

2021 FIRST HALF FINANCIAL REPORT

This document is a free translation into English of the original French "Rapport financier semestrial au 30 juin 2021". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text filed with the French "Autorité des marchés financiers".

This is the report on the group for the first half 2021 condensed consolidated accounts which are prepared in compliance with articles L 451-1-2 III of the French *Code monétaire et financier* and 222-4 of the French *Règlement général de l'Autorité des marchés financiers*.



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

A. Person responsible for the half-yearly financial report

Mr. Richard Moat, Chief Executive Officer, Technicolor.

B. Attestation

« I certify that, to the best of my knowledge, the half-yearly condensed financial statements 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 attached 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, the main related parties transactions and describe the main risks and uncertainties for the remaining six months ».

Paris, July 30, 2021

Richard Moat
Chief Executive Officer, Technicolor



II. GROUP MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

A. Presentation on financial results for the first half of 2021 published on July 29th, 2021

Technicolor announced in a press release dated July 29th, 2021 its financial results for the first half of 2021 approved by Board of Directors held on the same day. Earnings before Interest & Tax (EBIT) from continuing operations amounted to €(4) million compared to €(194) million in the first half of 2020. Revenues amounted to €1,359 million compared to €1,433 million in the first half of 2020. Net financial expenses totalled €62 million in the first half of 2021 compared to €67 million in the first half of 2020.

The income tax charge for the six months ended June 30, 2021 amounted to €11 million compared to €3 million in the first half of 2020. Net result amounted to a loss of €79 million in the first half of 2021 compared to a loss of €265 million in the first half of 2020.

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

It is noted that during the first 6 months of the 2021 financial year, there were no new related parties transactions or changes in the related parties transactions described in the last annual report that could have a material impact on the financial position or results.

B. Key messages

Despite the continuing challenging environment, Technicolor delivered a positive first half 2021, with results in line with expectations and delivering significant improvement in profitability:

- Revenues of €1,359 million, a (5.2)% decrease year-on-year at current exchange rate but a +1.2% increase at constant exchange rate;
- Adjusted EBITDA of €100 million, doubled at constant rate reflecting operational and financial improvements across all activities;
- Adjusted EBITA of €15 million represents an €83 million year-on-year improvement at constant rate;
- Free cash flow (before financial results and tax) from continuing operations of €(208) million, representing a €35 million year-on-year improvement at current rate, highlighting the end of the payment terms normalization in Connected Home.

All Technicolor activities are benefiting from sustained market demand:

- Technicolor Creative Studios were awarded several new projects, securing around 95% of their expected 2021 revenue pipeline for Film & Episodic Visual Effects and Animation & Games. Demand for VFX technology continues to improve in line with a growing number of theatrical and episodic projects being launched and awarded to Technicolor Creative Studios. Adjusted EBITDA and Adjusted EBITA are also benefiting from the positive impact of operating efficiencies.
- Connected Home revenues were down (1.0)% year-on-year at constant rate and (8.2)% at current rate. Despite very strong demand in North America and in Eurasia, the division has been impacted by component shortages leading to sales being pushed to the second half, and a challenging Latin American market.

- DVD Services revenue resilience was driven predominately by a 4% increase in total replicated disc activity, strong pricing improvement, and ongoing growth in non-disc related supply chain activity. The amount of high margin new release products, although growing, remains lower than in the first half of 2020.

The Group is on track to achieve the c. €115 million cost savings planned for calendar year 2021, with €42 million cost savings realized in the first half, en route to delivering a cumulative €325 million by the end of 2022.

Based on business activity for the first half, the Group is confident of achieving the outlook presented in its FY 2020 results press release issued on March 11, 2021.

First Half year 2021 results and forward outlook – key highlights

In € million	First Half			
	2021	2020	At current rate	At constant rate
Revenues from continuing operations	1,359	1,433	(5.2)%	+1.2%
Adjusted EBITDA from continuing operations	100	53	+90.6%	+101.6%
As a % of revenues	7.4%	3.7%		
Adjusted EBITA from continuing operations	15	(67)	+123.0%	+124.1%
Free Cash Flow from continuing before Tax & Financial	(208)	(243)	+14.3%	+7.4%

First Half 2021 key indicators for continuing operations

- Revenues of €1,359 million were up 1.2% at constant rate reflecting:
 - a good performance in Technicolor Creative Studios driven by demand for VFX technology and continued strong performance in Advertising and Animation & Games;
 - a (1)% decrease in Connected Home sales as a result of key component constraints, but continuing revenue resilience in DVD Services with a 4% increase in total replicated disc activity.
- Adjusted EBITDA of €100 million was up 101.6% at constant rate. This reflects operational improvements across all activities, particularly in Creative Studios and DVD Services. The Adjusted EBITDA margin for the Group expanded from 3.7% to 7.4%, with all three main Technicolor divisions reporting a significant margin improvement compared to first half 2020.
- Adjusted EBITA of €15 million represents an €83 million year-on-year improvement at constant rate. This resulted from the EBITDA increase and the positive impact of efficiency measures, in particular lower D&A, following lower equipment spend for Creative Studios and lower IP depreciation for DVD Services.
- Restructuring costs amounted to €(26) million at current rate, including €(15) million in DVD Services driven by footprint rationalization.

- The change in working capital of €(210) million reflects mainly payment terms normalization, and the seasonality trend at Connected Home which has been amplified by sales delays from second quarter to third quarter. With a cash-out impact of €(179) million in the first half 2021, Connected Home has finalized its cycle of payment terms reductions, benefiting from a normalized and de-risked working capital contribution as well as positive seasonality in the second half partly subject to the evolution of component shortages.
- Free cash flow¹ (before financial results and tax) from continuing operations of €(208) million represents a €35 million year-on-year improvement at current rate, driven by working capital improvement in Technicolor Creative Studios and DVD Services, and the ongoing implementation of our cost transformation program.
- Net debt at nominal value amounts to €1,174 million, and IFRS net debt amounts to €1,096 million. The difference mainly relates to the mark-to-market debt valuation on issuance, and will be reversed through non-cash interest charges over the life of the debt.

Outlook

- Demand for Technicolor's products and services, in particular Connected Home broadband boxes and Technicolor Creative Studios VFX technology, is expected to continue to grow significantly throughout the remainder of the year and into 2022.
- Connected Home will be impacted by key component delivery and pricing issues in the third quarter as expected. Nonetheless, efficiency measures and progressive improvements in delivery should help compensate for these factors throughout H2.
- After achieving €171 million of cost savings in 2020, the Group will continue to drive efficiency and productivity throughout 2021, and is maintaining its target of a total of €325 million in run rate cost savings by the end of 2022, with €115 million coming in 2021.
- Technicolor confirms its operating guidance for Adjusted EBITDA, Adjusted EBITA and FCF in 2021 and 2022. As already advised in the first quarter results, 2021 guidance and updated 2022 guidance are as follows:
 - In 2021:
 - Revenues from continuing operations broadly stable versus 2020;
 - Adjusted EBITDA of around €270 million;
 - Adjusted EBITA of around €60 million;
 - Continuing FCF before financial results and tax at around breakeven;
 - Net debt to Adjusted EBITDA covenant ratio below 4x level at year end.
 - In 2022:
 - Adjusted EBITDA of €385 million;
 - Adjusted EBITA of €180 million;
 - Continuing FCF before financial results and tax at around €230 million.

¹ Free cash flow defined as: Adj. EBITDA – (net capex + restructuring cash expenses + change in pension reserves + change in working capital and other assets & liabilities + cash impact of other non-current result).

Continuing Operations – post IFRS 16

€ million, FYE Dec post IFRS-16	2020	2021e	2022e
Adjusted EBITDA from continuing operations	167	270	385
Adjusted EBITA from continuing operations	(56)	60	180
Continuing FCF before financial results and tax	(124)	c.0	230

- The 2021 and 2022 objectives are calculated assuming constant exchange rates.
- In 2022, the cumulative impact of foreign exchange fluctuations and change in Group perimeter as a result of the sale of Post Production is €(40) million on Adjusted EBITDA and €(23) million on Adjusted EBITA.
- As of the end of the first half 2021, IFRS16 impacts Technicolor's KPIs as follows:
 - Adjusted EBITDA improved by €26 million and decreased by €11 million vs. the impact in first half 2020;
 - Adjusted EBITA improved by €7 million and increased by €2 million vs. the impact in first half 2020;
 - FCF before financial results and tax improved by €34 million and decreased by €(5) million vs. the impact in first half 2020;
 - Capital leases (principal repayment and interest) cash out totaled c. €8 million and decreased by €7 million vs. the impact in first half 2020.

Perimeter Change

- As communicated previously, Technicolor announced on April 30, 2021 the closing of the disposal of its Post Production business (part of Technicolor Creative Studios) for €30 million. The sale of Post Production simplifies Technicolor Creative Studios' portfolio of activities, and allows management to increasingly focus on Technicolor Creative Studios' remaining core CGI activities.



Segment Review – First Half 2021 Results Highlights

Technicolor Creative Studios*	First Half		Change YoY	
	2021	2020	Reported	At constant rate
In € million				
Revenues	295	279	+5.8%	+9.9%
Adj. EBITDA	40	2	ns	ns
As a % of revenues	+13.7%	+0.8%		
Adj. EBITA	6	(51)	ns	ns
As a % of revenues	+1.9%	(18.4)%		

(*) including Post Production

- **Technicolor Creative Studios revenues** amounted to €295 million in the first half of 2021, up 9.9% at constant rate and 5.8% at current rate year-on-year. The division is benefiting from the recovery in demand for creative technology and productive services from Film & Episodic VFX and Animation & Games, combined with an outstanding performance from the Advertising service line.
- **Adjusted EBITDA** amounted to €40 million, up €40 million year-on-year at constant rate, and Adjusted EBITA was €6 million, up €57 million year-on-year, as a result of higher margin volume growth in conjunction with aggressive permanent cost reduction measures.
- **Business Highlights**
 - **Film & Episodic Visual Effects:** Double-digit year-on-year growth during the first half, driven by clients' return to live-action shooting beginning in the latter half of 2020 and by the expansion of MPC Episodic launched in the first quarter of 2020.
 - VFX teams worked on over 18 theatrical films for the major studios, including *Cruella* (Disney), *The Lion King* prequel (Disney), *The Little Mermaid* (Disney), *Mortal Kombat* (Warner Bros./New Line), and *Transformers: Rise of the Beasts* (Paramount).
 - And over 35 Episodic and/or Streaming projects, including *Foundation* (Skydance/Apple TV+), *The Nevers* (HBO), *Sex/Life* (Netflix), *Vikings: Valhalla* (MGM/Netflix), *WandaVision* (Marvel/Disney+), and *The Wheel of Time* (Amazon/Sony).
 - During the first quarter, MPC Film received Oscar® and BAFTA nominations for its work on Disney's *The One and Only Ivan*; and Mr. X received its first Oscar® nomination for Paramount's *Love and Monsters*.
 - In July, Mr. X received an Emmy nomination for Outstanding Special Visual Effects in a Single Episode for its work on *Vikings "The Signal"*; this is Mr. X's seventh VFX Emmy nomination for the *Vikings* franchise since 2013 (winner in 2020).
 - **Advertising:** Strongest first half performance in recent memory as Advertising revenues grew significantly year-on-year and margins continued to improve.
 - During the first half, Technicolor's Advertising businesses delivered nearly 1,900 commercials, including approximately 20 Super Bowl spots, while winning several prestigious industry awards such as:
 - Three Cannes Lions for contributions to Burberry 'Festive' and PlayStation 'Feel the Power of Pro';



- Three VES Awards, including Outstanding Visual Effects in a Commercial for Walmart *'Famous Visitors'*;
 - MPC Advertising recognized as *Ad Age's* VFX Company of the Year for the second year running; and
 - Two Adweek Experiential Awards by The Mill for Best Use of Video in an Experiential Activation for Respawn Entertainment's *'Apex Legends at the Game Awards'* and Best Use of Virtual Event Technology for HBO's *'HBO: Lovecraft Country Sanctum'*.
 - Other notable projects included BMW *'The Ultimate Self-Driving Machine'*, Dell *'Youniverse'*, Ford *'Ford F-150 Lightning'*, Samsung *'Chromebook'*, and Verizon *'The Reset'*.
 - Key hires/appointments include Josh Mandel, appointed CEO of The Mill, and Anna Watkins, former managing director of Verizon Media, hired as global vice-president of growth and brand partnerships.
- **Animation & Games:** Significant double-digit growth year-on-year driven by strong work-for-hire volume in addition to the prior year period being negatively impacted by a temporary studio closure because of the pandemic.
 - **Feature:** Mikros was in production on three features, including Spin Master's *PAW Patrol: The Movie* which delivered in the second quarter, and Paramount's *The Tiger's Apprentice*. Three additional projects were verbally awarded during the period.
 - **Episodic:** Mikros continues to work on several series, including *ALVINNN!!! and the Chipmunks* (M6), *Chicken Squad* (Wild Canary/Disney), *Gus* (TF1), *Kamp Koral: SpongeBob's Under Years* (Nickelodeon/Paramount+), *Mira, Royal Detective* (Wild Canary/Disney), and *Rugrats* (Nickelodeon/Paramount+).
 - In June, TCS announced the consolidation of the Animation businesses under the Mikros Animation brand with new senior management led by Andrea Miloro who joined as President of Mikros Animation earlier in the year.
- **Covid-19 situation update**
 - Despite the risks of spreading Covid-19 variants, the Media & Entertainment industry continues to increase production throughput and invest in greater production capacity around the world under relatively successful and strict Covid-19 protocols.
 - Abiding by frequently evolving local regulations and in consultation with local business leadership, TCS continues to adjust capacity limits, on-premise protocols, and remote work policies and support on a local basis in order to ensure the safety of our talent, clients and others.

###

Connected Home In € million	First Half		Change YoY	
	2021	2020	Reported	At constant rate
Revenues	770	839	(8.2)%	(1.0)%
Adj. EBITDA	56	54	+4.5%	+11.8%
As a % of revenues	+7.3%	+6.4%		
Adj. EBITA	29	20	+43.1%	+51.9%
As a % of revenues	+3.8%	+2.4%		



- **Connected Home revenues** totaled €770 million in the first half 2021, down (1.0)% year-on-year at constant rate and (8.2)% at current rate. Despite demand remaining very strong, particularly in North America and in Eurasia, the division has been negatively impacted by key component shortages, and a difficult Latin American market.

The overall worldwide market situation has multiple consequences for the Connected Home business:

- Continued difficulties in obtaining components, delaying production to our final customers;
- Challenges in finding transportation for our components and finished goods, delaying deliveries to our customers;
- Cost increases across multiple categories of components and logistics, for which Connected Home is actively getting commercial support from its customers.

Connected Home will continue to work with its partners and customers to minimize supply disruptions.

The Connected Home division has strengthened its leadership in key market segments:

- In DOCSIS 3.1, over the second quarter Connected Home reached the milestone of over 20 million RDK broadband gateways deployed, and won deals with major operators across Europe and Latin America, confirming its leadership across the RDK community;
 - On Android TV, Connected Home reached the figure of over 10 million set-top boxes worldwide, winning customers in Europe and Latin America. This quarter, the division continued to show its innovation capabilities by launching with Sky Brazil the first hands-free voice control set-top box integrating Google Assistant;
 - On Fiber, Connected Home has won new customers in EMEA, and a first deal outside of Brazil in Latin America.
- **Adjusted EBITDA** amounted to €56 million in the first half 2021, or 7.3% of revenue, up €6 million at constant rate despite the sales shortfall, assisted by continuing reductions in OPEX. Adjusted EBITA of €29 million increased by c.€11 million compared to the prior year at constant rate. This positive evolution in profitability is the result of the significant transformation plan launched 3 years ago.

- **Business highlights**

- **Americas**
 - *North America*: revenues remained strong, driven by increased demand from cable customers for upgrades to higher power broadband.
 - *Latin America*: the difficult macroeconomic situation, FX and components costs continue to create difficult trading conditions.
- **Eurasia**
 - *Europe, Middle East & Africa*: 10% growth year-on-year driven by strong demand for DOCSIS 3.1, Android TV and Fiber products, but shortages were creating a significant backlog. We scored new wins in the three technologies in several markets including Poland, Israel and Austria.
 - *Asia Pacific*: constraints were experienced in Broadband technologies for the Australian market, in spite of strong demand. The Indian STB market remains strong, maintaining growth year-on-year in traditional and Android TV technologies. Manufacturing, for Indian customers, is now taking place in India.

The division continues to focus on selective investments in key customers, platform-based products and partnerships that will lead to improved margins over the year.



- **Revenue Breakdown for Connected Home (at current rate)**

In € million		First Half		
		2021	2020	% Change(*)
Total revenues		770	839	(1.0)%
<u>By region</u>	Americas:	517	575	(3.1)%
	- North America	449	463	+3.5%
	- Latin America	69	112	(30.0)%
	Eurasia:	253	264	+3.7%
	- Europe, Middle East and Africa	155	154	+9.9%
	- Asia-Pacific	98	110	(4.9)%
<u>By product</u>	Video	278	318	(5.7)%
	Broadband	492	521	+2.0%

(*) Change at constant rate

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DVD Services In € million	First Half		Change YoY	
	2021	2020	Reported	At constant rate
Revenues	283	302	(6.4)%	(0.3)%
Adj. EBITDA	11	1	ns	ns
As a % of revenues	+3.7%	+0.5%		
Adj. EBITA	(10)	(29)	+65.7%	+62.2%
As a % of revenues	(3.5)%	(9.7)%		

- **DVD Services** revenues totaled €283 million in the first half 2021, in line with 2020. Revenue resilience was driven predominately by a 4% increase in total replicated disc activity, driven by continued strong demand for back catalog titles. We also saw the significant positive impact of new pricing, and ongoing growth in non-disc related supply chain activity. Covid-19, however, continued to have a negative impact in the first half, with a significantly lower level of new release activity, which in turn resulted in a reduced mix of higher priced Blu-ray volume as compared to the first half of 2020, negatively impacting the year-over-year revenue trend.
- **Adjusted EBITDA** amounted to €11 million at current rate, or 3.7% of revenue, slightly better than expectations given stronger than anticipated disc volumes and the acceleration of cost saving actions, partially offset by continued labor and material cost pressures. Lower depreciation & amortization and renewal of contracts helped to deliver an Adjusted EBITA at €(10) million compared to €(29) million in the first half 2020.
- **Business Highlights**
 - Standard Definition DVD volumes were up 12% in the first half of 2021 driven by the continued aggressive marketing of back catalog product by the major studios and their retail partners, particularly in the North American region.



- Blu-ray™ volumes were down (13)% in the first half year-on-year, due to the aforementioned lack of new release content, and less mitigating benefit from catalog promotions.
- CD volumes were down (11)% year-on-year on a combination of expected structural declines and Covid-19 retail impacts.
- Non-disc activity: non-studio supply-chain business revenue and profitability have both exceeded assumptions, while Logistics and Freight have performed well.

DVD Services continued to progress previously announced structural division-wide initiatives to adapt distribution and replication operations, and related customer contract agreements, in response to continued volume reductions. Two significant North American facility closures were effected in the first half of 2021 as part the ongoing transformation plan. Executive and management teams have been implementing multiple cost reduction and business improvement and efficiency programs, and these are ahead of plan at first half, and expected to deliver the full-year savings and efficiencies projected.

In million units		First Half		
		2021	2020	% Change
Total Combined Volumes		338.9	326.3	+3.9%
By Format	SD-DVD	245.8	220.1	+11.7%
	Blu-ray™	77.4	88.6	(12.5)%
	CD	15.6	17.6	(11.3)%
By Segment	Studio/Video	315.4	297.4	+6.1%
	Games	4.8	6.3	(23.7)%
	Music & Software	18.7	22.5	(17.0)%

- **Covid-19 situation update**

- Theatrical new release activity remains partially suppressed, but demonstrated an accelerating trend of improvement over the course of the first half of 2021, with multiple major releases in the second quarter generating significant box office results, with the majority of theaters in the US reopening and drawing strong consumer interest.
- While studios continue to experiment with various premium video-on demand and day and date strategies, in almost all cases studios are still electing to have a DVD/BD release in the normal windowing sequence.
- Most major retailers continue to remain open and are operating normally. With limited new release content, some retailers are continuing to allocate shelf space to catalog/library content promotions, which helped to support DVD replication volumes in the first half of 2021.
- Some production facilities continue to experience temporary staffing shortages, but the overall impact on operations remains limited.
- The ongoing Covid-19 impact will be dependent on the extent and duration of ongoing restrictions (driven by the rate of new Covid-19 case growth). The specific timing and extent of the reopening of movie theaters will impact the level of new disc release activity. DVD



Services has accelerated certain aspects of its future restructuring plans in an effort to adapt to these impacts.

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Corporate & Other In € million	First Half		Change YoY	
	2021	2020	Reported	At constant rate
Revenues	11	13	<i>(12.5)%</i>	<i>(12.5)%</i>
Adj. EBITDA	(7)	(5)	<i>(43.5)%</i>	<i>(48.4)%</i>
As a % of revenues	(67.0)%	(40.9)%		
Adj. EBITA	(9)	(7)	<i>(34.0)%</i>	<i>(38.4)%</i>
As a % of revenues	(85.9)%	(56.1)%		

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

Corporate & Other recorded revenues of €11 million in the first half 2021, decreasing compared to last year as a result of the decrease of the retained patent revenue. Adjusted EBITDA amounted to €(7) million and Adjusted EBITA was €(9) million.

• **Debt details**

As part of the financial restructuring transaction completed in 2020, debt maturities were extended and new financings executed, reinforcing the Group's liquidity.

In million currency	Currency	Nominal Amount	IFRS Amount	Type of rate	Nominal rate ⁽¹⁾	Repayment Type	Final maturity	Moody's / S&P rating
New Money Notes	EUR	350	361	Floating	12.00% ⁽²⁾	Bullet	Jun. 30, 2024	Caa1/B
New Money Term Loans	USD	104	107	Floating	12.23% ⁽³⁾	Bullet	Jun. 30, 2024	Caa1/B
Reinstated Loans	EUR	453	380	Floating	6.00% ⁽⁴⁾	Bullet	Dec. 31, 2024	Ca/CCC
Reinstated Loans	USD	119	100	Floating	5.95% ⁽⁵⁾	Bullet	Dec. 31, 2024	Ca/CCC
Subtotal	EUR	1,026	948		8.67%			
Lease Liabilities ⁽⁶⁾	Various	160	160	Fixed	8.68%			
Accrued PIK Interest	EUR+USD	35	35	NA	0%			
Accrued Interest	Various	16	16	NA	0%			
Wells Fargo Line	USD	35	35	Floating	5.25%	Revolving	Dec.31, 2023	
Other Debt	Various	1	1	NA	0%			
Total Gross Debt		1,273	1,195		8.23%			
Cash & Cash equivalents	Various	99	99					
Total Net Debt		1,174	1,096					

(1) Rates as of June 30, 2021.

(2) Cash interest of 6-month EURIBOR with a floor of 0% +6.00% and PIK interest of 6.00%.

(3) Cash interest of 6-month USD LIBOR with a floor of 0% +6.00% and PIK interest of 6.00%.

(4) Cash interest of 6-month EURIBOR with a floor of 0% + 3.00% and PIK interest of 3.00%.

(5) Cash interest of 6-month USD LIBOR with a floor of 0% + 2.75% and PIK interest of 3.00%

(6) Of which €11 million are capital leases and €149 million is operating lease debt under IFRS 16



Summary of consolidated results for the first half

In € million	First Half		
	2021	2020	Change*
Revenues from continuing operations	1,359	1,433	(5.2)%
Change at constant currency (%)	-	-	+1.2%
<i>o/w Technicolor Creative Studios</i>	295	279	+5.8%
<i>DVD Services</i>	283	302	(6.4)%
<i>Connected Home</i>	770	839	(8.2)%
<i>Corporate & Other</i>	11	13	(12.5)%
Adjusted EBITDA from continuing operations	100	53	+90.6%
Change at constant currency (%)	-	-	+101.6%
As a % of revenues	+7.4%	+3.7%	370bps
<i>o/w Technicolor Creative Studios</i>	40	2	<i>n.a.</i>
<i>DVD Services</i>	11	1	<i>n.a.</i>
<i>Connected Home</i>	56	54	+4.5%
<i>Corporate & Other</i>	(7)	(5)	(43.5)%
Adjusted EBITA from continuing operations	15	(67)	+123.0%
Change at constant currency (%)	-	-	+124.1%
As a % of revenues	+1.1%	(4.7)%	583bps
Adjusted EBIT from continuing operations	(3)	(89)	+96.5%
Change at constant currency (%)	-	-	+95.7%
As a % of revenues	(0.2)%	(6.2)%	597bps
EBIT from continuing operations	(4)	(194)	+97.7%
Change at constant currency (%)	-	-	+96.2%
As a % of revenues	(0.3)%	(13.6)%	<i>n.a.</i>
Financial result	(62)	(67)	-
Income tax	(11)	(3)	-
Share of profit/(loss) from associates	0	0	-
Profit/(loss) from continuing operations	(78)	(264)	-
Profit/(loss) from discontinued operations	(1)	(1)	-
Net income	(79)	(265)	-

(*) Change at current rate



- Restructuring costs accounted for €(26) million at current rate, including €(15) million in DVD Services, largely resulting from optimization of sites.
- EBIT from continuing operations amounted to a loss of €(4) million in the first half 2021 compared to €(194) million in the first half 2020, due to better operational performance, DVD Services impairment and higher restructuring accruals.
- The financial result totaled €(62) million in the first half 2021 compared to €(67) million in the first half 2020, reflecting:
 - Net interest costs of €(61) million, up from last year's €(40) million, primarily due to the higher interest rates on the new debt structure;
 - Other financial income improved to €(2) million in the first half 2021 compared to €(28) million in the prior year, which was mainly due to the financial fees incurred on the bridge loan and the financial restructuring.
- Income tax amounted to €(11) million, compared to €(3) million in the first half 2020.
- Group net income therefore amounted to a loss of €(79) million in the first half 2021, compared to the €(265) million loss in the first half 2020.

Reconciliation of adjusted indicators

In addition to published results, and with the aim of providing a more comparable view of the evolution of its operating performance in 2021 compared to 2020, Technicolor is presenting a set of adjusted indicators which exclude the following items as per the statement of operations of the Group's consolidated financial statements:

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

These adjustments, the reconciliation of which is detailed in the following table, amounted to an impact on EBIT from continuing operations of €(1) million in 2021 compared to €(105) million in 2020 (including IFRS 16).



In € million	First Half		
	2021	2020	Change (*)
EBIT from continuing operations	(4)	(194)	190
Restructuring charges, net	(26)	(41)	16
Net impairment losses on non-current operating assets	-	(72)	72
Other income/(expense)	24	8	16
Adjusted EBIT from continuing operations	(3)	(89)	86
As a % of revenues	(0.2)%	(6.2)%	597bps
Depreciation and amortization ("D&A") (**)	103	139	(36)
IT capacity use for rendering in Technicolor Creative Studios	-	2	(2)
Adjusted EBITDA from continuing operations	100	53	48
As a % of revenues	7.4%	3.7%	370bps

(*) Variation at current rates

(**) including reserves (Risk, litigation and warranty reserves)

Free Cash Flow Reconciliation and Summarized Financial Structure

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

In € million	First half period (IFRS)	
	June 30, 2021	June 30, 2020
Adjusted EBITDA from continuing operations	100	53
Changes in working capital and other assets and liabilities	(210)	(197)
IT capacity use for rendering in Creative Studios	-	(2)
Pension cash usage of the period	(13)	(12)
Restructuring provisions – cash usage of the period	(46)	(23)
Interest paid	(32)	(35)
Interest received	-	-
Income tax paid	(9)	(1)
Other items	-	(13)
Net operating cash generated from continuing activities	(209)	(230)
Purchases of property, plant and equipment (PPE)	(20)	(17)
Proceeds from sale of PPE and intangible assets	2	-
Purchases of intangible assets including capitalization of development costs	(24)	(39)
Net operating cash used in discontinued activities	(14)	(8)
Free cash-flow	(265)	(294)
Nominal gross debt (including Lease debt)	1,273	1,670
Cash position	99	63
Net financial debt at nominal value (non IFRS)	1,174	1,607
IFRS adjustment	(78)	(6)
Net financial debt (IFRS)	1,096	1,601

- The change in working capital & other assets and liabilities was negative by €(210) million in the first half 2021, mostly driven by unfavorable changes in supplier payment terms and the normal seasonality trend at Connected Home.
- Pension liabilities are down by €37 million, mainly due to a positive effect from the discount rates of €29 million and payments of €13 million.
- Cash outflow for restructuring totalled €46 million in the first half 2021, up by €23 million year-on-year at current rate, mainly resulting from accelerated implementation of cost savings.



- Capital expenditures amounted to €42 million, down by €14 million year-on-year at current rate, maintaining a strict control of investment expense.
- The cash position at the end of June 2021 was €99 million, compared to €63 million at the end of June 2020.

III. TECHNICALOR INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(€ in million)	Note	Six months ended June 30,	
		2021	2020
CONTINUING OPERATIONS			
Revenues		1,359	1,433
Cost of sales		(1,191)	(1,323)
Gross margin		168	110
Selling and administrative expenses		(128)	(149)
Research and development expenses		(43)	(49)
Restructuring costs	(9.1)	(26)	(41)
Net impairment gains (losses) on non-current operating assets	(5)	0	(72)
Other income (expense)	(3.2)	24	8
Earning before Interest & Tax (EBIT) from continuing operations		(4)	(194)
Interest income		0	0
Interest expense		(61)	(40)
Other financial income (expense)		(2)	(28)
Net financial income (expense)	(7.3)	(62)	(67)
Share of gain (loss) from associates		0	0
Income tax	(4)	(11)	(3)
Profit (loss) from continuing operations		(78)	(264)
DISCONTINUED OPERATIONS			
Net gain (loss) from discontinued operations	(11)	(1)	(1)
Net income (loss)		(79)	(265)
Attributable to :			
- Equity holders		(79)	(265)
- Non-controlling interest		0	0
EARNINGS PER SHARE			
(in euro, except number of shares)		Six months ended June 30,	
		2021	2020
Weighted average number of shares outstanding (basic net of treasury shares held)	(6.2)	235,804,868	15,356,992
Earnings (losses) per share from continuing operations			
- basic		(0.33)	(17.22)
- diluted		(0.33)	(17.22)
Earnings (losses) per share from discontinued operations			
- basic		(0.01)	(0.04)
- diluted		(0.01)	(0.04)
Total earnings (losses) per share			
- basic		(0.33)	(17.26)
- diluted		(0.33)	(17.26)

The accompanying notes on pages 26 to 45 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ in million)	Note	Six months ended June 30,	
		2021	2020
Net income (loss) for the year		(79)	(265)
Items that will not be reclassified to profit and loss			
Remeasurement of the defined benefit obligations	(8.1)	29	(17)
Tax relating to these items		-	-
Items that may be reclassified subsequently to profit or loss			
Fair value gains / (losses), gross of tax on cash flow hedges:			
- reclassification adjustments when the hedged forecast transactions affect profit or loss		6	3
Tax relating to these items		-	-
Currency translation adjustments			
- currency translation adjustments of the year		38	(22)
- reclassification adjustments on disposal or liquidation of a foreign operation		(23)	(5)
Tax relating to these items		1	(4)
Total other comprehensive income		51	(45)
Total other comprehensive income of the period		(28)	(310)
<i>Attributable to :</i>			
- Equity holders of the parents		(28)	(310)
- Non-controlling interest		-	-

The accompanying notes on pages 26 to 45 are an integral part of these interim condensed consolidated financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	Note	June 30, 2021	December 31, 2020
ASSETS			
Goodwill	(5.1)	741	716
Intangible assets	(5.2)	522	535
Property, plant and equipment	(5.3)	136	140
Right-of-use assets	(5.4)	135	148
Other operating non-current assets		26	27
TOTAL OPERATING NON-CURRENT ASSETS		1,560	1,566
Non-consolidated investments		17	14
Other non-current financial assets		35	47
TOTAL FINANCIAL NON-CURRENT ASSETS	(7.1)	52	61
Investments in associates and joint-ventures		1	1
Deferred tax assets		53	45
TOTAL NON-CURRENT ASSETS		1,666	1,674
Inventories		168	195
Trade accounts and notes receivable		360	425
Contract assets		79	63
Other operating current assets		224	224
TOTAL OPERATING CURRENT ASSETS		832	907
Income tax receivable		6	14
Other financial current assets	(7.1)	24	17
Cash and cash equivalents	(7.1)	99	330
Assets classified as held for sale		2	76
TOTAL CURRENT ASSETS		963	1,344
TOTAL ASSETS		2,629	3,018

The accompanying notes on pages 26 to 45 are an integral part of these interim condensed consolidated financial statements.



(€ in million)	Note	June 30, 2021	December 31, 2020
EQUITY AND LIABILITIES			
Common stock (235,819,875 shares at June 30, 2021 with nominal value of 0,01 euro per share)	(6.1)	2	2
Treasury shares		-	-
Subordinated Perpetual Notes		500	500
Additional paid-in capital & reserves		84	126
Cumulative translation adjustment		(440)	(456)
Shareholders equity attributable to owners of the parent		146	173
Non-controlling interests		0	0
TOTAL EQUITY		147	173
Retirement benefits obligations	(8.1)	287	325
Provisions	(9.1)	25	33
Contract liabilities		2	2
Other operating non-current liabilities		22	21
TOTAL OPERATING NON-CURRENT LIABILITIES		336	381
Borrowings	(7.1)	983	948
Lease liabilities	(7.1)	97	122
Other non-current liabilities	(7.1)	1	(0)
Deferred tax liabilities		18	15
TOTAL NON-CURRENT LIABILITIES		1,435	1,466
Retirement benefits obligations	(8.1)	31	30
Provisions	(9.1)	67	90
Trade accounts and notes payable		455	710
Accrued employee expenses		116	142
Contract liabilities		53	41
Other current operating liabilities		191	215
TOTAL OPERATING CURRENT LIABILITIES		913	1,228
Borrowings	(7.1)	52	16
Lease liabilities	(7.1)	63	56
Income tax payable		18	21
Other current financial liabilities	(7.1)	1	2
Liabilities classified as held for sale		0	56
TOTAL CURRENT LIABILITIES		1,047	1,379
TOTAL LIABILITIES		2,482	2,845
TOTAL EQUITY & LIABILITIES		2,629	3,018

The accompanying notes on pages 26 to 45 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ in million)	Note	Six months ended June 30,	
		2021	2020
Net income (loss)		(79)	(265)
Income (loss) from discontinuing activities		(1)	(1)
Profit (loss) from continuing activities		(78)	(264)
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>			
Depreciation and amortization		108	144
Impairment of assets		(0)	75
Net changes in provisions		(33)	4
Gain (loss) on asset disposals		(29)	(4)
Interest (income) and expense	(7.3)	61	40
Other items (including tax)		13	7
Changes in working capital and other assets and liabilities		(210)	(197)
Cash generated from continuing activities		(168)	(195)
Interest paid on lease debt		(7)	(10)
Interest paid		(24)	(25)
Interest received		0	0
Income tax paid		(9)	(1)
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)		(209)	(230)
Acquisition of subsidiaries, associates and investments, net of cash acquired	(10.1)	(0)	(2)
Proceeds from sale of investments, net of cash	(10.1)	27	(1)
Purchases of property, plant and equipment (PPE)		(20)	(17)
Proceeds from sale of PPE and intangible assets		2	0
Purchases of intangible assets including capitalization of development costs		(24)	(39)
Cash collateral and security deposits granted to third parties		(3)	(26)
Cash collateral and security deposits reimbursed by third parties		8	0
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)		(10)	(84)
Disposal of treasury shares		-	-
Increase of Capital		0	(0)
Proceeds from borrowings	(10.2)	35	394
Repayments of lease debt	(10.2)	(36)	(42)
Repayments of borrowings	(10.2)	0	(2)
Fees paid in relation to financing operations	(7.3)	(1)	(21)
Other		(2)	4
NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)		(4)	333
NET CASH FROM DISCONTINUED ACTIVITIES (IV)	(11.2)	(16)	(8)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		330	65
Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		(239)	10
Exchange gains / (losses) on cash and cash equivalents		8	(11)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		99	63

The accompanying notes on pages 26 to 45 are an integral part of these interim condensed consolidated financial statements.

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, 2019	414	-	-	500	(114)	(426)	(339)	36	0	36
Net income (loss)	-	-	-	-	-	(265)	-	(265)	-	(265)
Other comprehensive income	-	-	-	-	(18)	-	(27)	(45)	(0)	(45)
Total comprehensive income for the period	-	-	-	-	(18)	(265)	(27)	(310)	(0)	(310)
Reclassification of capital decrease to the special reserve following March 23, 2020 General Meeting	(414)	-	-	-	414	-	-	(0)	-	(0)
Transfer of lapsed awards from other reserves to retained earnings	-	-	-	-	(54)	54	-	-	-	-
Shared-based payment to employees	-	-	-	-	0	-	-	0	-	0
Balance as of June 30, 2020	0	-	-	500	228	(637)	(366)	(275)	(0)	(275)
Net income (loss)	-	-	-	-	-	(207)	-	(207)	0	(207)
Other comprehensive income	-	-	-	-	(21)	-	(117)	(138)	0	(138)
Total comprehensive income for the period	-	-	-	-	(21)	(207)	(117)	(345)	0	(345)
Capital increases : Subscription of 20 039 121 shares at 2.98€ net of fees following September 22, 2020 General Meeting	2	-	45	-	-	-	-	47	-	47
Debt equitization at fair value	0	-	598	-	(202)	-	-	397	-	397
Issuance of warrants	-	-	-	-	38	-	-	38	-	38
Transfer of 10% of share premium to legal reserve following September 22, 2020 General Meeting	-	-	(0)	-	0	-	-	-	-	-
Shared-based payment to employees	-	-	-	-	0	-	-	0	-	0
Balance as of December 31, 2020	2	-	643	500	61	(579)	(456)	173	0	173
Net income (loss)	-	-	-	-	-	(79)	-	(79)	0	(79)
Other comprehensive income	-	-	-	-	36	-	15	51	-	51
Total comprehensive income for the period	-	-	-	-	36	(79)	15	(28)	0	(28)
Capital increases	0	-	0	-	-	-	-	0	-	0
Dividend paid	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees	-	-	-	-	1	-	-	1	-	1
Balance as of June 30, 2021	2	-	643	500	98	(657)	(440)	146	0	147

The accompanying notes on pages 26 to 45 are an integral part of these interim condensed consolidated financial statements.



1. General information

Technicolor is a worldwide technology leader in the Media & Entertainment sector, developing and monetizing next-generation video and audio technologies. For more description of group activities, please refer to Note 3.

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

1.1. Main events of the period

1.1.1. Covid-19 pandemic and logistics issues

The Covid-19 pandemic crisis and the issues created by an uneven recovery and reopening of the economy across the globe continues to have effects on the Group’s activities:

- Connected Home has been impacted by key components shortages as well as logistic constraints, and related cost increases, for which it is actively receiving commercial support from its customers.
- Despite the risks associated with the pandemic, the Media & Entertainment industry has continued to increase its production throughput and invest in greater capacity around the world under relatively successful and strict Covid protocols. This has translated into a sustained increase in activity for Technicolor Creative Studios, DVD services revenues have been depressed by the very low level of new releases in this semester but we have seen an improvement in theatrical new releases in the second quarter of the year.

Abiding by frequently evolving local regulations and in consultation with local business leadership, the Group continues to adjust capacity limits, on-premise protocols, and remote work policies and support on a local basis in order to ensure the safety of our talent, clients and others.

1.1.2. Completion of the disposal of Post-Production to Streamland Media

On April 30, 2021, The Group announced the closing of the disposal of its Post-Production business to Streamland Media.

Note 2 gives more details.

1.2. Accounting policies

1.2.1. Basis for preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 were prepared in accordance with IAS 34, “Interim Financial Reporting”, a standard issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Because they are condensed, these financial statements do not include all the information required under the standards issued by the IASB and should be read in conjunction with the full-year financial statements the Group for the year ended 31 December 2020.

The standards approved by the European Union are available on the following web site: https://ec.europa.eu/info/publications/eu-accounting-rules_en.

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, 2020, and described in the 2020 annual consolidated financial statements, which are an integral part of the 2020 Group's Registration Document, except for the standards, amendments and interpretations which have been applied for the first time in 2021 (see Note 1.2.2.1).

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

The audited interim condensed consolidated financial statements and notes were approved by the Board of Directors of Technicolor SA and authorized for issuance on July 29, 2021.

1.2.1.1. New standards, amendments, and interpretations

Main standards, amendments, and interpretations effective and applied as of January 1st, 2021

New standard and interpretation	Main provisions
Amendments to IFRS 7, IFRS 9, IAS 39 and IFRS 16: Interest Rate Benchmark Reform	<p>Phase 2 of the benchmark interest rate reform.</p> <p>The second phase of the "Reform of benchmark interest rates" project is mandatory from fiscal year 2021. The objective of this phase 2 is to specify the accounting impacts linked to the actual change of interest rate benchmarks. The first application of phase 2 has no impact for the Group in the absence of any effective modification of the benchmarks in the Group's contracts as of June 30, 2021.</p> <p>As a reminder, phase 1 adopted by the Group in 2020, does not take into account the uncertainties about the future of the reference rates in the evaluation of the effectiveness of the hedging relationships and / or in the assessment. the highly probable nature of the risk covered, thus making it possible to secure existing or future hedging relationships until these uncertainties are resolved.</p> <p>The Group continued to carry out census work to ensure the transition to the new benchmarks. The objective of the project is also to anticipate the impacts associated with the reform and to implement the process of transition to the new indices. The interest rate derivatives documented to hedge debt indexed to a benchmark rate are presented in Note 8.</p>

Furthermore, the Group is still reviewing its assessment of pension liabilities in following the IFRS IC agenda decision on Attributing Benefit to Periods of Service. The Group does not expect any significant impact from this agenda decision.

1.2.1.2. 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 (see notes 5.1);
- Determination of expected useful lives of tangible and intangible assets (see notes 5.2 & 5.3);
- Determination of the term of the rents for the estimation of the rights-of-use (see note 5.4) and recoverable value of rights-of-use marketed for sublease;
- Presentation in other income (expense) (see note 3.2);

- Determination of inventories net realizable value;
- Deferred tax assets recognition;
- Assessment of actuarial assumptions used to determine provisions for employee post-employment benefits (see note 8);
- Measurement of provisions and contingencies (see note 9);
- Determination of royalties payables.

The underlying assumptions used for the main estimates are similar to those described as of December 31, 2020. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2021 may subsequently change.

1.2.1.3. Foreign exchange translation rates

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 21	December 20	June 21	June 20
US Dollar (US\$)	1.1884	1.2271	1.2060	1.1061
Pound sterling (GBP)	0.8580	0.8990	0.8703	0.8735
Canadian Dollar (CAD)	1.4722	1.5633	1.5078	1.5040

2. **Scope of consolidation**

On April 30, 2021, the Group concluded the sale to Streamland Media of the Post-Production business, included in the Technicolor Creative Studios (formerly Production Services) segment. The sale of Post-Production simplifies Technicolor Creative Studios portfolio of activities and allows management to increasingly focus on its remaining core CGI activities.

Sales proceeds amounted to €29 million, with a gain on sale of €6 million booked in the “other income & expenses” line of the statement of operations.

3. **Information on operations**

3.1. **Information by business segments**

Technicolor has three continuing businesses and reportable operating segments under IFRS 8: Technicolor Creative Studios, Connected Home and DVD Services.

In the course of 2021, the Group renamed Production Services as Technicolor Creative Studios, with a new leadership team focused on the future of film, episodic, gaming, brand experiences and advertising.

The Group’s Executive Committee makes its operating decisions and assesses performances based on three operating businesses. All remaining activities, including unallocated corporate functions, are grouped in the segment “Corporate & Other”. Therefore, Technicolor activities are disclosed as follows:

Technicolor Creative Studios

Technicolor provides high-end services to content creators, including Visual Effects and Animation for features films, episodic series, advertising, video games and other audiovisual content.

Connected Home

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

DVD Services

The DVD Services segment replicates, packages and distributes video, game and music CD, DVD and Blu-ray™ discs.

Corporate & Other

This segment includes:

- Corporate functions, which comprise the costs of Group management, together with headquarters support functions, such as Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and which do not service a particular business within the three operating segments of the Group;
- Trademark Licensing business, which monetizes valuable brands such as RCA© and Thomson©, which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business;
- Patent Licences which monetizes valuable patents;
- Post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs.

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 the Technicolor Creative Studios and DVD Services segments.

	Technicolor Creative Studios	DVD Services	Connected Home	Corporate & Other	TOTAL
	Six months ended June 30, 2021				
(€ in million)					
Statement of operations items					
Revenues	295	283	770	11	1,359
Intersegment sales	-	-	-	-	-
Earning before Interest & Tax (EBIT) from continuing operations	4	(30)	16	6	(4)
<i>Of which:</i>					
Amortization of purchase accounting items	(4)	(4)	(10)	-	(19)
Net impairment losses on non-current operating assets	-	(1)	(0)	2	0
Restructuring costs	(2)	(15)	(3)	(6)	(26)
Other income (expenses)	4	(0)	(0)	20	24
Adjusted EBITA	6	(10)	29	(9)	15
<i>Of which:</i>					
Depreciation & amortization (excl PPA items)	(33)	(18)	(33)	(1)	(85)
Other non-cash items ⁽¹⁾	(2)	(2)	6	(1)	0
Adjusted EBITDA	40	11	56	(7)	100
Statements of financial position items					
Segment assets	549	414	1,165	261	2,388
Unallocated assets					240
Total consolidated assets					2,629
Segment liabilities	213	172	524	341	1,249
Unallocated liabilities					1,233
Total consolidated liabilities					2,482
Other information					
Net capital expenditures	(11)	(3)	(27)	(0)	(42)
Capital employed	212	(132)	276	471	827

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

	Technicolor Creative Studios	DVD Services	Connected Home	Corporate & Other	TOTAL
	Six months ended June 30, 2020				
(€ in million)					
Statement of operations items					
Revenues	279	302	839	13	1,433
Intersegment sales	0	(0)	(0)	-	0
Earning before Interest & Tax (EBIT) from continuing operations	(61)	(120)	(2)	(11)	(194)
<i>Of which:</i>					
Amortization of purchase accounting items	(4)	(4)	(13)	-	(22)
Net impairment losses on non-current operating assets	(0)	(72)	(0)	(0)	(72)
Restructuring costs	(17)	(15)	(5)	(4)	(41)
Other income (expenses)	12	1	(4)	(1)	8
Adjusted EBITA	(51)	(29)	20	(7)	(67)
<i>Of which:</i>					
Depreciation & amortization (excl PPA items)	(51)	(29)	(35)	(2)	(117)
IT capacity use for rendering in Production Services	(2)	-	-	-	(2)
Other non-cash items (1)	0	(2)	1	0	(0)
Adjusted EBITDA	2	1	54	(5)	53
Statements of financial position items					
Segment assets	608	578	1,344	289	2,819
Unallocated assets					221
Total consolidated assets					3,040
Segment liabilities	221	179	779	655	1,834
Unallocated liabilities					1,480
Total consolidated liabilities					3,314
Other information					
Net capital expenditures	(13)	(8)	(35)	(0)	(56)
Capital employed	342	211	188	215	956

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

As of June 30, 2021, the aggregate amount of the transaction prices allocated to the remaining performance obligations was €235 million and related to the Films and Animations businesses of our Technicolor Creative Studios division. These revenues will be recognized according to percentage of completion.

3.2. Other income & expenses

(€ in million)

	Six months ended June 30,	
	2021	2020
Capital gains and losses	29	15
Litigations and others	(5)	(7)
Other income (expense)	24	8

Capital gains for the period ended June 30, 2021, include mainly:

- A reclassification of cumulated CTA (currency translation adjustment) to profit and loss of an amount of €23 million in accordance with IAS 21. This is primarily coming from the Singaporean subsidiary which was historically hosting several Asian Group activities and whose liquidation should be completed by the end of the year.
- Net gain related to the disposal of Post-Production activity to Streamland.

Other expenses for the period ended June 30, 2021 include mainly a litigation allowance in the Corporate & others segment.

Other income & expenses for the period ended June 30, 2020, includes mainly:

- A final and definitive earn-out payment of \$9 million derived from the negotiated termination of its strategic partnership with Deluxe;
- €5 million gain on disposal of its Thailand subsidiary, mainly derived from reclassification of conversion reserves;
- A provision allowance of €4 million in the Connected Home segment related to a litigation with a client

4. Income Tax

The income tax expense for the six months ended June 30, 2021 is determined using the year-end 2021 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, 2021 is summarized below:

	Six months ended June 30,	
	2021	2020
(€ in million)		
France	(1)	-
Foreign	(10)	(3)
Total Income Tax	(11)	(3)

5. Goodwill, intangible & tangible assets

5.1. Goodwill

The following table provides the allocation of the goodwill to each Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2020 and June 30, 2021.

<i>(€ in million)</i>	Technicolor Creative Studios	Connected Home	DVD Services	Total
At December 31, 2020, net	174	400	142	716
Exchange difference	7	15	4	26
Acquisitions of businesses	-	-	-	-
Disposals	(1)	-	-	(1)
Impairment loss	-	-	-	-
Other	-	-	-	-
At June 30, 2021, net	180	415	146	741

5.2. Intangible assets

<i>(€ in million)</i>	Trademarks	Patents & Customer Relationships	Other intangibles	Total Intangible Assets
At December 31, 2020, net	242	188	105	535
<i>Cost</i>	<i>250</i>	<i>698</i>	<i>496</i>	<i>1,444</i>
<i>Accumulated depreciation</i>	<i>(8)</i>	<i>(510)</i>	<i>(391)</i>	<i>(909)</i>
Exchange differences	7	6	3	16
Acquisitions of business	-	-	-	-
Additions	-	-	23	23
Disposal	-	-	-	-
Depreciation charge	-	(20)	(33)	(53)
Impairment loss	1	-	-	1
Other	-	-	-	-
At June 30, 2021, net	250	174	98	522
<i>Cost</i>	<i>257</i>	<i>718</i>	<i>531</i>	<i>1,506</i>
<i>Accumulated depreciation</i>	<i>(7)</i>	<i>(544)</i>	<i>(433)</i>	<i>(984)</i>



5.3. Property, plant & equipment

(€ in million)	Land	Buildings	Machinery & Equipment	Other Tangible Assets ⁽¹⁾	TOTAL
At December 31, 2020, net	3	12	48	77	140
<i>Cost</i>	3	52	884	269	1,208
<i>Accumulated depreciation</i>	-	(40)	(836)	(192)	(1,068)
Exchange differences	-	-	1	2	3
Additions	-	-	1	19	20
Disposals	-	-	-	(2)	(2)
Depreciation charge	-	(0)	(12)	(11)	(23)
Impairment loss	-	-	-	(1)	(1)
Other	-	-	9	(10)	(1)
At June 30, 2021, net	3	12	47	74	136
<i>Cost</i>	3	52	892	308	1,254
<i>Accumulated depreciation</i>	-	(40)	(845)	(234)	(1,118)

⁽¹⁾ Includes assets in progress.

5.4. Right-of-use assets

(€ in million)	Real Estate	Others	Total Right-of-use assets
At December 31, 2020, net	129	19	148
New contracts	6	5	11
Change in contract ⁽¹⁾	3	-	3
Depreciation charge	(18)	(8)	(26)
Impairment loss ⁽²⁾	(4)	-	(4)
Other ⁽³⁾	3	-	3
At June 30, 2021, net	119	16	135

⁽¹⁾ Remeasurement of the right-of-use following a lease modification.

⁽²⁾ Refers to onerous lease contracts.

⁽³⁾ Foreign exchange impact.



6. Equity & Earnings per share

6.1. Change in share capital

<i>(In euros, except number of shares)</i>	Number of shares	Par value	Share capital in Euros
Share Capital as of December 31, 2020	235,795,483	0.01	2,357,955
Issuance of new shares through exercise of warrants	14,592	0.01	146
Issuance of new shares under LTIP 2018	9,800	0.01	98
Share Capital as of June 30, 2021	235,819,875	0.01	2,358,199

Using the delegation granted by the Board of Directors, the Chief Executive Officer decided on May 6, 2021, to issue 9,800 new shares with a par value of €0.01 to be delivered to the LTIP 2018 plan's beneficiaries after vesting date.

6.2. Earnings (Loss) per share

Diluted earnings (loss) per share

(€ in million, except number of shares)

Net income (loss)

Net (income) loss attributable to non-controlling interest

Net (gain) loss from discontinued operations

Numerator:

Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders

Basic weighted number of outstanding shares ('000)

Dilutive impact of stock-option, free & performance share plans

Denominator:

Diluted weighted number of outstanding shares ('000)

	Six months ended June 30,	
	2021	2020
Net income (loss)	(79)	(265)
Net (income) loss attributable to non-controlling interest	0	0
Net (gain) loss from discontinued operations	(1)	(1)
<u>Numerator:</u>		
Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders	(78)	(264)
Basic weighted number of outstanding shares ('000)	235,805	15,357
Dilutive impact of stock-option, free & performance share plans	-	-
<u>Denominator:</u>		
Diluted weighted number of outstanding shares ('000)	235,805	15,357

Certain stock-options and performance share plans have no dilution impact due to the current stock price and conditions not met as of June 30, 2021 but could have a dilution impact in the future.



7. Financial assets, financing & derivative financial instruments

7.1. Fair value of financial assets and liabilities

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

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

(€ in million)	At June 30, 2021, net	Fair value measurement by accounting categories as of June 30, 2021					At December 31, 2020, net
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivative instruments (see Note 7.4)	Fair Value measurement	
Non-consolidated Investments	17	-	17	-	-	Level 3	14
Cash collateral and security deposits	27	15	12	-	-		39
Loans and others	2	2	-	-	-		2
Subleases receivables	6	6	-	-	-		6
Derivative financial instruments	-	-	-	-	-	Level 2	-
Other non-current financial assets	35						47
Total non-current financial assets	52						61
Cash collateral and security deposits	22	5	18	-	-		17
Other current financial assets	-	-	-	-	-		(0)
Derivative financial instruments	1	-	-	-	1	Level 2	-
Other financial current assets	24						17
Cash	91	-	91	-	-	Level 1	183
Cash equivalents	8	-	8	-	-	Level 1	147
Cash and cash equivalents	99						330
Total current financial assets	123						347
Non current borrowings ⁽¹⁾	(983)	(983)	-	-	-		(948)
Borrowings	(983)						(948)
Derivative financial instruments	(1)	-	-	-	(1)	Level 2	-
Other non-current liabilities	(1)						-
Lease liabilities	(97)	(97)	-	-	-		(122)
Total non-current financial liabilities	(1,081)						(1,070)
Borrowings ⁽¹⁾	(52)	(52)	-	-	-		(16)
Lease liabilities	(63)	(63)	-	-	-		(56)
Derivative financial instruments	(1)	-	-	-	(1)	Level 2	(2)
Other current financial liabilities	(1)	-	-	-	-		(2)
Total current financial liabilities	(117)						(74)
TOTAL FINANCIAL LIABILITIES	(1,197)						(1,144)

(1) Borrowings are recognized at amortized costs. The fair value of the Group debt is € 1,066 million as of June 30, 2021 (€977 million as of December 31, 2020). This fair value is based on quoted prices in active markets for term loan debt (Level 1).

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



7.2. Borrowings

The Group's debt consists primarily of new borrowings put in place in July 2020 (the "New Money debt") and the reinstated term loans (the "Reinstated Term Loans") issued in September 2020, both of which were implemented as part of the Group's financial restructuring. The New Money debt consists of term loans issued by Technicolor USA Inc. in dollars and New York law based notes issued by Tech 6 in euros. The New Money debt has a maturity of June 30, 2024. The Reinstated Term Loans, issued by Technicolor SA in dollars and euros, consist of the remaining term loan and revolving credit facility debt following their partial conversion to equity; the terms of these new loans were modified, in particular with regard to their maturity (December 31, 2024), the interest rates chargeable and the applicable restrictions which were aligned to those of the New Money debt. The New Money debt and the Reinstated Term Loans have both a cash and PIK (payment in kind) interest component. The PIK interest is capitalized (every 6 months for the debt issued by Technicolor USA Inc and every 12 months for the remaining debt) and repaid on final maturity.

7.2.1. Analysis by nature

<i>(€ in million)</i>	June 30, 2021	December 31, 2020
Debt due to financial institutions	983	931
Lease liabilities ⁽¹⁾	160	178
Other financial debt	1	1
Accrued interest ⁽²⁾	51	32
Total Debt IFRS	1,195	1,142
<i>Total non-current</i>	<i>1,080</i>	<i>1,070</i>
<i>Total current</i>	<i>115</i>	<i>72</i>

(1) Of which €11 million are capital leases and €149m is operating lease debt under IFRS 16

(2) Of which €35 million of accrued PIK interest at June 30, 2021

7.2.2. Summary of debt

Details of the Group's debt as of June 30, 2021 are given in the table below:

<i>(in million currency)</i>	Currency	Nominal Amount	IFRS Amount	Type of rate	Nominal rate ⁽¹⁾	Effective rate ⁽¹⁾	Repayment Type	Final maturity
New Money notes	EUR	350	361	Floating	12.00% ⁽²⁾	10.95%	Bullet	Jun. 30, 2024
New Money Term loans	USD	104	107	Floating	12.23% ⁽³⁾	11.20%	Bullet	Jun. 30, 2024
Reinstated Term Loans	EUR	453	380	Floating	6.00% ⁽⁴⁾	11.34%	Bullet	Dec. 31, 2024
Reinstated Term Loans	USD	119	100	Floating	5.95% ⁽⁵⁾	11.30%	Bullet	Dec. 31, 2024
Subtotal	EUR	1,026	948		8.67%	11.17%		
Lease liabilities ⁽⁶⁾	Various	160	160	Fixed	8.68%	8.68%		
Accrued PIK Interest	EUR+USD	35	35	NA	0%	0%		
Credit line drawings	USD	35	35	Floating	5.25%	5.25%		
Accrued Interest	Various	16	16	NA	0%	0%		
Other Debt	Various	1	1	NA	0%	0%		
TOTAL		1,273	1,195		8.23%	10.18%		

(1) Rates as of June 30, 2021.

(2) Cash interest of 6-month EURIBOR with a floor of 0% +6.00% and PIK interest of 6.00%.

(3) Cash interest of 6-month USD LIBOR with a floor of 0% +6.00% and PIK interest of 6.00%.

(4) Cash interest of 6-month EURIBOR with a floor of 0% + 3.00% and PIK interest of 3.00%.

(5) Cash interest of 6-month USD LIBOR with a floor of 0% + 2.75% and PIK interest of 3.00

(6) Of which €11 million are capital leases and €149 million is operating lease debt under IFRS 16

7.2.3. Main features of the Group's borrowings

7.2.3.1. Analysis by maturity

<i>(€ in million)</i>	June 30, 2021	December 31, 2020
Less than 6 months	93	49
Between 6 months and less than 1 year	22	23
Total current debt less than 1 year	115	72
Between 1 and 2 years	33	37
Between 2 and 3 years	499	22
Between 3 and 4 years	603	1,049
Between 4 and 5 years	12	12
Over 5 years	11	35
Total non-current debt	1,158	1,155
Total nominal debt	1,273	1,227
IFRS Adjustment	(78)	(85)
Debt under IFRS	1,195	1,142

7.2.3.2. Undrawn credit lines

<i>(€ in million)</i>	June 30, 2021	December 31, 2020
Undrawn, committed lines expiring in more than one year	70	102

The Group has a receivables backed committed credit facility with Wells Fargo (the “WF ABL”) in an amount of U.S.\$125 million (€105 million at the June 30, 2021 exchange rate) which matures in 2023. The WF ABL was drawn in an amount of €35 million at June 30, 2021. The availability of the WF ABL varies depending on the amount of receivables.

7.2.3.3. Financial covenants and other limitations

For a detailed discussion of the limitations under the New Money debt, the Reinstated Term Loans and the WF ABL please refer to Note 8.3.2 to the Group’s 2020 consolidated financial statements.

The New Money debt and the WF ABL have a net leverage covenant tested on June 30 and December 31 starting in 2021 which requires the ratio of total net debt to EBITDA be less than or equal to the levels given below:

June 30, 2021:	≤ 6.00
December 31, 2021:	≤ 5.00
June 30, 2022:	≤ 4.50
December 31, 2022 and thereafter:	≤ 3.50

Under the terms of the credit agreements the net debt is calculated as the consolidated Group indebtedness under IFRS, except that the New Money debt and the Reinstated Term Loans are taken at their nominal value, minus cash and cash equivalents and any cash collateral securing indebtedness. The EBITDA is for the twelve months ending on the testing date and the definition is the same as that used by the Group in its public disclosures.

The calculation of this ratio at June 30, 2021 is as follows (€ in millions):

Debt:	1,273
Less cash	99
<u>Less cash collateral</u>	<u>20</u>
Net debt	1,154
EBITDA	215
Net leverage ratio	1,154 / 215 = 5.37

Since 5.37 is less than the maximum allowed of 6.00, the Group respects this covenant at June 30, 2021.

The New Money debt and the WF ABL also have a minimum liquidity covenant under which the Group must maintain at least €30 million of cash and available credit lines on certain dates. The Group fully respects this covenant.

7.3. Net financial income (expense)

<i>(€ in million)</i>	Six months ended June 30,	
	2021	2020
Interest income	0	0
Interest expense	(61)	(40)
Net interest expense	(61)	(40)
Net interest expense on defined benefit liability	(1)	(2)
Change in fair value instruments	2	(1)
Foreign exchange gain / (loss)	0	(0)
Expenses related to debt restructuring process	(1)	(22)
Other	(2)	(2)
Other financial income (expense)	(2)	(28)
Net financial income (expense)	(62)	(67)

The financial result for the period ended June 30, 2021 totaled €(62) million compared to €(67) million as of June 30, 2020, reflecting:

- Net interest costs of €(61) million, up from last year's €(40) million, primarily due to the higher interest rates on the new debt structure;
- Other financial income improved to €(2) million in the first half 2021 compared to €(28) million in the prior year, which was mainly due to the financial fees incurred on the bridge loan and the financial restructuring.

7.4. Derivative financial instruments

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

The Group executes operations on the over the counter derivatives markets.

The table below gives the fair value of these derivative operations at June 30, 2021.

<i>(€ in million)</i>	June 30, 2021	
	Assets	Liabilities
Foreign currency hedges	1	2
Interest rate hedges	-	-
Total	1	2

The Group's credit risk on its derivatives at June 30, 2021 is equal to the amount of the assets shown above.



8. Employee benefits

8.1. Post-employment & long-term benefits

(€ in million)

	Pension plan benefits		Medical post-retirement benefits		Total	
	2021	2020	2021	2020	2021	2020
At December 31, 2020	350	369	5	6	355	375
Net periodic pension cost	3	7	-	-	3	7
Curtailement	-	(3)	-	-	-	(3)
Benefits paid and contributions	(13)	(30)	-	(1)	(13)	(31)
Change in perimeter	-	0	-	-	-	-
Actuarial (gains) losses recognized in OCI	(29)	14	-	-	(29)	14
Currency translation adjustments and other	2	(6)	-	-	2	(6)
At June 30, 2021	313	350	5	5	318	355
<i>Of which current</i>	<i>31</i>	<i>30</i>	<i>-</i>	<i>-</i>	<i>31</i>	<i>30</i>
<i>Of which non-current</i>	<i>282</i>	<i>320</i>	<i>5</i>	<i>5</i>	<i>287</i>	<i>325</i>

As of June 30, 2021, the present value of the obligation amounted to €529 million, and the fair value of plan assets amounted to €211 million.

8.2. Share-based compensation plans

As of June 30, 2021, the number of stocks options and performance shares is as follows:

<i>(in millions of unit)</i>	June 30, 2021
Number of outstanding stock-options and performance shares as of December 31,2020	3,204,907
Number of performance shares granted during 2021	3,169,315
Number of forfeited stock-options and performance shares during 2021	(258,431)
Number of outstanding stock-options and performance shares as of June 30, 2021	6,115,791

Using the delegation granted by the Board of Directors, the Chief Executive Officer decided on May 6, 2021, to issue 9,800 new shares with a par value of €0.01 to be delivered to the LTIP 2018 plan's beneficiaries after vesting date.

2020 Long-Term Incentive Plan (LTIP)

The Shareholders' Meeting of June 30, 2020 in its twenty fifth resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees or the Group related parties. This authorization has been given for a 36-months period and is valid until June 30, 2023. The shares to be issued pursuant to this authorization shall not give rights to a total of shares greater than 3.6% of the share capital stated at the date of authorization.

Using this authorization, the Board of Directors approved on December 17, 2020, the implementation of the 2020 Long-Term Incentive Plan and authorized the issuance of 2,829,146 free shares. These three-year plans provide conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject of the satisfaction a continued employment condition for the full duration of the Plan until December 17, 2023, and the achievement of two performance conditions, one based of cumulated EBITA objectives and the other on Total Shareholder Return until the end of 2022. It is noted however that 754,656 of these free shares are not performance shares but restricted shares allocated to beneficiaries who are not members of the Executive Committee and subject only to the continued employment condition.

Pursuant to the authorization given by the same General Meeting, the Board of Directors meeting of March 24, 2021, authorized the issuance of 1,424,899 performance shares for the benefit of Executive Committee members under the same conditions as the ones listed above. The Vesting Period, starting on the date of the grant (the "**Grant Date**"), shall end on its third anniversary.

Additional Performance Shares Plan (ASP 2020)

Using the authorization given by the Shareholders' Meeting of June 30, 2020, in its twenty-sixth resolution, the Board of Directors of Technicolor S.A. approved two Additional Performance Shares Plans for the Chief Executive Officer & other Senior Executives beneficiaries (members of the Executive Committee) respectively on April 15,2021 and April 23, 2021 and authorized the issuance of 1,744,416 performance shares.

These two-year plans provide conditional rights to the beneficiaries to receive Performance Shares.

The grant of these performance shares is subject to the prior execution by each eligible beneficiary of a significant personal investment in ordinary shares of the Company. In consideration of such investment, the Board of Directors may grant to the eligible beneficiary, at its sole discretion, Additional Performance

Shares up to an amount representing a maximum of three times the amount of the personal investment made in Technicolor shares made by the beneficiary.

The delivery of these performance shares at vesting date is also subject to:

- the satisfaction of continued employment condition for the full duration of the Plan until April 2023,
- and the achievement of cumulated EBITA and Total Shareholder Return performance conditions until the end of 2022.

As of June 30, 2021, the total number of outstanding stock options amounted to a maximum of 135,471 options and the total number of rights to receive shares amounted to 5,980,320 rights granted to employees and Directors.

The impact of compensation plans during the period amounted to an expense equal to € 1 million and an income less than € 1 million for the six months ended June 30, 2021 and June 30, 2020, respectively. The counterpart has been accounted fully in equity in 2021 and 2020.

9. Provisions & contingencies

9.1. Detail of provisions

	Provisions for warranty	Provisions for risks & litigations related to		Provisions for restructuring related to		Total
		continuing operations	discontinue d operations	continuing operations	discontinue d operations	
<i>(€ in million)</i>						
As of December 31, 2020	23	6	35	57	2	123
Current period additional provision	3	7	0	26	-	36
Release	(8)	(0)	(2)	(4)	(1)	(14)
Usage during the period	(0)	(1)	(4)	(46)	-	(51)
Other movements and currency translation adjustments	1	-	(1)	-	-	(0)
As of June 30, 2021	18	12	28	33	1	92
<i>Of which current</i>	<i>18</i>	<i>6</i>	<i>8</i>	<i>33</i>	<i>1</i>	<i>67</i>
<i>Of which non-current</i>	<i>-</i>	<i>5</i>	<i>20</i>	<i>0</i>	<i>-</i>	<i>25</i>

The provisions for restructuring are mainly termination costs related to the actions taken in the context of strategic plan 2020-2022.

9.2. Contingencies

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

There was no significant event during the first six months of 2021 regarding the litigation matters disclosed in Note 9 to our 2020 audited consolidated financial statements, and no other significant new litigation has been commenced since December 31, 2020.

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

10.1. Acquisitions and disposals of subsidiaries & investments

10.1.1. Acquisitions

For the six months ended June 30, 2021, the acquisition of activities and investments, net of cash position of companies acquired is less than €1 million.

For the six months ended June 30, 2020, the acquisition of activities and investments, net of cash position of companies acquired amounted to €2 million mainly related to the earn out clause paid in relation with the acquisition of MR. X. and Oui Do.

10.1.2. Disposals

For the six months ended June 30, 2021, net cash impact amounted to €27 million mainly related to the disposal of Post-Production activities.

For the six months ended June 30, 2020, net cash impact amounted to €(1) million mainly related to negative compensation for the 2019 business disposal in the Connected Home segment.

10.2. Cash impacts on financing operations

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

<i>(en million d'euros)</i>	December 31, 2020	Cash impact of borrowing variation ⁽¹⁾	Non cash mouvements on lease contracts	IFRS adjustment	Interest expenses	Currency Translation Adjustmen ts and Forex	Transfer Current - Non current	June 30, 2021
Non current borrowing	948	-	-	7	22	6	-	983
Current borrowing	16	35	-	-	(0)	1	-	52
TOTAL BORROWING	964	35	-	7	22	7	-	1,035
Non current lease liabilities	122	(29)	11	-	-	7	(14)	97
Current lease liabilities	56	(7)	-	-	-	0	14	63
TOTAL LEASE LIABILITIES	178	(36)	11	-	-	8	-	160

(1) In 2021, €(1) million are related to cash flows from discontinued activities

11. Discontinued operations

11.1. Results of discontinued operations

(€ in million)	Six months ended June 30,	
	2021	2020
DISCONTINUED OPERATIONS		
Revenues	0	1
Cost of sales	(0)	(1)
Gross margin	0	(0)
Selling and administrative expenses	(2)	(1)
Research and development expenses	(1)	2
Restructuring Costs	0	(0)
Net impairment gains (losses) on non-current operating assets	-	(0)
Other income (expenses)	2	(1)
Earning before Interest & Tax from discontinued operations	(1)	0
Financial net income (expenses)	(2)	(1)
Income tax	(0)	0
Net income (loss)	(1)	(1)

11.2. Statement of cash flows from discontinued operations

(€ in million)	Six months ended June 30,	
	2021	2020
Profit (loss) from discontinued activities	(1)	(1)
<i>Summary adjustments to reconcile profit from discontinued activities to cash generated from discontinued operations</i>		
Depreciation and amortization	0	0
Net change in provisions	(7)	(16)
Profit (loss) on asset disposals	(0)	-
Other non-cash items (including tax)	1	0
Changes in working capital and other assets and liabilities	(7)	7
Income tax paid	(0)	(0)
NET OPERATING CASH GENERATED FROM DISCONTINUED ACTIVITIES (I)	(14)	(8)
NET INVESTING CASH USED IN DISCONTINUED ACTIVITIES (II) ⁽¹⁾	(1)	1
Repayments of borrowings	(1)	(1)
NET FINANCING CASH USED IN DISCONTINUED ACTIVITIES (III)	(1)	(1)
NET CASH FROM DISCONTINUED ACTIVITIES (I+II+III)	(16)	(8)

12. Subsequent events

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



IV. STATUTORY AUDITORS' REVIEW REPORT

Statutory Auditors' Review Report on the Half-yearly Financial Information

Period from January 1 to June 30, 2021

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of TECHNICOLOR, for the period from January 1st to June 30th, 2021,
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors on July 29th, 2021. Our role is to express a conclusion on these financial statements based on our review.

A. 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 condensed half-yearly 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.



B. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review prepared on July 29th, 2021.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly condensed consolidated financial statements.

The Statutory Auditors

French original signed by

Paris-La-Défense, 30 July 2021

Deloitte & Associés

Bertrand Boisselier
Associé

Courbevoie, 30 July 2021

Mazars

Jean-Luc Barlet
Associé