	1,611
Borrowings	(7.2)		86	86
Income tax payable			41	59
Other current financial liabilities	(7.1)		3	1
Liabilities classified as held for sale	(11)		-	12
TOTAL CURRENT LIABILITIES			1,874	1,769
TOTAL LIABILITIES			3,890	3,756
TOTAL EQUITY & LIABILITIES			4,507	4,482

(*) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements since adjustments to the valuation of 2015 acquisitions were made during the first semester of 2016 as detailed in Note 2.2.

The accompanying notes on pages 8 to 30 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,	
		2016	2015
Net income (loss)		(52)	48
Income (loss) from discontinuing activities		(44)	(12)
Profit (loss) from continuing activities		(8)	60
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>			
Depreciation and amortization		104	88
Impairment of assets ⁽¹⁾		8	10
Net changes in provisions		4	(19)
Gain (loss) on asset disposals		-	(6)
Interest (income) and expense	(7.3)	44	27
Other non-cash items (including tax)		46	36
Changes in working capital and other assets and liabilities		67	30
Cash generated from continuing activities		265	226
Interest paid		(37)	(29)
Interest received		2	6
Income tax paid		(40)	(33)
Net operating cash generated from continuing activities		190	170
Net operating cash used in discontinued activities	(11)	(18)	(10)
NET CASH FROM OPERATING ACTIVITIES (I)		172	160
Acquisition of subsidiaries, associates and investments, net of cash acquired	(10.1)	(24)	(28)
Proceeds from sale of investments, net of cash	(10.1)	18	2
Purchases of property, plant and equipment (PPE)		(35)	(20)
Proceeds from sale of PPE and intangible assets		1	-
Purchases of intangible assets including capitalization of development costs		(40)	(23)
Cash collateral and security deposits granted to third parties		(2)	(3)
		7	6
Cash collateral and security deposits reimbursed by third parties		-	-
Loans (granted to) / reimbursed by third parties		-	-
Net investing cash used in continuing activities		(75)	(66)
Net investing cash used in discontinuing activities	(11)	-	-
NET CASH FROM INVESTING ACTIVITIES (II)		(75)	(66)
Increase of Capital		13	4
Proceeds from borrowings	(7.2)	-	1
Repayments of borrowings	(7.2)	(40)	(27)
Fees paid linked to the debt	(10.2)	(2)	(6)
Dividends and distributions paid to Group's shareholders		(25)	(17)
Other		2	(5)
Net financing cash generated in continuing activities		(52)	(50)
Net financing cash used in discontinuing activities		-	-
NET CASH FROM FINANCING ACTIVITIES (III)		(52)	(50)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		385	328
Net increase in cash and cash equivalents (I+II+III)		45	44
Exchange gains / (losses) on cash and cash equivalents		4	9
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		434	381

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

The accompanying notes on pages 8 to 30 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, 2014	336	(157)	939	500	(43)	(1,098)	(254)	223	(4)	219
Net income (loss)	-	-	-	-	-	50	-	50	(2)	48
Other comprehensive income	-	-	-	-	26	-	17	43	-	43
Total comprehensive income for the period	-	-	-	-	26	50	17	93	(2)	91
Capital increases	2	-	2	-	-	-	-	4	-	4
Capital increase allocated to NCI	-	-	-	-	(12)	-	-	(12)	12	-
Dividend paid	-	-	(17)	-	-	-	-	(17)	-	(17)
Shared-based payment to employees	-	-	-	-	5	-	-	5	-	5
Balance as of June 30, 2015	338	(157)	924	500	(24)	(1,048)	(237)	296	6	302
Net income (loss)	-	-	-	-	-	32	-	32	(2)	30
Other comprehensive income	-	-	-	-	(4)	-	(49)	(53)	-	(53)
Impact of purchase price allocation catch-up for 2015 acquisitions	-	-	-	-	-	58	2	60	-	60
Total comprehensive income for the period	-	-	-	-	(4)	90	(47)	39	(2)	37
Capital increases	73	-	309	-	-	-	-	382	-	382
Variation of treasury shares	-	2	-	-	-	-	-	2	-	2
Shared-based payment to employees	-	-	-	-	3	-	-	3	-	3
Balance as of December 31, 2015 restated	411	(155)	1,233	500	(25)	(958)	(284)	722	4	726
Net income (loss)	-	-	-	-	-	(52)	-	(52)	-	(52)
Other comprehensive income	-	-	-	-	(49)	-	13	(36)	-	(36)
Total comprehensive income for the period	-	-	-	-	(49)	(52)	13	(88)	-	(88)
Capital increases	1	-	3	-	-	-	-	4	-	4
Dividend paid	-	-	-	-	(25)	-	-	(25)	-	(25)
Variation of treasury shares	-	(1)	-	-	-	-	-	(1)	-	(1)
Shared-based payment to employees	-	-	-	-	3	-	-	3	-	3
Change in NCI	-	-	-	-	-	-	-	-	(2)	(2)
Balance as of June 30, 2016	412	(156)	1,236	500	(96)	(1,010)	(271)	615	2	617

The accompanying notes on pages 8 to 30 are an integral part of these interim condensed consolidated financial statements.



2. 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 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.

2.1. Main events of the period

There was no major events in the first half of 2016. During the semester, Technicolor was fully focused on the integration of the strategic acquisitions achieved in the second half of 2015, Cisco Connected Devices in the Connected Home segment and The Mill in the Production Services business, and on cost efficiency initiatives that were executed principally in the Technology segment and in the DVD Services business.

2.2. Accounting policies

2.2.1. 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, 2016 and adopted by the European Union as of July 27, 2016, 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 2015 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, 2015, and described in the 2015 annual consolidated financial statements, which are an integral part of the 2015 Group’s Registration Document except for the standards, amendments and interpretations which have been applied for the first time in 2016 (see Note 1.2.2).

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

The interim condensed consolidated financial statements and notes were approved by the Board of Directors of Technicolor SA and authorized for issuance on July 27, 2016.

2.2.2. New standards, amendments and interpretations

Main standards, amendments and interpretations effective and applied as of January 1, 2016

New standard and interpretation	Main provisions
Amendments to IAS 16 & IAS 38	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of tangible assets is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. There was no significant impact identified.
Amendments to IFRS 10, IFRS 12 and IAS 28	These amendments provide clarifications in the consolidation method of investment entities. There was no significant impact identified as the Group has no significant interests in investment entities.
Amendments to IFRS 11 – Joint arrangements	These amendments provide clarifications in accounting for acquisitions of interests in joint-operations. There was no significant impact identified as the Group has no interests in joint-operations.
Amendments to IAS 19 - Defined Benefit Plans: Employee Contribution	If the amount of contributions is independent of the number of years of service, the contributions may (but are not required) to be recognized as a reduction in service cost in the period in which the related service is rendered instead of being attributed to the periods of service. If the amount of contributions is dependent on the number of years of service, the contributions are required to be attributed to periods of service using the same method required by IAS 19.70 for the gross benefit. This would involve using either the defined benefit plan's contribution formula, or a straight line basis. There was no significant impact identified.
Amendments to IAS 1 – Presentation of financial statements	These amendments aim at improving financial statement disclosures with an emphasis on materiality.
Improvements to IFRS 2012-2014	These amendments are part of the annual improvement program of the IASB.

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



New standard and interpretation	Effective Date ⁽¹⁾	Main provisions
Amendments to IAS 7 – Statement of cash flows	Annual periods beginning on or after January 1, 2017	These amendments require more disclosure on changes in financing liabilities.
Amendments to IAS 12 – Income taxes		These amendments provide clarification on the deferred tax accounting for debt instruments measured at fair value.
IFRS 15 – Revenue from contracts with customers	Annual periods beginning on or after January 1, 2018	IFRS 15 specifies how and when revenue should be recognized. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The identification of impacts is ongoing and the Group does not expect significant impacts at this stage.
IFRS 9 - Financial Instruments		IFRS 9 issued on 24 July 2014 will replace IAS 39 - Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, classification, impairment, derecognition and general hedge accounting. The Standard introduces guidance on applying the business model assessment and the contractual cash flow characteristics assessment. The Group does not anticipate significant impacts.
IFRS 16 - Leases	Annual periods beginning on or after January 1, 2019	IFRS 16 specifies how to measure, present and disclose leases. The standard provides a single finance lease accounting model, requiring the lessee to recognize a right of use the rented asset and a lease financial debt for all leases unless the term lease is 12 months or less or the underlying asset has low value. Because of the amount of its leases commitments (see note 5.4), the Group anticipate a significant impact but is not yet in position to provide an assessment of possible impact.

(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.

2.2.3. 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 tangible and intangible assets;
- 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, 2015. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2016 may subsequently change.

2.2.4. 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 2016	December 2015	June 2016	June 2015
US Dollar (USD)	1.1086	1.0933	1.11303	1.11053
Pound sterling (GBP)	0.8285	0.7378	0.78345	0.72742
Canadian Dollar (CAD)	1.4380	1.5173	1.46558	1.37563

3. Scope of consolidation

3.1. Main business acquisitions & disposal of the period

Exercise of the put granted to the non-controlling interest of Ouido Productions

On January 21, 2015, Technicolor acquired 51% of Ouido Productions, a Paris-based animation company through a capital increase of Ouido Productions for €1 million.

According to the shareholder's agreement, Technicolor purchased the remaining 49% stake as of January 21, 2016 (one year after initial acquisition date) for €1 million with a maximum earn-out of €7 million to be paid until 2021 depending on the performance of the company in issuing new animated series. The probable earn-out was estimated at €4 million after discount as of December 31, 2015 and reduced to €2 million for the final purchase price allocation due to delays identified on production projects.

A debt of €5 million was already recognized for 2015 closing in relation with the put granted to non-controlling interest and the probable earn-out of €4 million estimated for 2015 closing which was considered the best estimates of the Management. The preliminary goodwill recognized accordingly as of December 31, 2015 for €7 million was reduced to €5 million for the final purchase price allocation. Similarly the debt was reduced by €2 million.

As of January 22, 2016 Ouido Productions has been renamed Technicolor Animation Productions.

Disposal of Media-Navi

As of January 29, 2016 Technicolor sold its M-Go activity to Fandango Media LLC, a subsidiary of Comcast Corporation, for a purchase price of \$12 million (€11 million) after working capital adjustment.

The M-Go activity had 109 employees as of December 31, 2015.

(€ in million)		M-Go Activity
Net assets disposed of		
Fixed assets		21
Other assets		2
Other liabilities		(9)
Total net assets disposed of		14
Share of non-controlling interests in net assets		1
Share of Technicolor in net assets disposed of		13
Cash consideration received		11
Costs linked to the disposal		-
Currency translation adjustment recycled in the statement of operations		1
Loss on shares disposed of		(1)

3.2. Purchase price allocation (PPA) of the main 2015 acquisitions

3.2.1. Restatement of the 2015 comparative information

During the first semester of 2016, Technicolor performed the purchase price allocations of the main acquisitions made in the second semester 2015: Cisco Connected Devices and The Mill. In accordance with IFRS 3, the opening balance sheet has been adjusted and intangible assets have been recognized as if the accounting for the business combination had been completed at the acquisition date together with a catch-up of the amortization for the period from the acquisition date to December 31, 2015 for a total amount of €4 million. The 2015 comparative information presented reflects such adjustments to the 2015 provisional amounts presented last year.

The purchase price allocation of the North America optical disc replication and distribution business (DVD and Blu-ray™) acquired from Cinram will be finalized for November, 2016. Accordingly as of June 30, 2016, the initial goodwill for €42 million has not been allocated yet.

(€ in million)	December 31, 2015 as published	CCD PPA ⁽¹⁾	The Mill PPA ⁽¹⁾	Update of Ouido Prod. PPA ⁽¹⁾	Catch-up of amortization and DT	Currency translation adjustment	December 31, 2015 restated
ASSETS							
Goodwill	1,221	(120)	(96)	(2)	-	4	1,007
Intangible assets	454	182	134	-	(4)	(3)	763
Property, plant and equipment	302	2	-	-	-	-	304
Deferred tax assets	365	30	-	-	62	(2)	455
Inventories	311	(10)	-	-	-	-	301
Trade accounts and notes receivable	704	5	-	-	-	-	709
Other assets ⁽²⁾	559	(1)	-	-	-	-	558
Cash	385	-	-	-	-	-	385
TOTAL ASSETS	4,301	88	38	(2)	58	(1)	4,482
EQUITY & LIABILITIES							
Equity	666	-	-	-	58	2	726
Provisions	532	15	-	-	-	-	547
Borrowings	1,293	-	-	-	-	-	1,293
Trade accounts and notes payable	746	(1)	-	-	-	-	745
Accrued employee expenses	166	(2)	2	-	-	-	166
Other liabilities ⁽³⁾	772	6	-	(2)	-	(1)	775
Deferred tax liabilities	126	70	36	-	-	(2)	230
TOTAL EQUITY & LIABILITIES	4,301	88	38	(2)	58	(1)	4,482

(1) Purchase Price Allocation

(2) Other assets includes other operating and financial current and non-current assets, investments in associates and joint-ventures and available-for-sale, income tax receivable and assets classified as held for sale.

(3) Other liabilities includes other operating and financial current and non-current liabilities, income tax payable and liabilities classified as held for sale.

3.2.2. Purchase price allocations

The purchase price allocation are presented at the spot rate of the acquisition.

Cisco Connected Devices

On November 20, 2015 Technicolor acquired the Cisco Connected Devices Business ("CCD") for a total consideration of USD 532 million (equivalent to €498 million at November 20, 2015 exchange rate).

The purchase price allocation to identified intangible assets has been conducted in the course of the first semester 2016 with the help of an external independent appraiser expert. As a result, the following assets were identified:

- Customer relationships for €119 million with a useful life of 8 years (amortization of €15 million per year);
- Technology (existing & in progress) for an aggregate value of €63 million with a useful life of 3 or 4 years (average amortization of €15 million per year).

In accordance with IFRS 3, the identified assets above have been recognized as if the accounting for the business combination had been completed at the acquisition date together with a catch-up of the amortization for the period from November 20, 2015 to December 31, 2015 for a total amount of €2 million. The 2015 comparative information presented reflects such adjustments to the 2015 provisional amounts presented last year.

Residual goodwill has been increased by €40 million with the recognition of deferred tax liabilities related to the above identified assets, net of deferred tax assets related to the tax goodwill amortizable in the US.

Technicolor pre-existing deferred tax assets of the US tax perimeter, previously fully depreciated, have been recognized up to the amount of the new net deferred tax liabilities identified in the above purchase price allocation, generating a deferred tax gain of €40 million adjustment to the 2015 provisional amount that was presented in the last year financial statements.

Some assets and liabilities of the opening balance sheet are still under analysis with the seller as of June 30, 2016.

(€ in million)	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
Net asset acquired			
Property, plant and equipment	6	2	8
Intangible assets	-	182	182
Working Capital	44	(13)	31
Cash	-	-	-
Deferred tax assets	-	30	30
Provisions	(26)	(15)	(41)
Deferred tax liabilities	-	(70)	(70)
Total net asset acquired	24	116	140
Purchase price paid (before post-closing adjustment)			498
Preliminary post-closing adjustment			(4)
Total purchase consideration paid			494
Goodwill after preliminary price adjustment			354

The Mill

On September 15, 2015 Technicolor acquired The Mill Group for a total consideration of GBP 48 million (equivalent to €66 million at September 15, 2015 exchange rate).

The purchase price allocation to identified intangible assets has been conducted in the course of the first semester 2016 with the help of an external independent appraiser expert. As a result, the following assets and liabilities were identified:

- Customer relationships for €109 million with a useful life of 12 years (amortization of €9 million per year);
- Tradename The Mill for €25 million with indefinite useful life.

In accordance with IFRS 3, the identified assets above have been recognized as if the accounting for the business combination had been completed at the acquisition date together with a catch-up of the amortization for the period from September 15, 2015 to December 31, 2015 for a total amount of €2 million. The 2015 comparative information presented reflects such adjustments to the 2015 provisional amounts presented last year.

Residual goodwill has been increased by €36 million with the recognition of deferred tax liabilities related to the above identified assets.

Technicolor pre-existing deferred tax assets of the US tax perimeter, previously fully depreciated, have been recognized up to the amount of the new deferred tax liabilities identified in the above purchase price allocation, generating a deferred tax gain of €22 million adjustment to the 2015 provisional amount that was presented in the last year financial statements.

<i>(€ in million)</i>	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
Net asset acquired			
Property, plant and equipment	22	-	22
Intangible assets	-	134	134
Working capital	10	(2)	8
Cash	7	-	7
Borrowings ⁽¹⁾	(187)	-	(187)
Deferred tax liabilities	-	(36)	(36)
Total net asset acquired	(148)	96	(52)
Purchase price paid (after post-closing adjustment)			66
Total purchase consideration paid			66
Goodwill after preliminary price adjustment			118

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

4. Information on operations

4.1. Information by business segments

The Technology segment generates substantially all of its revenue from royalties. Entertainment Services and Connected Home generate their revenue from the sale of goods and services.

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.

Following the disposal of the M-Go activity completed in January 2016, and the discontinuation of the Virdata activity, the Group transferred the M-Go & Virdata activities, formerly reported as part of Technology segment, to the Other segment. Accordingly the information has been restated for 2015.

	Connected Home	Entertainment Services	Technology ⁽²⁾	Other ⁽²⁾	Adj	TOTAL
(€ in million)	Six months ended June 30, 2016					
Statement of operations items						
Revenues	1,378	863	177	2	-	2,420
Intersegment sales	-	1	-	-	(1)	-
Earning before Interest & Tax (EBIT) from continuing operations^(*)	49	(9)	104	(49)	-	95
<i>Of which:</i>						
Net impairment losses on non-current operating assets	(8)	-	-	-	-	(8)
Restructuring costs	(4)	(11)	(21)	(3)	-	(39)
Other income (expenses)	(11)	-	-	(1)	-	(12)
Depreciation & amortization	(32)	(68)	(4)	(2)	-	(106)
Other non-cash items ⁽¹⁾	(2)	(1)	(1)	(1)	-	(5)
EBITDA adjusted	106	71	130	(42)	-	265
Statements of financial position items						
Segment assets	1,580	1,762	204	354	-	3,900
Unallocated assets						607
Total consolidated assets						4,507
Segment liabilities	1,070	593	189	514	-	2,366
Unallocated liabilities						1,524
Total consolidated liabilities						3,890
Other information						
Net capital expenditures	(38)	(35)	-	(1)	-	(74)
Capital employed	176	676	32	(93)	-	791

(*) Formerly Profit (loss) from continuing operations before tax and net financial income (expense).

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

(2) Following the disposal of the activity M-GO completed in January 2016 and the discontinuation of the Virdata activity, the Group transferred these activities, formerly reported as part of Technology segment, to the Other segment.



	Connected Home	Entertainment Services	Technology ⁽²⁾	Other ⁽²⁾	Adj	TOTAL
<i>(€ in million)</i>						
Six months ended June 30, 2015						
Statement of operations items						
Revenues	652	687	258	24	-	1,621
Intersegment sales	-	2	-	1	(3)	-
Earning before Interest & Tax (EBIT) from continuing operations ^(*)	3	(20)	201	(52)	-	132
<i>Of which:</i>						
Net impairment losses on non-current operating assets	(8)	(1)	-	-	-	(9)
Restructuring costs	(2)	(26)	-	(3)	-	(31)
Other income (expenses)	(1)	6	1	6	-	12
Depreciation & amortization	(16)	(62)	(8)	(2)	-	(88)
Other non-cash items ⁽¹⁾	2	(1)	(1)	(2)	-	(2)
EBITDA adjusted	28	64	209	(51)	-	250
Statements of financial position items						
Segment assets ⁽³⁾	581	1,415	257	71	-	2,324
Unallocated assets						878
Total consolidated assets						3,202
Segment liabilities ⁽³⁾	591	571	197	444	-	1,803
Unallocated liabilities						1,097
Total consolidated liabilities						2,900
Other information						
Net capital expenditures	(18)	(19)	(3)	(3)	-	(43)
Capital employed	16	571	82	(34)	-	635

(*) Formerly Profit (loss) from continuing operations before tax and net financial income (expense).

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

(2) Following the disposal of the activity M-GO completed in January 2016 and the discontinuation of the Virdata activity, the Group transferred these activities, formerly reported as part of Technology segment, to the Other segment.

(3) Amounts are restated as of June 30, 2015 following the update of Ouido Productions price purchase allocation (Note 2.2).

4.2. Operating income & charges

	6-months ended June 30, 2016	6-months ended June 30, 2015
<i>(€ in million)</i>		
Selling and marketing expenses	(81)	(52)
General and administrative expenses	(123)	(114)
Selling and administrative expenses	(204)	(166)
Net impairment gains (losses) on non-current operating assets ^(*)	(8)	(9)
Other income (expense)	(12)	12

(*) Fixed asset write-off.

In 2016, the line Other income (expense) mainly includes:

- a gain on the disposal of Digital Cinema activity for €2 million;
- Integration costs for €(8) million;
- other litigation settlement for €(6) million.

In 2015, the line "Other income (expense)" mainly included a gain on the disposal of Digital Cinema activity for €6 million and a gain of €5 million related to litigation settlement.

For the period ended June 30, 2016, related party transactions have no significant impact on the consolidated financial statements.

5. Income Tax

The income tax expense for the six months ended June 30, 2016 is determined using the year-end 2016 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, 2016 is summarized below:

	(€ in million)	6-months ended June 30, 2016	6-months ended June 30, 2015
France		(11)	(15)
Foreign		(19)	(14)
Total Income Tax		(30)	(29)

6. Goodwill, intangible & tangible assets

6.1. Goodwill

The following table provides the allocation of the significant amounts of goodwill to each Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2015 and June 30, 2016.

(€ in million)	Connected Home	Entertainment Services		Technology	TOTAL
		Production Services	DVD Services		
At December 31, 2015 as published	516	298	407	-	1,221
Impact of the PPA ^(*)	(120)	(98)	-	-	(218)
Currency translation adj.	-	4	-	-	4
At December 31, 2015 restated	396	204	407	-	1,007
Exchange difference	-	(12)	(7)	-	(19)
Acquisitions of businesses	-	3	-	-	3
Impairment loss	-	-	-	-	-
Other	-	-	-	-	-
At June 30, 2016	396	195	400	-	991

(*) Purchase Price Allocation



6.2. Intangible assets

(€ in million)	Trademarks	Patents & Customer Relationships	Other intangibles	Total Intangible Assets
At December 31, 2015, Net, as published	245	154	55	454
<i>Cost</i>	350	710	260	1,320
<i>Accumulated depreciation</i>	(105)	(556)	(205)	(866)
Impact of the PPA ^(*)	25	228	63	316
Catch-up of amortization	-	(3)	(1)	(4)
Currency translation adjustment	-	(2)	(1)	(3)
At December 31, 2015, Net, restated	270	377	116	763
<i>Cost</i>	375	936	322	1,633
<i>Accumulated depreciation</i>	(105)	(559)	(206)	(870)
Exchange differences	(5)	(9)	(1)	(15)
Additions	-	-	51	51
Depreciation charge	-	(31)	(23)	(54)
Impairment loss	-	-	(8)	(8)
Other	-	-	-	-
At June 30, 2016	265	337	135	737
<i>Cost</i>	272	914	326	1,512
<i>Accumulated depreciation</i>	(7)	(577)	(191)	(775)

(*) Purchase Price Allocation

6.3. Property, plant & equipment

(€ in million)	Land	Buildings	Machinery & Equipment	Other Tangible Assets ⁽¹⁾	TOTAL
At December 31, 2015, Net, as published	3	24	170	105	302
<i>Cost</i>	3	57	1,181	354	1,595
<i>Accumulated depreciation</i>	-	(33)	(1,011)	(249)	(1,293)
Impact of the PPA ^(*)	-	-	2	-	2
At December 31, 2015, Net, restated	3	24	172	105	304
<i>Cost</i>	3	57	1,183	354	1,597
<i>Accumulated depreciation</i>	-	(33)	(1,011)	(249)	(1,293)
Exchange differences	-	-	(1)	(1)	(2)
Additions	-	-	(1)	37	36
Acquisitions of businesses	-	-	1	-	1
Disposals of businesses	-	-	-	(1)	(1)
Depreciation charge	-	(2)	(32)	(14)	(48)
Impairment loss	-	-	-	-	-
Other ⁽²⁾	-	1	5	(6)	-
At June 30, 2016	3	23	144	120	290
<i>Cost</i>	3	60	1,243	377	1,683
<i>Accumulated depreciation</i>	0	(37)	(1,099)	(257)	(1,393)

- (1) Includes assets in progress.
 (2) Corresponds mainly to the transfer of tangible assets in progress to Machinery and Equipment.
 (*) Purchase Price Allocation

6.4. Commitments related to assets operated under operating lease

As of June 30, 2016, commitments related to future minimum and non-cancellable lease payments are detailed below:

<i>(€ in million)</i>	June 30, 2016	June 30, 2015
Minimum future lease payments	341	274
Future lease payments commitments received	(9)	(6)
Net value of future lease commitments	332	268

7. Equity & Earnings per share

7.1. Change in share capital

<i>(In euros, except number of shares)</i>	Number of shares	Per value	Share capital in Euros
Share Capital as of December 31, 2015	411,443,290	1	411,443,290
Issuance of new shares for MIP 2015 purpose	1,267,037	1	1,267,037
Share Capital as of June 30, 2016	412,710,327	1	412,710,327

As of June 30, 2016, and to the Company's knowledge, the following entities held more than 5% of the Company's share capital:

- The Caisse des Dépôts et Consignations held jointly with Bpifrance Participations SA, 7.99% of the share capital.
- Cisco Systems, Inc. held 5.19% of the share capital.

The Shareholders' Meeting held on April 29, 2016 has voted the payment of a dividend of €0.06 per share for the fiscal year 2015. The amount of €25 million has been paid to shareholders on May 2016.

As of June 30, 2016, Technicolor owns 590,113 treasury shares.



7.2. Earnings (Loss) per share

Diluted earnings (loss) per share

	6-months ended June 30, 2016	6-months ended June 30, 2015
Net income (€ in million)	(52)	48
Net (income) loss attributable to non-controlling interest	-	2
Net (gain) loss from discontinued operations	44	12
Numerator: Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders	(8)	62
Basic weighted number of outstanding shares ('000)⁽¹⁾	411,485	348,259
Dilutive impact of stock-option & free share plans	5,609	7,108
Denominator: Weighted shares ('000)	417,094	355,367

Some of stock-options plans have no dilution impact due to stock price but could have a dilution impact in the future depending on the stock price evolution.

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

8. Financial assets, financing & derivative financial instruments

8.1. 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), reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.
- Level 3: internal models with non-observable parameters

(€ in million)	June 30, 2016	Fair value measurement by accounting categories as of June 30, 2016				December 31, 2015	
		Amortized costs	Fair value through profit & loss	Faire value through equity	Derivative instruments ⁽¹⁾		Fair Value measurement
Investments and available-for-sale assets	18			18		Level 2	22
Cash collateral & security deposits	23		23			Level 1	23
Loans & others	17	17					17
Other non-current financial assets	40						40
Total non-current financial assets	58						62
Cash collateral and security deposits	8			8		Level 1	15
Other financial current assets	5	5					4
Derivative financial instruments	10				10	Level 2	4
Other financial current assets	23						23
Cash	212			212		Level 1	213
Cash equivalents	222		222			Level 1	172
Cash and cash equivalents	434						385
Total current financial assets	457						408
Borrowings ⁽²⁾	(1,263)	(1,263)					(1,293)
Other current financial liabilities	(3)				(3)	Level 2	(1)
Total financial liabilities	(1,266)						(1,294)

(1) see Note 7.4

(2) Borrowings are recognized at amortized costs. The fair value of the Group debt is €1,320 million as of June 30, 2016 (€1,376 million as of December 31, 2015). This fair value is based on quoted prices in active markets for term loan debts (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.

Trade payables and receivables are financial assets according to IAS 32/39 and recognized at amortized costs.

8.2. Borrowings

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

8.2.1. Analysis by nature

(€ in million)	June 30, 2016	December 31, 2015
Debt due to financial institutions	1,238	1,277
Bank overdrafts	-	-
Other financial debt	14	5
Accrued interest	11	11
Debt under IFRS	1,263	1,293
Total non-current	1,177	1,207
Total current	86	86

8.2.2. Summary of debt

Details of the Group's debt (under IFRS) as of June 30, 2016 are given in the table below:

(in million currency)	Currency	Nominal Amount	IFRS Amount (see Note 7.2.3.4)	Type of rate	Nominal rate	Effective rate ⁽¹⁾	Repayment Type	Final maturity
Term Loan Debt	USD	918	876	Floating ⁽²⁾	5.00%	6.42%	Amortizing	July 10, 2020
Term Loan Debt	EUR	477	447	Floating ⁽³⁾	5.00%	6.98%	Amortizing	July 10, 2020
Total Term Loan Debt	EUR	1,305	1,238		5.00%	6.62%		
Total Other Debt⁽⁴⁾	EUR	25	25		3.51%	3.51%		
TOTAL	EUR	1,330	1,263		4.97%	6.56%		

(1) Rates as of June 30, 2016.

(2) 3 month Libor with a floor of 1.00% + 400bp.

(3) 3 month Euribor with a floor of 1.00% + 400bp.

(4) Of which €11 million is accrued interest.

8.2.3. Main features of the Group's borrowings

8.2.3.1. Analysis by maturity

(€ in million)	June 30, 2016	December 31, 2015
Less than 1 month	29	30
Between 1 and 6 months	18	20
Between 6 months and less than 1 year	39	36
Total current debt less than 1 year	86	86
Between 1 and 2 years	74	70
Between 2 and 3 years	69	70
Between 3 and 4 years	69	70
Between 4 and 5 years	1,030	1,074
Over 5 years	2	-
Total non-current debt	1,244	1,284
Total nominal debt	1,330	1,370
IFRS Adjustment (see Note 7.2.3.4)	(67)	(77)
Debt under IFRS	1,263	1,293

8.2.3.2. Interest rate characteristics

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

8.2.3.3. Analysis of borrowings by currency

(€ in million)	June 30, 2016	December 31, 2015
Euro	454	465
U.S. Dollar	807	826
Other currencies	2	2
Debt under IFRS	1,263	1,293

8.2.3.4. IFRS analysis of the Term Loan Debt carrying amount

The IFRS value of the Term Loan Debt is the nominal amount of the Term Loan Debt reduced by transaction costs as adjusted by the effective interest rate (EIR) method as well as any adjustments due to debt prepayments. The evolution of the IFRS discount in 2016, that is, the difference between the nominal and IFRS amount of the Term Loan Debt, is as follows:

(€ in million)	
IFRS discount of the Term Loan Debt as of December 31, 2015	(77)
2016 EIR effect and variation due to exchange rates	10
IFRS discount of the Term Loan Debt as of June 30, 2016	(67)

This IFRS discount of €67 million will be charged to interest over the remaining life of the Term Loan Debt using the effective interest rate method. The current weighted average effective interest rate of the Term Loan Debt is 6.62%.

8.2.3.5. Undrawn credit lines

(€ in million)	June 30, 2016	December 31, 2015
Undrawn, committed lines expiring in more than one year	338	214

The Group has a receivables backed committed credit facility in an amount of \$125 million (€113 million at the June 30, 2016 exchange rate) which matures in 2019, a €100 million revolving credit facility maturing in 2018 (the "2013 RCF") and a new €125 million revolving credit facility entered into in January 2016 and maturing in 2019 (the "2016 RCF"). None of these credit facilities were drawn at June 30, 2016. The availability of the receivables backed credit line varies depending on the amount of receivables.

8.2.3.6. Financial covenants and other limitations

For a detailed discussion of the limitations under the Term Loan Debt and RCFs please refer to Note 23.3 (e) to the Group's 2015 consolidated financial statements.

The Term Loan Debt and the 2016 RCF contain a single affirmative financial covenant which requires that the total gross nominal debt be no more than 4.00 times EBITDA on a trailing twelve month basis ("Leverage covenant") on June 30 and December 31 of each financial year.

The 2013 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 ("2013 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.

For the calculation of the gross and net 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, 2016.

The total gross debt (Leverage covenant) and net debt (2013 RCF leverage covenant) are calculated on the basis of the entire Group perimeter. Therefore any variance between the EBITDA determined in respect of leverage covenant definition and the adjusted EBITDA (see Note 3.1) is due to the EBITDA on the discontinued activities.

Leverage covenant

Total gross debt of the Group at June 30, 2016 must be no more than 4.00 times the EBITDA of the Group for the twelve months ending June 30, 2016.

Gross Debt (nominal)	€1,330 million
Covenant EBITDA	€576 million
Gross Debt / Covenant EBITDA Ratio	2.31:1.00

Since 2.31 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

2013 RCF leverage covenant

Since the Group had no drawings outstanding under this RCF at June 30, 2016 this covenant does not apply.

8.3. Net financial income (expense)

<i>(€ in million)</i>	6-months ended June 30, 2016	6-months ended June 30, 2015
Interest income	1	6
Interest expense	(45)	(33)
Net interest expense ⁽¹⁾	(44)	(27)
Net interest expense on defined benefit liability	(4)	(4)
Change in fair value of on financial instruments	(1)	(2)
Foreign exchange gain / (loss)	(17)	(6)
Other	(7)	(5)
Other financial income (expense)	(29)	(17)
Net financial income (expense)	(73)	(44)

(1) In 2016 Interest expense included €8 million (€6 million in 2015) due to the difference between the effective interest rate and the nominal rate of the debt.

8.4. Derivative financial instruments

The Group uses derivatives to reduce market risk. Technicolor uses principally forward foreign currency operations to hedge foreign exchange risk.

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

	June 30, 2016		December 31, 2015	
<i>(€ in million)</i>	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow and fair value hedges	10	3	3	1
Total current	10	3	3	1
Total	10	3	3	1



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, €10 million at June 30, 2016 and €3 million at December 31, 2015, are therefore a good proxy of the maximum credit risk.

As of June 30, 2016, a gain on hedging instruments of €3 million was recognized in OCI (compared to a gain of €8 million recognized in OCI in June 2015)

Commitments related to financial instruments

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

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

(€ in million)	June 30, 2016
Currency swaps	382
Forward exchange contracts	57
Total commitments given	439
Currency swaps	389
Forward exchange contracts	58
Total commitments received	447

9. Employee benefit

9.1. Post-employment & long-term benefits

(€ in million)	Pension plan benefits	Medical post-retirement benefits	Total
As of January 1, 2016	375	7	382
Net periodic pension cost	6	-	6
Benefits paid and contributions	(14)	-	(14)
Actuarial (gains) losses recognized in OCI	52	-	52
Currency translation adjustments and other	(2)	-	(2)
As of June 30, 2016	417	7	424
<i>Of which current</i>	<i>29</i>	<i>-</i>	<i>29</i>
<i>Of which non-current</i>	<i>388</i>	<i>7</i>	<i>395</i>

As of June 30, 2016, the present value of the obligation amounted to €629 million, the fair value of plan assets amounted to €205 million.

9.2. Share-based compensation plans

As of June 30, 2016, the number of stocks options and free shares is analyzed as follows:

<i>(in million of stock options)</i>		June 30, 2016
Number of stock-options and free shares as of December 31, 2015		17.9
Granted during 2016 first half		2.8
Forfeited or delivered during 2016 first half		(2.1)
Total as of June 30, 2016		18.6

The compensation expenses charged to income for the services received during the period amounted to €3 million and €5 million for the six months ended June 30, 2016 and June 30, 2015, respectively. The counterpart of this expense has been credited fully to equity in 2016 and 2015.

10. Provisions & contingencies

10.1. Detail of provisions

<i>(€ in million)</i>	Provisions for warranty	Provisions for risks & litigations related to continuing businesses	Provisions for risks & litigations related to businesses disposed of	Provisions for restructuring	Total
As of December 31, 2015 as published	40	41	49	20	150
Impact of purchase price allocations	1	14	-	-	15
As of December 31, 2015 restated	41	55	49	20	165
Current period additional provision	15	17	13	41	86
Release	(1)	-	(1)	(2)	(4)
Usage during the period	(13)	(5)	(2)	(33)	(53)
Other movements and currency translation adjustments	-	-	(18)	(2)	(20)
As of June 30, 2016	42	67	41	24	174
<i>Of which current</i>	<i>42</i>	<i>56</i>	<i>10</i>	<i>24</i>	<i>132</i>
<i>Of which non-current</i>	<i>-</i>	<i>11</i>	<i>31</i>	<i>-</i>	<i>42</i>

The currency translation adjustments and other impacts in the provisions for risks & litigations on business disposed of are related to the reclassification of a provision into other liabilities following the closing of settlement related to the CRT litigations (see Note 9.2).

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

Restructuring costs relating to continuing operations amount to €39 million in the first semester of 2016 and €28 million in the first semester of 2015.

10.2. Contingencies

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



Anti-dumping duties

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

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

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

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

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

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

Poland tax Proceedings

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

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

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



France VAT audit

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

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

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

On February 2015, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore the Company presented a claim before the administrative Tribunal of Cergy-Pontoise in April 2015. The exchange of pleadings between the parties are ongoing.

Taoyuan County Form RCA Employees’ Solicitude Association

In April 2004, the plaintiff, Taoyuan County Former RCA Employees’ Solicitude Association (the “Association”), which is a non-profit entity composed of former RCA employees of Technicolor’s subsidiary TCETVT (or heirs of former workers) who claim to have worked at TCETVT’s former manufacturing facility in Taoyuan (the “Facility”) filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against Technicolor and General Electric entities. 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 (€76 million at the June 30, 2016 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against Technicolor entities for approximately NTD 564 million (€16 million at the December 31, 2015 exchange rate) plus interest. The Technicolor entities and the Association have appealed the ruling.

In July and November 2015, the Association sought to add 1,025 new members to the case and to increase its claim for damages by NTD7.38 billion (€206 million at the June 30, 2016 exchange rate). These additional claims were rejected by the Court in January 2016. In May 2016, the Association filed a new suit against Technicolor entities and General Electric on behalf of 1,147 members and included a claim for damages in the amount of NTD 7.3 billion (€204 million at the June 30, 2016 exchange rate). The Association’s complaint offered no new argument or facts from the pending claims.

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

Cathode Ray Tubes cases

United States

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

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

In 2015 and 2016, Technicolor SA and Technicolor USA have entered into settlement agreements with the direct purchasers class, the indirect purchasers class and confidential settlement agreements with a number of major direct action plaintiffs (in 2015 with Sears Roebuck, Kmart, Circuit City, Target and ViewSonic and, in the second quarter of 2016 with Best Buy).

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

As a result of those settlements, the group recognized as of June 30, 2016 a non-current expense amounting to 50m€ (out of which 10m€ has been paid during the first semester of 2016) covering the confidential agreement entered during the first semester of 2016 as well as estimated future cash out flow from ongoing litigations.

The cash impact on 2016 will be €46 million, a €10 million increase from the amount previously announced in February 2016.

The Group sold the CPT business in 2005 and never had activity in the CDT business.

Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. Technicolor USA was dismissed from the case by the Dutch court in July 2016 on jurisdictional grounds. As appropriate and to the extent required, Technicolor SA will file responsive pleadings.

On April 29, 2010, Technicolor’s Brazilian affiliate received notice from the Brazilian authorities that they were initiating an investigation of possible cartel activity within the CRT industry in Brazil.

Finally, Technicolor SA, along with other defendants, is defending on similar grounds a number of cases in Germany against German manufacturers and in the Netherlands against Brazilian manufacturers.

At this time, Technicolor is unable to assess the potential outcome from those cases and the resulting potential liability.



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

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

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

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

11.1. Acquisitions and disposals of subsidiaries & investments

11.1.1. Acquisitions

As of June 30, 2016, acquisition of investments, net of cash position of companies acquired, amounted to €24 million. They were mainly related to residual payments for the acquisition of Cinram for €17 million and CCD for €2 million.

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

11.1.2. Disposals

As of June 30, 2016, net cash impact from disposal of available-for-sale investments amounts to €18 million. They were mainly related to the sale of M-Go activity for €11m, the sale of Digital Cinema activities for €6 million, and to the sale of available-for-sale investments for €1 million.

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

11.2. Cash impacts on financing operations

<i>(€ in million)</i>	6-months ended June 30, 2016	6-months ended June 30, 2015
Fees paid for debt repricing ⁽¹⁾	-	(6)
Reimbursement of borrowings to bank holders	(34)	(26)
Total cash impact of the debt restructuring	(34)	(32)

(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).

12. Discontinued operations and held for sale operations

In 2016 and 2015, there has been no change in the discontinued operations scope.

In the first semester of 2016 and 2015 respectively, the loss of €44 million and €12 million from discontinued operations consists mainly of settlement of some risk and litigation which were related to businesses discontinued some years ago (see Note 9).

As of December 31, 2015, the M-GO activity was classified as held for sale in the balance sheet. This business has been sold on January 29, 2016 (see Note 2).

As of June 30, 2016, there is no activity classified as held for sale.

13. Subsequent events

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



IV. STATUTORY AUDITORS' REPORT

Statutory auditors' report on the interim condensed consolidated financial statements

For the six-month period ended June 30, 2016

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, 2016,
- 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 27, 2016

Deloitte et Associés

Courbevoie, July 27, 2016

Mazars

Ariane Bucaille
Associée

Guillaume Devaux
Associé

Jean-Luc Barlet
Associé