2017 FIRST HALF FINANCIAL REPORT

This document is a free translation into English of the original French "Rapport financier semestriel". 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 2017 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

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

Issy-les-Moulineaux, July 26, 2017

Frederic Rose

Chief Executive Officer, Technicolor

II. GROUP MANAGEMENT REPORT THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

1.1. Presentation on financial results for the first half of 2017 published on July 26th, 2017

Technicolor announced in a press release dated July 26th, 2017 its financial results for the first half of 2017. Earnings before Interest & Tax (EBIT) from continuing operations amounted to €(37) million compared to €93 million in the first half of 2016. Revenues amounted to €2,146 million compared to €2,420 million in the first half of 2016. Net finance expenses totaled €62 million in the first half of 2017 compared to €73 million the first half of 2016.

The income tax charge for the six months ended June 30, 2017 amounted to €11 million (€30 million in the first half of 2016). Net result amounted to a loss of €106 million in the first half of 2017 compared to a loss of €54 million in the first half of 2016.

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

1.2. Key messages

- First half 2017 revenues were at €2,146 million and the Adjusted EBITDA at €107 million. This was largely attributed to:
  - The Connected Home Adjusted EBITDA decreased year-on-year as a result of lower revenues versus a very strong first half 2016 performance, which was exacerbated by the €30 million negative impact of memory price increases;
  - The Technology segment revenues declined compared to a very strong first half 2016 performance and due to the expiry of Digital TV agreements in anticipation of the ramp up of the joint licensing program with Sony.
- Entertainment Services saw a stable Adjusted EBITDA as Production Services revenue and profit growth was constrained by capacity ramp up and DVD Services improvement in margin was offset by a mix which was heavily weighted toward Standard Definition discs;
- Free cash flow excluding cash impacts of the CRT[1] case settlements amounted to €(67) million due to the lower Adjusted EBITDA. Group free cash flow amounted to €(148) million;
- Technicolor reinforced its cost optimization program while working on ongoing mitigation actions related to the memory cost impact.

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[1] CRT: Cathode Ray Tubes

Full Year 2017 objectives confirmed

As a result of the memory price increases affecting Connected Home profitability, Technicolor expects to deliver an Adjusted EBITDA in the range of €420 million to €480 million as announced on June 29, 2017.

The Group confirms its free cash flow objective (in excess of €150 million before cash impacts of the CRT cartel case settlements). These cash settlements amounted to €81 million and were paid in the first half of 2017.

These objectives are calculated based on constant exchange rates.

Segment review – H1 2017 result highlights

Connected Home revenues amounted to €1,252 million, down 11.2% year-on-year at constant rate mainly resulting from a continued weak macro-economic environment in Latin America and the delayed ramp in the early part of the year of a number of large contracts in Western Europe. After a slow start in the first quarter, Connected Home experienced very strong growth in the second quarter, particularly in North America which represented 63% of total revenues for the first half.

North America:

- Revenue growth materially accelerated in the second quarter with record deliveries across several cable customers, fueled in particular by large volumes of the Worldbox to Charter. As a result, Technicolor substantially outperformed the overall North American market;
- Twelve new product introductions, both in Video and Broadband are planned in the second half across North American customers;
- Commercial activity remained strong with a win rate of 76% on different tender offers.

Europe, Middle East and Africa:

- Revenues were affected by the end of some large deployments in the last part of 2016 and shipment delays to a large customer.

Latin America:

- Technicolor maintained its leading market share position both in Broadband and Video. Revenues were affected by continued difficult market conditions in Mexico which remained the most challenging market. Technicolor saw stabilization in Brazil and growth in other countries like Argentina and Chile.

Asia Pacific:

- Revenues were down year-on-year due to lower deliveries in India and Australia, partly compensated by growth in Japan and South Korea.

Revenue breakdown for Connected Home

In € million		First Half 2016	2017	Change[2]
Total revenues		1,378	**1,252**	(9.2)%
By region	North America	724	**790**	+9.1%
	Europe, Middle-East and Africa	316	**193**	(39.1)%
	Latin America	228	**168**	(26.2)%
	Asia-Pacific	110	**100**	(8.9)%
By product	Video	790	**748**	(5.3)%
	Broadband	588	**504**	(14.4)%

Adjusted EBITDA amounted to €57 million, or 4.6% of revenue, down 310 basis points compared to last year. The margin decline was driven by the gross margin squeeze resulting from memory price increases. Excluding the memory cost impact, Adjusted EBITDA margin would have reached 7.0%.

Gross margin reached 14.1%, down 230 basis points compared to the first half of 2016, mainly due to the negative impact of memory price increases that amounted to €30 million. The gross margin excluding the memory cost impact would have reached 16.5%.

	H1 2016		H1 2017		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenues	**1,378**		**1,252**		*(9.2)%*	*(11.2)%*
Adj. EBITDA	**106**	**7.7%**	**57**	**4.6%**	*(46.0)%*	*(47.6)%*

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Entertainment Services revenues amounted to €838 million in the first half of 2017, down 3.3% at constant currency compared to the first half of 2016.

- **Production Services** revenues amounted to €383 million in the first half of 2017, up 4.9% at constant currency compared to the first half of 2016, driven by a strong performance in Animation, Games and Post-Production.

  The level of activity in VFX for film and TV was sustained with the teams working on more than 25 Film projects, including Warner Bros. *Wonder Woman* and Paramount's *Transformers: The Last Knight*, and over 10 TV projects, including season 5 of *Vikings* (History) and season 2 of *The Shannara Chronicles* (MTV/Spike). Several large VFX film projects began in the first half, including Disney's live-action adaptation of *The Lion King*. Capacity expansion program continued through the first half coupled with the hiring of additional creative talent.

  Revenue growth was strong in Animation driven by the delivery of DreamWorks Animation's *Captain Underpants: The First Epic Movie*, the ramp-up of several long form feature animation projects, such as Paramount's *Sherlock Gnomes* and a very solid pipeline in content IP.

[2] Year-on-year change at current currency.

Post-Production activity experienced growth particularly in the theatrical sound business and saw growing success with Netflix Originals.

VFX for Advertising was slightly lower compared to the first half of 2016, which included more VFX-heavy campaigns, resulting in a weaker mix compared to last year.

- **DVD Services** revenues reached €454 million in the first half of 2017, down c.9% at constant currency compared to the first half of 2016. Overall disc volumes recorded a year-on-year net increase in the second quarter compensating the weak performance of the first quarter and resulted in a reduction of less than 6% year-on-year. This demonstrated resiliency of the business given the comparative strength of the first half of 2016, which benefited from a number of major blockbuster releases including *Star Wars: The Force Awakens* and a higher number of *AAA Games*.

  Volume trends in the first half of 2017 were driven in large part by robust DVD back catalog activity in North America, highlighting continued, broad-based consumer demand for packaged media content. Games volume declined, as there was only one major Xbox One title release during the first half, and represented only a very small percentage of total overall disc volume in the period.

Volume data for DVD Services

		First Half		
In million units		**2016**	**2017**	Change
Total combined volumes		**609.9**	**573.6**	***(5.9)%***
By format	DVD	424.7	409.8	*(3.5)%*
	Blu-ray™	130.2	118.6	*(8.9)%*
	CD	55.0	45.2	*(17.9)%*
By segment	Theatrical/Broadcast	527.1	507.0	*(3.8)%*
	Games	18.4	13.6	*(25.9)%*
	Software & Kiosk	9.4	7.8	*(16.4)%*
	Music & Audio	55.0	45.2	*(17.9)%*

Adjusted EBITDA reached €72 million in the first half of 2017, globally stable compared to the first half of 2016:

- Adjusted EBITDA of **Production Services** was stable year-on-year as Technicolor expanded its capacity and hired additional talent to deliver strong growth in the second half of 2017;

- In **DVD Services**, year-on-year percentage profitability improved as a result of cost saving actions directly related to the integration of Cinram North American assets in 2016. These improvements were, however, globally offset by product mix impacts.

		H1 2016		H1 2017		Change YoY	
		In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenues		**863**		**838**		*(2.9)%*	*(3.3)%*
o/w	Production Services	369	43%	383	46%	*+4.0%*	*+4.9%*
	DVD Services	494	57%	454	54%	*(8.1)%*	*(9.4)%*
Adj. EBITDA		**71**	**8.2%**	**72**	**8.5%**	*+0.6%*	*(1.3)%*

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Technology revenues amounted to €56 million in the first half of 2017, down €103 million compared to the first half of 2016 excluding MPEG LA revenues. This significant decline was caused by the strength of the first half of 2016 resulting from the success of our licensing efforts (revenues excluding MPEG LA were up 58% in that period). These agreements included one-off revenues including the lump sum payment related to an HEVC licensing deal and several upfront payments related to other licensing agreements.

In the context of its joint licensing program with Sony in Digital TV, Technicolor did not renew a number of its agreements in that field to allow the Group, as agent for the program to start discussions with manufacturers.

Adjusted EBITDA amounted to €19 million, or a margin of 33.2%. The margin decline was largely due to the fixed cost structure of the business. Licensing operations and Research & Innovations spending remained stable year-on-year.

The timeline of its ongoing licensing discussions is expected to result in new agreements being signed in the second half of 2017.

	H1 2016		H1 2017		Change YoY	
	In € million	As a % of revenues	In € million	As a % of revenues	Reported	At constant rate
Revenues	**177**		**56**		*(68,1)%*	*(68,2)%*
Adj. EBITDA	**130**	**73.9%**	**19**	**33.2%**	*(85,7)%*	*(85,8)%*

Summary of consolidated results for the first half of 2017 (unaudited)

Summary P&L

In € million	First Half 2016 Restated[3]	First Half 2017	Change YoY Reported	Change YoY At constant rate
Group revenues from continuing operations	**2,420**	**2,146**	**(11.3)%**	**(12.6)%**
Group revenues excluding exited activities[4]	2,418	2,146	(11.3)%	(12.5)%
Adjusted EBITDA from continuing operations	**265**	**107**	**(59.8)%**	**(60.9)%**
As a % of revenues	11.0%	5.0%	(6.0)pts	
Adjusted EBIT before PPA[5] amortization	**179**	**22**	**(87.7)%**	**ns**
As a % of revenues	7.4%	-	-	
Adjusted EBIT from continuing operations	**152**	**(4)**	**ns**	**ns**
As a % of revenues	6.3%	-	-	
EBIT from continuing operations	**93**	**(37)**	**ns**	**ns**
As a % of revenues	3.8%	-	-	
EBIT excluding PPA[5] amortization	**120**	**(11)**	**ns**	**ns**
As a % of revenues	5.0%	**-**		
Financial result	(73)	(62)	+11	
Income tax	(30)	(11)	+19	
Share of profit/(loss) from associates	0	0	0	
Profit/(loss) from continuing operations	**(10)**	**(110)**	**(100)**	
Profit/(loss) from discontinued operations	(44)	4	+48	
Net income	**(54)**	**(106)**	**(52)**	

Group revenues from continuing operations totaled €2,146 million in the first half of 2017, down by 12.6% at constant currency compared to the first half of 2016, resulting mainly from lower revenues in the Connected Home segment and in DVD Services.

Adjusted EBITDA from continuing operations amounted to €107 million in the first half of 2017, down 60.9% at constant currency compared to the first half of 2016. The Adjusted EBITDA margin amounted to 5.0%, down by 6 points year-on-year due mainly to the margin squeeze in the Connected Home segment due to the memory cost impact and the much lower contribution of the high-margin Technology business.

Depreciation and Amortization amounted to €119 million out of which €26 million of amortization was related to purchase price allocation, mostly related to the 2015 acquisitions.

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[3] Six months ended June 30, 2016 amounts have been restated due to the finalization of the 2015 acquisitions purchase price allocation (PPA) in the second semester of 2016. Selling and administrative expenses have been increased by €2 million to adjust the amortization of customer relationships recognized within these PPA.

[4] Digital Cinema and Distribution Services in the Entertainment Services segment, IZ-ON, M-GO and Virdata activities in the Other segment.

[5] Purchase Price Allocation.

EBIT from continuing operations totaled €(37) million in the first half of 2017. This was mostly due to the lower Adjusted EBITDA as restructuring costs and other non-current items recorded a significant decrease compared to last year. Restructuring provisions were mainly taken in the Connected Home segment and in DVD Services. Non-current items were much lower notwithstanding some additional integration fees in the Connected Home segment. Excluding the purchase price allocation amortization, EBIT from continuing operations was a loss of €11 million in the first half of 2017.

The Group's financial result totaled €(62) million in the first half of 2017 compared to €(73) million in the first half of 2016, reflecting:

- Net interest costs amounted to €(24) million in the first half of 2017 compared to €(44) million in the first half of 2016, reflecting lower interest expense both related to lower debt (317m€ of net repayments done in 2016) and lower average interest rates due to the 2017 refinancing;
- Other financial charges amounted to €(38) million in the first half of 2017 compared to €(29) million in the first half of 2016. These charges included the IFRS adjustment write off for €27 million, that was generated by the repayment of the old Term Loan maturing in 2020.

Income tax amounted to €11 million, lower by €19 million compared to last year, mostly due to lower results.

Net income was a loss of €106 million in the first half of 2017 compared to a loss of 54 million in the first half of 2017.

Summary statement of financial position and cash position

	First Half		Change
In € million	**2016**	**2017**	
Free cash flow excluding CRT settlements	122	(67)	(189)
Group free cash flow	**98**	**(148)**	**(246)**
Nominal gross debt	1,330	1,099	(231)
Cash position	434	183	(251)
Net financial debt at nominal value (non IFRS)	**896**	**916**	**+20**
IFRS adjustment	(67)	(7)	+60
Net financial debt (IFRS)	**829**	**909**	**+80**

- Capital expenditures amounted to €69 million, down by €5 million year-on-year;
- Cash outflow for restructuring totaled €29 million in the first half of 2017, down by €4 million year-on-year, mainly resulting from lower restructuring costs in the Technology segment;
- The change in working capital & other assets and liabilities was negative €29 million in the first half of 2017 mostly driven by the seasonality of DVD services;

Group free cash flow amounted to €(148) million in the first half of 2017, including:

- Financial charges were €37 million, down by €10 million year-on-year due to lower interest expense both related to lower debt (€317million of net repayments done in 2016) and lower average interest rates due to refinancing;

- Tax cash inflow was €3 million, improved by €43 million year-on-year, due to lower results and the monetization of research tax credit for around €10 million;
- Other cash charges reached €20 million, mainly reflecting pensions for €12 million and Connected Home integration cash outflow for €2 million;
- Cash impact of the CRT settlements amounted to €81 million.

Nominal gross debt totaled €1,099 million at end June 2017, up €16 million versus end December 2016, after partial refinancing of the Group's debt in March 2017.

The Group's cash position amounted to €183 million at end June 2017, down by €188 million compared to end December 2016, mainly reflecting the negative free cash flow and the dividend payment for €25 million.

Net debt at nominal value amounted to €916 million at end June 2017, compared to €712 million at end December 2016 mainly due to the lower cash position.

Summary of consolidated results as reported (unaudited)

In € million	For the 6-month period ended June 30, 2016 Restated[6]	2017	Change[7]
Group revenues from continuing operations	**2,420**	**2,146**	**(11.3)%**
Change at constant currency (%)		(12.6)%	
o/w Connected Home	1,378	1,252	(9.2)%
Entertainment Services	863	838	(2.9)%
Technology	177	56	(68.1)%
Other	2	0	ns
Adjusted EBITDA from continuing operations	**265**	**107**	**(59.8)%**
Change at constant currency (%)		(60.9)%	
As a % of revenues	11.0%	5.0%	(6.0)pts
o/w Connected Home	106	57	(46.0)%
Entertainment Services	71	72	+0.6%
Technology	130	19	(85.7)%
Other	(42)	(41)	+3.6%
Adjusted EBIT from continuing operations	**152**	**(4)**	**ns**
Change at constant currency (%)		ns	
As a % of revenues	6.4%	(0.2)%	(6.6)pts
EBIT from continuing operations	**93**	**(37)**	**ns**
Change at constant currency (%)		ns	
As a % of revenues	3.9%	(1.7)%	(5.6)pts
Financial result	(73)	(62)	+11
Income tax	(30)	(11)	+18
Share of profit/(loss) from associates	0	0	0
Profit/(loss) from continuing operations	**(10)**	**(110)**	**(100)**
Profit/(loss) from discontinued operations	(44)	4	+49
Net income (loss)	**(54)**	**(106)**	**(52)**
Group free cash flow	**98**	**(148)**	**(246)**
Net financial debt at nominal value (non IFRS)	**896**	**916**	**+20**
Net financial debt (IFRS)	829	909	+80

[6] The amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015.

[7] Change at current currency.

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

(in € million)	For the 6-month period ended June 30, 2017 Unaudited	2016 Restated[8]
Continuing operations		
Revenues	2,146	2,420
Cost of sales	(1,848)	(1,969)
Gross margin	**298**	**451**
Selling and administrative expenses	(215)	(206)
Research and development expenses	(87)	(93)
Restructuring costs	(22)	(39)
Net impairment losses on non-current operating assets	(4)	(8)
Other income (expense)	(7)	(12)
Earnings before interest and tax (EBIT) from continuing operations	**(37)**	**93**
Interest income	1	1
Interest expense	(25)	(45)
Other financial income (expense)	(38)	(29)
Net financial income (expense)	**(62)**	**(73)**
Share of loss from associates	-	-
Income tax	(11)	(30)
Profit (loss) from continuing operations	**(110)**	**(10)**
Discontinued operations		
Net gain (loss) from discontinued operations	4	(44)
Net income (loss)	**(106)**	**(54)**
Attributable to:		
- Equity holders	(105)	(54)
- Non-controlling interest	(1)	-

(in euro, except number of shares)	Six months ended June 30, 2017	2016
Weighted average number of shares outstanding (basic net of treasury shares held)	412,472,546	411,485,478
Earnings (losses) per share from continuing operations		
- basic	(0.26)	(0.02)
- diluted	(0.26)	(0.02)
Earnings (losses) per share from discontinued operations		
- basic	0.01	(0.11)
- diluted	0.01	(0.11)
Total earnings (losses) per share		
- basic	(0.25)	(0.13)
- diluted	(0.25)	(0.13)

[8] The 2016 amounts as of June 30, 2016 have been restated due to the finalization of the 2015 acquisitions purchase price allocation (PPA) in the second semester of 2016. Selling and administrative expenses have been increased by €2 million to adjust the amortization of customer relationships recognized within these PPA.

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	June 30, 2017	December 31, 2016
ASSETS		
Goodwill	971	1,019
Intangible assets	694	771
Property, plant and equipment	257	286
Other operating non-current assets	39	56
Total operating non-current assets	**1,961**	**2,132**
Investments and available-for-sale financial assets	19	19
Other non-current financial assets	20	39
Total financial non-current assets	**39**	**58**
Investments in associates and joint ventures	2	3
Deferred tax assets	406	423
Total non-current assets	**2,408**	**2,616**
Inventories	238	234
Trade accounts and notes receivable	756	806
Other operating current assets	239	284
Total operating current assets	**1,233**	**1,324**
Income tax receivable	39	53
Other financial current assets	12	17
Cash and cash equivalents	183	371
Total current assets	**1,467**	**1,765**
Total assets	**3,875**	**4,381**

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	June 30, 2017	December 31, 2016
EQUITY AND LIABILITIES		
Common stock	414	413
Treasury shares	(158)	(157)
Subordinated perpetual notes	500	500
Additional paid-in capital & reserves	60	174
Cumulative translation adjustment	(335)	(229)
Shareholders' equity attributable to owners of the parent	**481**	**701**
Non-controlling interest	3	3
Total equity	**484**	**704**
Retirement benefits obligations	345	376
Provisions	19	35
Other non-current operating liabilities	136	153
Total operating non-current liabilities	**500**	**564**
Borrowings	1,080	998
Deferred tax liabilities	201	217
Total non-current liabilities	**1,781**	**1,779**
Retirement benefit obligations	28	28
Provisions	98	133
Trade accounts and notes payable	891	992
Accrued employee expenses	137	152
Other current operating liabilities	397	504
Total operating current liabilities	**1,551**	**1,809**
Borrowings	12	52
Income tax payable	41	35
Other current financial liabilities	6	2
Total current liabilities	**1,610**	**1,898**
Total liabilities	**3,391**	**3,677**
Total equity and liabilities	**3,875**	**4,381**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	For the 6-month period ended June 30, 2017	2016 Restated[9]
Net income (loss)	**(106)**	**(54)**
Income (loss) from discontinued activities	4	(44)
Profit (loss) from continuing activities	**(110)**	**(10)**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations		
Depreciation and amortization	119	106
Impairment of assets	4	8
Net changes in provisions	(32)	4
Gain (loss) on asset disposals	(2)	-
Interest (income) and expense	24	44
Other non-cash items (including tax)	44	46
Changes in working capital and other assets and liabilities	(29)	67
Cash generated from continuing activities	**18**	**265**
Interest paid	(26)	(37)
Interest received	1	2
Income tax paid	3	(40)
Net operating cash generated from continuing activities	**(4)**	**190**
Net operating cash used in discontinued activities	(75)	(18)
Net cash from operating activities (I)	**(79)**	**172**
Acquisition of subsidiaries, associates and investments, net of cash acquired	(22)	(24)
Proceeds from sale of investments, net of cash	10	18
Purchases of property, plant and equipment (“PPE”)	(25)	(35)
Proceeds from sale of PPE and intangible assets	1	1
Purchases of intangible assets including capitalization of development costs	(45)	(40)
Cash collateral and security deposits granted to third parties	(1)	(2)
Cash collateral and security deposits reimbursed by third parties	9	7
Loans (granted to) / reimbursed by third parties	-	-
Net investing cash used in continuing activities	**(73)**	**(75)**
Net investing cash used in discontinued activities	-	-
Net cash used in investing activities (II)	**(73)**	**(75)**
Increase of Capital	1	13
Proceeds from borrowings	648	-
Repayments of borrowings	(613)	(40)
Fees paid linked to the debt	(6)	(2)
Dividends and distributions paid to Group’s shareholders	(25)	(25)
Other	(19)	2
Net financing cash generated used in continuing activities	**(14)**	**(52)**
Net financing cash used in discontinued activities	-	-
Net cash used in financing activities (III)	**(14)**	**(52)**
Cash and cash equivalents at beginning of year	371	385
Net increase in cash and cash equivalents (I+II+III)	**(166)**	**45**
Exchange gains/(losses) on cash and cash equivalents	(22)	4
Cash and cash equivalents at end of year	**183**	**434**

[9] The 2016 amounts as of June 30, 2016 have been restated due to the finalization of the 2015 acquisitions purchase price allocation (PPA) in the second semester of 2016.

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 2017 compared to the first half of 2016 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 €(32) million in the first half of 2017 compared to €(59) million in the first half of 2016.

In € million	First Half		
	2016 restated[10]	**2017**	Change[11]
EBIT from continuing operations	**93**	**(37)**	**(130)**
Restructuring charges, net	(39)	(22)	+17
Net impairment losses on non-current operating assets	(8)	(4)	+4
Other income/(expense)	(12)	(7)	+5
Adjusted EBIT from continuing operations	**152**	**(4)**	**(156)**
As a % of revenues	6.3%	-	-
Purchase price allocation ("PPA") amortization	27	26	(1)
Adjusted EBIT before PPA amortization	**179**	**22**	**(157)**
As a % of revenues	7.4%	-	-
Depreciation and amortization ("D&A")	86	85	(1)
Adjusted EBITDA from continuing operations	**265**	**107**	**(158)**
As a % of revenues	11.0%	5.0%	(6.0)pts

[10] The 2016 amounts as of June 30, 2016 have been restated due to the finalization of the 2015 acquisitions purchase price allocation (PPA) in the second semester of 2016.

[11] Change at current currency.

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Reconciliation of Group free cash flow (unaudited)

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

In € million	December 31, 2016 Audited	June 30, 2016 Unaudited	June 30, 2017 Unaudited
Adjusted EBITDA	**565**	**265**	**107**
Changes in working capital and other assets and liabilities	106	67	(29)
Pension cash usage of the period (note 8.1)	(28)	(14)	(13)
Restructuring provisions – cash usage of the period (note 9.1)	(56)	(33)	(28)
Interest paid	(74)	(37)	(26)
Interest received	3	2	1
Income tax paid	(44)	(40)	3
Other items	(26)	(20)	(19)
Net operating cash generated from continuing activities	**446**	**190**	**(4)**
Purchases of property, plant and equipment (PPE)	(68)	(35)	(25)
Proceeds from sale of PPE and intangible assets	1	1	1
Purchases of intangible assets including of development costs	(85)	(40)	(45)
Net operating cash used in discontinued activities	(46)	(18)	(75)
Group free cash flow	**248**	**98**	**(148)**

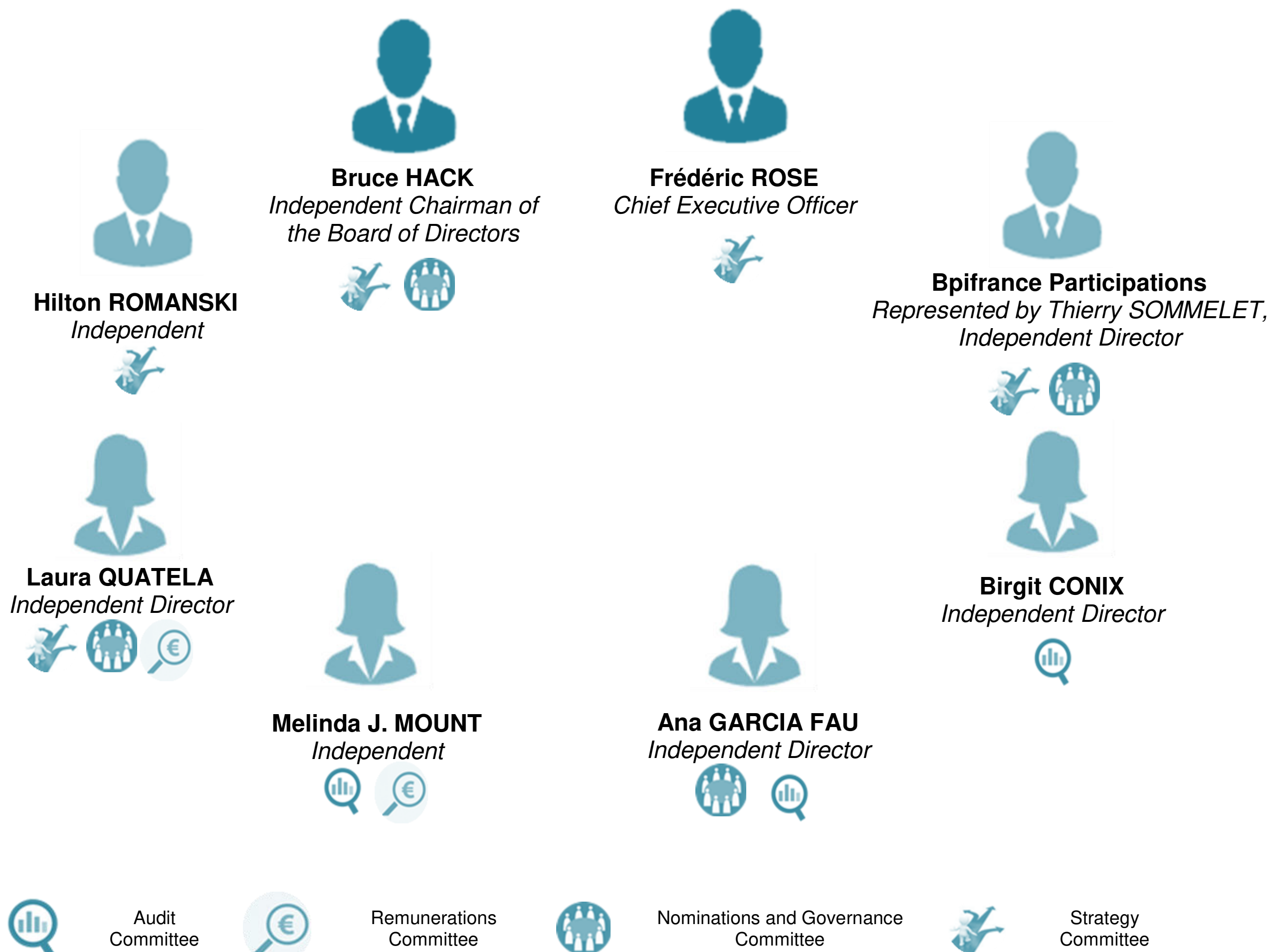
III. UPDATE OF THE BOARD OF DIRECTOR'S COMPOSITION

Following the resignation of Mr. Didier Lombard from his position of Chairman of the Board of Directors of Technicolor at the age of 75, the Board of Directors appointed on February 22, 2017 Mr. Bruce Hack, formerly Vice Chairman, as Chairman of the Board of Technicolor.

Since the beginning of the fiscal year 2017, the following changes to the Board of Directors' composition have occurred:

- Mr. Didier Lombard left the Board of Directors;
- Ms. Virginie Calmels' term as a censor came to its end;
- Effective July 19, 2017, Mr. Hugues Lepic, director since 2013, resigned from his position; and
- Mr. Nicolas Grelier's term, director representing the employees, came to an end on July 24, 2017. As of the date hereof, Technicolor's Works' Council has not yet named a new director representing the employees.

As of the date hereof, the Board of Directors is composed as follows:



IV. TECHNICOLOR UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2017

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(€ in million)	Note	For the 6-month period ended June 30, 2017	2016 restated*
CONTINUING OPERATIONS			
Revenues		2,146	2,420
Cost of sales		(1,848)	(1,969)
Gross Margin		**298**	**451**
Selling and administrative expenses	*(3.2)*	(215)	(206)
Research and development expenses		(87)	(93)
Restructuring costs	*(9.1)*	(22)	(39)
Net impairment gains (losses) on non-current operating assets	*(3.2)*	(4)	(8)
Other income (expense)	*(3.2)*	(7)	(12)
Earning before Interest & Tax (EBIT) from continuing operations		**(37)**	**93**
Interest income		1	1
Interest expense		(25)	(45)
Other financial income (expense)		(38)	(29)
Net financial income (expense)	*(7.3)*	**(62)**	**(73)**
Share of gain (loss) from associates		-	-
Income tax	*(4)*	(11)	(30)
Profit (loss) from continuing operations		**(110)**	**(10)**
DISCONTINUING OPERATIONS			
Net gain (loss) from discontinuing operations	*(11)*	4	(44)
Net income (loss)		**(106)**	**(54)**
Attribuable to:			
- Equity holders		(105)	(54)
- Non-controlling interest		(1)	-

EARNINGS PER SHARE *(in euro, except number of shares)*	Note	June 30, 2017	2016
Weighted average number of shares outstanding (basic net of treasury shares held)	*(6.2)*	412,472,546	411,485,478
Earnings (losses) per share from continuing operations			
- basic		(0.26)	(0.02)
- diluted		(0.26)	(0.02)
Earnings (losses) per share from discontinuing operations			
- basic		0.01	(0.11)
- diluted		0.01	(0.11)
Total earnings (losses) per share			
- basic		(0.25)	(0.13)
- diluted		(0.25)	(0.13)

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015. Selling and administrative expenses were increased by €2 million to adjust the amortization of customer relationships recognized within these PPA.

The accompanying notes on pages 26 to 44 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, 2017	2016 restated*
Net income (loss) for the year		**(106)**	**(54)**
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligations	*(8.1)*	19	(52)
Items that may be reclassified subsequently to profit or loss			
Fair values gains / (losses), gross of tax on cash flow hedges:		-	-
- reclassification adjustments when the hedged forecast transactions affect profit or loss	*(7.4)*	(9)	3
Currency translation adjustments:			
- currency translation adjustments of the year		(106)	13
- reclassification adjustments on disposal or liquidation of a foreign operation		-	-
Total other comprehensive income [(1)]		**(96)**	**(36)**
Total comprehensive income for the year		**(202)**	**(90)**
Attribuable to:			
- Equity holders of the parents		*(201)*	*(90)*
- Non-controlling interest		*(1)*	-

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015.

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

The accompanying notes on pages 26 to 44 are an integral part of these interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	*Note*	June 30, 2017	December 31, 2016
ASSETS			
Goodwill	*(5.1)*	971	1,019
Intangible assets	*(5.2)*	694	771
Property, plant & equipment	*(5.3)*	257	286
Other operating non-current assets		39	56
TOTAL OPERATING NON-CURRENT ASSETS		**1,961**	**2,132**
Investments and available-for-sale financial assets	*(7.1)*	19	19
Other non-current financial assets	*(7.1)*	20	39
TOTAL FINANCIAL NON-CURRENT ASSETS		**39**	**58**
Investments in associates and joint-ventures		2	3
Deferred tax assets		406	423
TOTAL NON-CURRENT ASSETS		**2,408**	**2,616**
Inventories		238	234
Trade accounts and notes receivable		756	806
Other operating current assets		239	284
TOTAL OPERATING CURRENT ASSETS		**1,233**	**1,324**
Income tax receivable		39	53
Other financial current assets	*(7.1)*	12	17
Cash and cash equivalents	*(7.1)*	183	371
TOTAL CURRENT ASSETS		**1,467**	**1,765**
TOTAL ASSETS		**3,875**	**4,381**

The accompanying notes on pages 26 to 44 are an integral part of these interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	*Note*	**June 30, 2017**	**December 31, 2016**
EQUITY & LIABILITIES			
Common stock (413,633,486 shares at June 30, 2017 with nominal value of 1 euro per share)	*(6.1)*	414	413
Treasury shares	*(6.1)*	(158)	(157)
Subordinated Perpetual Notes		500	500
Additional paid-in capital & reserves		60	174
Cumulative translation adjustment		(335)	(229)
Shareholders' equity attributable to owners of the parent		**481**	**701**
Non-controlling interest		3	3
TOTAL EQUITY		**484**	**704**
Retirement benefits obligations	*(8.1)*	345	376
Provisions	*(9.1)*	19	35
Other non-current operating liabilities		136	153
TOTAL OPERATING NON-CURRENT LIABILITIES		**500**	**564**
Borrowings	*(7.2)*	1 080	998
Deferred tax liabilities		201	217
TOTAL NON-CURRENT LIABILITIES		**1 781**	**1 779**
Retirement benefits obligations	*(8.1)*	28	28
Provisions	*(9.1)*	98	133
Trade accounts and notes payable		891	992
Accrued employee expenses		137	152
Other current operating liabilities		397	504
TOTAL OPERATING CURRENT LIABILITIES		**1 551**	**1 809**
Borrowings	*(7.2)*	12	52
Income tax payable		41	35
Other current financial liabilities	*(7.1)*	6	2
TOTAL CURRENT LIABILITIES		**1 610**	**1 898**
TOTAL LIABILITIES		**3 391**	**3 677**
TOTAL EQUITY & LIABILITIES		**3 875**	**4 381**

The accompanying notes on pages 26 to 44 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, 2017	2016 restated*
Net income (loss)		**(106)**	**(54)**
Income (loss) from discontinuing activities		4	(44)
Profit (loss) from continuing activities		**(110)**	**(10)**
Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations			
Depreciation and amortization		119	106
Impairment of assets		4	8
Net changes in provisions		(32)	4
Gain (loss) on asset disposals		(2)	-
Interest (income) and expense	*(7.3)*	24	44
Other non-cash items (including tax)		44	46
Changes in working capital and other assets and liabilities		(29)	67
Cash generated from continuing activities		**18**	**265**
Interest paid		(26)	(37)
Interest received		1	2
Income tax paid		3	(40)
Net operating cash generated (used) from continuing activities		**(4)**	**190**
Net operating cash used in discontinued activities	*(11)*	(75)	(18)
NET CASH FROM OPERATING ACTIVITIES (I)		**(79)**	**172**
Acquisition of subsidiaries, associates and investments, net of cash acquired	*(10.1)*	(22)	(24)
Proceeds from sale of investments, net of cash	*(10.1)*	10	18
Purchases of property, plant and equipment (PPE)		(25)	(35)
Proceeds from sale of PPE and intangible assets		1	1
Purchases of intangible assets including capitalization of development costs		(45)	(40)
Cash collateral and security deposits granted to third parties		(1)	(2)
Cash collateral and security deposits reimbursed by third parties		9	7
Net investing cash used in continuing activities		**(73)**	**(75)**
Net investing cash used in discontinuing activities	*(11)*	-	-
NET CASH FROM INVESTING ACTIVITIES (II)		**(73)**	**(75)**
Increase of Capital		1	13
Proceeds from borrowings	*(7.2)*	648	-
Repayments of borrowings	*(7.2)*	(613)	(40)
Fees paid linked to the debt		(6)	(2)
Dividends and distributions paid to Group's shareholders		(25)	(25)
Other		(19)	2
Net financing cash used in continuing activities		**(14)**	**(52)**
Net financing cash used in discontinuing activities		-	-
NET CASH FROM FINANCING ACTIVITIES (III)		**(14)**	**(52)**
CASH AND CASH EQUIVALENTS AT BEGINING OF THE YEAR		**371**	**385**
Net increase in cash and cash equivalents (I+II+III)		**(166)**	**45**
Exchange gains / (losses) on cash and cash equivalents		(22)	4
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**183**	**434**

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015.

The accompanying notes on pages 26 to 44 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, 2015	**411**	**(155)**	**1 233**	**500**	**(25)**	**(948)**	**(283)**	**733**	**4**	**737**
Net income (loss)	-	-	-	-	-	(54)	-	(54)	-	(54)
Other comprehensive income	-	-	-	-	(49)	-	13	(36)	-	(36)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(49)**	**(54)**	**13**	**(90)**	**-**	**(90)**
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 restated*	**412**	**(156)**	**1 211**	**500**	**(71)**	**(1 002)**	**(270)**	**624**	**2**	**626**
Net income (loss)	-	-	-	-	-	28	-	28	-	28
Other comprehensive income	-	-	-	-	10	-	41	51	-	51
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**10**	**28**	**41**	**79**	**-**	**79**
Capital increases	1	-	1	-	-	-	-	2	-	2
Change in NCI	-	-	-	-	-	-	-	-	1	1
Variation of treasury shares	-	(1)	-	-	-	-	-	(1)	-	(1)
Shared-based payment to employees	-	-	-	-	5	-	-	5	-	5
Tax impact on equity	-	-	-	-	-	(8)	-	(8)	-	(8)
Balance as of December 31, 2016	**413**	**(157)**	**1 212**	**500**	**(56)**	**(982)**	**(229)**	**701**	**3**	**704**
Net income (loss)	-	-	-	-	-	(105)	-	(105)	(1)	(106)
Other comprehensive income	-	-	-	-	10	-	(106)	(96)	-	(96)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**10**	**(105)**	**(106)**	**(201)**	**(1)**	**(202)**
Capital increases	1	-	1	-	-	-	-	2	-	2
Dividend paid	-	-	-	-	(25)	-	-	(25)	-	(25)
Variation of treasury shares	-	(1)	-	-	-	-	-	(1)	-	(1)
Shared-based payment to employees	-	-	-	-	5	-	-	5	-	5
Change in NCI	-	-	-	-	-	-	-	-	1	1
Balance as of June 30, 2017	**414**	**(158)**	**1 213**	**500**	**(66)**	**(1 087)**	**(335)**	**481**	**3**	**484**

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015.

The accompanying notes on pages 26 to 44 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 unaudited interim condensed consolidated financial statements, the terms “Technicolor Group”, “the Group” and “Technicolor” mean Technicolor SA together with its consolidated subsidiaries. Technicolor SA or the “Company” refers to the Technicolor Group parent company.

2.1. Main events of the period

Refinancing of Technicolor Debt

On March 30, 2017, Technicolor repaid the remaining Old Term Loan Debt issued by Tech Finance in 2013, 2014 and 2015 with a maturity in 2020 and issued new Term Loan Debt for U.S.$300 million at LIBOR + 2.75% and €275 million at EURIBOR + 3.00% with LIBOR and EURIBOR subject to a 0% floor. The Term Loan Debt was issued by Technicolor SA with a maturity in 2023 and is not subject to financial covenants.

Acquisition of the Connected Devices business of LG Electronics

In the Connected Home segment, Technicolor acquired on May 17, 2017 the LG Electronics set-top box business for U.S.$13 million (€12 million). The acquisition price is subject to a maximum earn-out of €26 million over the next 3 years subject to the performance of the business. The preliminary goodwill amounts to €12 million.

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, 2017 and adopted by the European Union as of July 26, 2017, 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 2016 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, 2016, and described in the 2016 annual consolidated financial statements, which are an integral part of the 2016 Group’s Registration Document except for the standards, amendments and interpretations which have been applied for the first time in 2017 (see Note 1.2.2).

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

The unaudited interim condensed consolidated financial statements and notes were approved by the Board of Directors of Technicolor SA and authorized for issuance on July 26, 2017.

2.2.2. New standards, amendments and interpretations

Main standards, amendments and interpretations effective and applied as of January 1, 2017

New standard and interpretation	Main provisions
Amendments to IAS 7 – Statement of cash flows	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.

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 IFRS 2 – Share-based payment	Annual periods beginning on or after January 1, 2018	These amendments clarify the classification and measurement of share-based payment transactions and in particular: - The accounting for cash-settled share-based payment transactions that include a performance condition; - The classification of share-based payment transactions with net settlement features; - The accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These amendments are not adopted by the European Union yet.
Improvements to IFRS 2014-2016		These amendments are part of the annual improvement program of the IASB but they are not adopted by the European Union yet.
IFRS 15 – Revenue from contracts with customers		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 IASB issued in April 2016 some clarifications on the way those principles should be applied. The Group conclusion on its Technology and Connected Home business segments of this new standard are described at the bottom of this table. The Group intends to apply the cumulative effect method at the transition date without restatement of comparative period amounts as permitted by IFRS 15.
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 on financial debt and financial assets except for the recognition of expected credit loss on trade receivable for which the Group is still investing potential 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 lease accounting model, requiring the lessee to recognize assets and liabilities for all leases unless the term lease is 12 months or less or the underlying asset has low value. Lessors continue to classify leases as operating or finance leases, applying substantially a comparable methodology from its predecessor, IAS 17. At this early stage, the Group has prepared an action plan for the years to come. Year 2017 is starting with the identification of leases concerned and the collection of necessary data and judgment on renewal probability. By the end of 2017, based on the materiality of the collected data, we will be able to decide the most appropriate transition method.

(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.

IFRS 15 analysis

The Group has conducted an analysis of the possible impacts of the IFRS 15 five-step process for each of its three business segments and concludes that the new guidance will not affect its revenue recognition policy for Technology and Connected Home.

Technology segment

Revenue is generated by the licensing business and for accounting purposes the Group will not change its accounting policy under this new guidance. Licenses to use portions of the Company's intellectual property portfolio are considered one performance obligation because of the high-tech characteristic of the portfolios for which new developments are necessary for licensee to get the most updated high-tech product all along the licensing period. The Group will continue to separate paid-up license agreements into two categories: (i) agreements that provide access rights over the term of the license to future technologies that are highly interdependent or highly interrelated to the technologies provided at the inception of the agreement and (ii) agreements that do not provide for rights to such future technologies (right of use). Paid-up amounts related to the first category will continue to be recognized as revenue over the term of the related license agreement based on expected volumes or, in absence of reliable information, on a straight-line basis. For the second category of contract, revenue will continue to be recognized in the month the license agreement is signed.

In case of paid-up license amounts received for past periods (waiver for past infringement of the licensee), such amount is recognized up-front.

For per-unit license agreements the Group will continue to accrue the related revenue based on estimates of licensees' underlying sales adjusted in the following quarter to true-up revenue to the actual amounts reported by the licensees.

Connected Home segment

Connected Home segment offers a complete portfolio of Broadband and Video Customer Premise Equipment ("CPE") and develops software solutions. The contracts signed have no multiple performance obligations and there is no variable consideration over time. Software inside modems or digital set top boxes are specific to each customer and are not marketed separately. Accordingly, there is no impact expected from IFRS 15.

Entertainment Services segment

Our DVD Services division provides turnkey integrated supply-chain solutions including mastering, replication, packaging, direct-to-retail distribution through two separate contracts (a replication contract and a distribution contract). In case of variable price over the contract term, the revenue is already adjusted to anticipate the probable discount. Accordingly, no impact is expected from IFRS 15.

Our Production Services division provides a full set of award-winning services around Visual Effects ("VFX"), Animation and Games activities, as well as digital video and sound Postproduction Services. The services are generally rendered over a short period except for VFX services where services may be provided over a longer period. We are finalizing the analysis but we do not expect significant impact.

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 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, 2016. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2017 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 2017	December 2016	June 2017	June 2016
US Dollar (USD)	1.1432	1.0526	1.0905	1.1130
Pound sterling (GBP)	0.8788	0.8575	0.8594	0.7835
Canadian Dollar (CAD)	1.4844	1.4189	1.4483	1.4656

3. Scope of consolidation

Acquisition of the Connected Devices business of LG Electronics

In the Connected Home segment, Technicolor acquired on May 17, 2017 the LG Electronics set-top box business for U.S.$ 13 million (€12 million at May 17, 2017 €/U.S.$ exchange rate).

The acquisition price is subject to a maximum earn-out of €26 million over the next 3 years subject to the performance of the business. This earn-out has been booked in "Other non-current liabilities" based on a preliminary estimation for €7 million.

Final purchase price allocation and fair value adjustment will be performed in the second half of 2017.

(€ in million)	**Acquirees' carrying amount before combination**
Net asset acquired	
Property, plant and equipment	1
Working Capital	6
Total net asset acquired	**7**
Purchase price paid (before post-closing adjustment)	14
Post-closing adjustment	(2)
Preliminary earnout	7
Total purchase consideration	**19**
Preliminary goodwill	**12**

No other significant acquisition occurred during the first half of 2017.

4. Information on operations

4.1. Information by business segments

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

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.

(€ in million)	Connected Home	Entertainment Services	Technology	Other	Adj	TOTAL
	Six months ended June 30, 2017					
Statement of operations items						
Revenues	1 252	838	56	-		**2 146**
Intersegment sales	-	1	-	-	(1)	-
Earning before Interest & Tax (EBIT) from continuing operations	**16**	**(19)**	**14**	**(48)**		**(37)**
Of which:						
Net impairment losses on non-current operating assets	(4)	-	-	-		(4)
Restructuring costs	(8)	(11)	-	(3)		(22)
Other income (expenses)	(1)	(6)	-	-		(7)
Depreciation & amortization [1]	(40)	(72)	(5)	(2)		(119)
Other non-cash items [2]	12	(2)	-	(2)		8
Adjusted EBITDA	**57**	**72**	**19**	**(41)**	**-**	**107**
Statements of financial position items						
Segment assets	1 489	1 579	95	31		3 194
Unallocated assets						681
Total consolidated assets						**3 875**
Segment liabilities	1 049	518	109	379		2 055
Unallocated liabilities						1 336
Total consolidated liabilities						**3 391**
Other information						
Net capital expenditures	(36)	(32)	-	(1)		**(69)**
Capital employed	119	647	(3)	(36)		**727**

(1) of which €26 million related to amortization of intangible assets identified within Purchase price allocations (including €15 million for Connected Home and €11 million for Entertainment Services).
(2) mainly variation of provisions for risks, litigations and warranties

(€ in million)	Connected Home	Entertainment Services	Technology	Other	Adj	TOTAL
	Six months ended June 30, 2016 restated*					
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**	**(11)**	**104**	**(49)**	**-**	**93**
Of which:						
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 [1]	(32)	(70)	(4)	(2)	-	(108)
Other non-cash items [2]	(2)	(1)	(1)	(1)	-	(5)
Adjusted EBITDA	**106**	**71**	**130**	**(42)**	**-**	**265**
Statements of financial position items						
Segment assets*	1 580	1 760	204	354	-	3 898
Unallocated assets						607
Total consolidated assets						**4 505**
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	711	32	(93)	-	**826**

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015. Selling and administrative expenses were increased by €2 million to adjust the amortization of customer relationships recognized within these PPA.
(1) of which €27 million related to amortization of intangible assets identified within PPAs (including €15 million for CH and €12 million for ES).
(2) mainly variation of provisions for risks, litigations and warranties

4.2. Operating income & expenses

(€ in million)	For the 6-months ended period ended June 30, 2017	2016 restated*
Selling and administrative expenses	(215)	(206)
Net impairment gains (losses) on non-current operating assets [1]	(4)	(8)
Other income (expense)	(7)	(12)

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015. Selling and administrative expenses were increased by €2 million to adjust the amortization of customer relationships recognized within these PPA.
(1) Fixed asset write-off.

In 2017, other expenses mainly include acquisition costs and settlement of litigations.

In 2016, they included in addition integration costs and impact of disposals.

For the period ended June 30, 2017, 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, 2017 is determined using the year-end 2017 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, 2017 is summarized below:

(€ in million)	**For the 6-months ended period ended June 30,**	
	2017	**2016 restated***
France	(6)	(11)
Foreign	(5)	(19)
Total Income Tax	**(11)**	**(30)**

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015.

6. Goodwill, intangible & tangible assets

6.1. 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, 2016 and June 30, 2017.

(€ in million)	**Connected Home**	**Entertainment Services**		**Technology**	**TOTAL**
		Production Services	**DVD Services**		
At December 31, 2016	**442**	**198**	**379**	**-**	**1,019**
Exchange difference	(23)	(10)	(27)	-	(60)
Acquisitions of businesses	12	-	-	-	12
At June 30, 2017	**431**	**188**	**352**	**-**	**971**

6.2. Intangible assets

(€ in million)	**Trademarks**	**Patents & Customer Relationships**	**Other intangibles**	**Total Intangible Assets**
At December 31, 2016, Net,	**275**	**353**	**143**	**771**
Cost	*282*	*989*	*342*	*1,613*
Accumulated depreciation	*(7)*	*(636)*	*(199)*	*(842)*
Exchange differences	(18)	(20)	(7)	(45)
Acquisitions of business	-	-	1	1
Additions	-	-	35	35
Depreciation charge	-	(29)	(35)	(64)
Impairment loss	-	(1)	(3)	(4)
Other	-	(7)	7	-
At June 30, 2017, Net,	**257**	**296**	**141**	**694**
Cost	*264*	*740*	*379*	*1,383*
Accumulated depreciation	*(7)*	*(444)*	*(238)*	*(689)*

6.3. Property, plant & equipment

(€ in million)	Land	Buildings	Machinery & Equipment	Other Tangible Assets[(1)]	TOTAL
At December 31, 2016, Net,	**3**	**22**	**139**	**122**	**286**
Cost	*3*	*61*	*1,243*	*388*	*1,695*
Accumulated depreciation	*-*	*(39)*	*(1,104)*	*(266)*	*(1,409)*
Exchange differences	-	(1)	(8)	(7)	(16)
Additions	-	5	2	28	35
Acquisitions of businesses	-	-	-	1	1
Disposals	-	-	-	(1)	(1)
Depreciation charge	-	(3)	(28)	(17)	(48)
Other[(2)]	-	1	13	(14)	-
At June 30, 2017, Net,	**3**	**24**	**118**	**112**	**257**
Cost	*3*	*64*	*1,152*	*364*	*1,583*
Accumulated depreciation	*-*	*(40)*	*(1,034)*	*(252)*	*1,326*

(1) Includes assets in progress.
(2) Corresponds mainly to the transfer of tangible assets in progress to Machinery and Equipment.

6.4. Commitments related to assets operated under operating lease

As of June 30, 2017, commitments related to future minimum and non-cancellable lease payments are detailed below:

(€ in million)	June 30, 2017	December 31, 2016
Minimum future lease payments	333	379
Future lease payments commitments received	(2)	(11)
Net value of future lease commitments	**331**	**368**

7. Equity & Earnings per share

7.1. Change in share capital

(In euros, except number of shares)	Number of shares	Par value	Share capital in Euros
Share Capital as of December 31, 2016	**413,245,967**	**1**	**413,245,967**
Issuance of new shares for MIP 2015 purpose	387,519	1	387,519
Share Capital as of June 30, 2017	**413,633,486**	**1**	**413,633,486**

The Shareholders' Meeting held on May 24, 2017 voted the payment of a dividend of €0.06 per share for the fiscal year 2016. An amount of €25 million was paid to shareholders in June 2017.

As of June 30, 2017, Technicolor owns 970,652 treasury shares.

7.2. Earnings (Loss) per share

Diluted earnings (loss) per share

	For the 6-months ended period ended June 30,	
(€ in million, except number of shares)	2017	2016 restated*
Net income (loss)	**(106)**	**(54)**
Net (income) loss attributable to non-controlling interest	1	-
Net (gain) loss from discontinued operations	(4)	44
<u>Numerator</u>: **Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders**	**(109)**	***(10)***
Basic weighted number of outstanding shares ('000)	**412,473**	**411,485**
Dilutive impact of stock-option, free & performance share plans	2,636	5,609
<u>Denominator</u>: **Diluted weighted number of outstanding shares *('000)***	**415,109**	**417,094**

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015.

Certain stock-options and performance share plans have no dilution impact due to the stock price and conditions not met as of June 30, 2017 but could have a dilution impact in the future.

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

(€ in million)	**June 30, 2017**	Fair value measurement by accounting categories as of June 30, 2017					**December 31, 2016**
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivative instruments (see Note 7.4)	Fair Value measurement	
Investments and available-for-sale assets	**19**			19		Level 2	**19**
Cash collateral & security deposits	15		15			Level 1	24
Loans & others	5	5					15
Other non-current financial assets	**20**						**39**
Total non-current financial assets	**39**						**58**
Cash collateral and security deposits	10		10			Level 1	10
Other financial current assets	1	1					4
Derivative financial instruments	1				1	Level 2	3
Other financial current assets	**12**						**17**
Cash	123		123			Level 1	229
Cash equivalents	60		60			Level 1	142
Cash and cash equivalents	**183**						**371**
Total current financial assets	**195**						**388**
Borrowings[1]	(1,092)	(1,092)					(1,050)
Other current financial liabilities	(6)	-			(6)	Level 2	(2)
Total financial liabilities	**(1,098)**						**(1,052)**

(1) Borrowings are recognized at amortized costs. The fair value of the Group debt is €1,022 million as of June 30, 2017 (€1,081 million as of December 31, 2016). 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 Technicolor SA in December 2016 and March 2017 and maturing in 2023 and a loan from the European Investment Bank ("EIB").

The proceeds from the term loans issued in March 2017 in the amounts of €275 million and $300 million were used to fully prepay the remaining Old Term Loan Debt issued by Tech Finance & Co. S.C.A in 2013, 2014 and 2015 and maturing in 2020.

8.2.1. Analysis by nature

(€ in million)	June 30, 2017	December 31, 2016
Debt due to financial institutions	1,070	1,022
Bank overdrafts	-	-
Other financial debt	18	22
Accrued interest	4	6
Debt under IFRS	**1,092**	**1,050**
Total non-current	*1,080*	*998*
Total current	*12*	*52*

8.2.2. Summary of debt

Details of the Group's debt as of June 30, 2017 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 (1)	Effective rate (1)	Repayment Type	Final maturity
Term Loan Debt	USD	262	260	Floating (2)	3.95%	4.07%	Amortizing	December 2023
Term Loan Debt	EUR	275	273	Floating (3)	3.00%	3.11%	Bullet	December 2023
Term Loan Debt	EUR	450	447	Floating (4)	3.50%	3.63%	Bullet	December 2023
EIB Loan	EUR	90	90	Fixed rate	2.54%	2.54%	Bullet	January 2023
Total	**EUR**	**1,077**	**1,070**		**3.40%**	**3.51%**		
Other Debt (5)	EUR	22	22		2.83%	2.83%		
TOTAL	**EUR**	**1,099**	**1,092**		**3.39%**	**3.50%**		

(1) Rates as of June 30, 2017.
(2) 3 month Libor with a floor of 0% + 275bp.
(3) 3 month Euribor with a floor of 0% + 300bp.
(4) 3 month Euribor with a floor of 0% + 350bp.
(5) Of which €4 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, 2017	December 31, 2016
Less than 1 month	7	22
Between 1 and 6 months	2	13
Between 6 months and less than 1 year	3	17
Total current debt less than 1 year	**12**	**52**
Between 1 and 2 years	11	38
Between 2 and 3 years	4	34
Between 3 and 4 years	3	507
Between 4 and 5 years	3	-
Over 5 years	1,066	452
Total non-current debt	**1,087**	**1,031**
Total nominal debt	**1,099**	**1,083**
IFRS Adjustment (see Note 7.2.3.4)	(7)	(33)
Debt under IFRS	**1,092**	**1,050**

8.2.3.2. Interest rate characteristics

At June 30, 2017, 90% of the Group's debt is at floating rate.

8.2.3.3. Analysis of borrowings by currency

(€ in million)	June 30, 2017	December 31, 2016
Euro	817	756
U.S. Dollar	269	292
Other currencies	6	2
Debt under IFRS	**1,092**	**1,050**

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 2017, 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, 2016	**(33)**
Impact of 2017 prepayments of the Old Term Loan Debt	27
Transaction costs related to the new Term Loan Debt issuance in 2017	(4)
2017 EIR effect and variation due to exchange rates	3
IFRS discount of the Term Loan Debt as of June 30, 2017	**(7)**

This IFRS discount of €7 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 3.60%.

8.2.3.5. Undrawn credit lines

(€ in million)	**June 30, 2017**	**December 31, 2016**
Undrawn, committed lines expiring in more than one year	359	369

The Group has a receivable backed committed credit facility in an amount of U.S.$125 million (€109 million at the June 30, 2017 exchange rate) which matures in 2019 and a €250 million revolving facility maturing in 2021 (the “RCF”). Neither was drawn at June 30, 2017. The availability of the receivables backed credit facility 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 entered into in 2016, the EIB Loan and the RCF please refer to Note 8.3.3.5 to the Group’s 2016 consolidated financial statements. The Old Term Loan Debt was completely repaid in March 2017.

The EIB Loan contains a single affirmative financial covenant which requires that the total gross debt be no more than 4.00 times EBITDA on a trailing twelve-month basis (“Leverage covenant”) on June 30 and December 31 of each financial year. The RCF contains the same covenant but is only tested if there are drawings totaling more than €100 million under the RCF on June 30 or December 31 of each financial year.

The Leverage covenant is calculated on the basis of the entire Group perimeter. Therefore any variance between the EBITDA determined in respect of the 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, 2017 must be no more than 4.00 times the EBITDA of the Group for the twelve months ending June 30, 2017.

Gross Debt	€1,092 million
Covenant EBITDA	€408 million
Gross Debt / Covenant EBITDA Ratio	2.68

Since 2.68 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

8.3. Net financial income (expense)

(€ in million)	For the 6-months ended period ended June 30, 2017	2016 restated*
Interest income	1	1
Interest expense	(25)	(45)
Net interest expense [(1)]	**(24)**	**(44)**
Net interest expense on defined benefit liability	(3)	(4)
Change in fair value of on financial instruments	1	(1)
Foreign exchange gain / (loss)	(2)	(17)
Other [(2)]	(34)	(7)
Other financial income (expense)	**(38)**	**(29)**
Net financial income (expense)	**(62)**	**(73)**

(*) Amounts for the six months ended June 30, 2016 have been restated due to the finalization in the second half of 2016 of the purchase price allocation (PPA) related to the acquisitions made in 2015.

(1) In 2017, Interest expense included €2 million (€8 million in 2016) due to the difference between the effective interest rate and the nominal rate of the debt.

(2) In 2017, other financial expenses are mainly related to the reversal of the IFRS discount after the early repayment of the Old Term Loan Debt for €27 million.

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.

(€ in million)	June 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow and fair value hedges	1	6	3	1
Total current	**1**	**6**	**3**	**1**
Total	**1**	**6**	**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, €1 million at June 30, 2017 and €3 million at December 31, 2016, are therefore a good proxy of the maximum credit risk.

As of June 30, 2017, a loss on hedging instruments of €8 million was recognized in OCI (compared to a gain of €3 million recognized in OCI in June 2016).

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 table below 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, 2017**
Currency swaps and forward exchange contracts	488
Total commitments given	**488**
Currency swaps and forward exchange contracts	484
Total commitments received	**484**

9. Employee benefit

9.1. Post-employment & long-term benefits

(€ in million)	**Pension plan benefits**	**Medical post-retirement benefits**	**Total**
As of January 1, 2017	**397**	**7**	**404**
Net periodic pension cost	5	-	5
Benefits paid and contributions	(13)	-	(13)
Actuarial (gains) losses recognized in OCI	(19)	-	(19)
Currency translation adjustments and other	(4)	-	(4)
As of June 30, 2017	**366**	**7**	**373**
Of which current	*28*	*-*	*28*
Of which non-current	*338*	*7*	*345*

As of June 30, 2017, the present value of the obligation amounted to €576 million, the fair value of plan assets amounted to €203 million.

9.2. Share-based compensation plans

As of June 30, 2017, the number of stocks options and performance shares is as follows:

(in millions of unit)	**June 30, 2017**
Number of outstanding stock-options and performance shares as of December 31,2016	17.6
Number of performance shares granted during 2017 first half	4.4
Number of forfeited stock-options and performance shares or exercised during 2017 first half	(1.2)
Number of outstanding stock-options and performance shares as of June 30, 2017	**20.8**

The compensation expenses charged to income for the services received during the period amounted to €5 million and €3 million for the six months ended June 30, 2017 and June 30, 2016, respectively. The counterpart of this expense has been credited fully to equity in 2017 and 2016.

10. Provisions & contingencies

10.1. Detail of provisions

(€ in million)	**Provisions for warranty**	**Provisions for risks & litigations related to continuing operations**	**Provisions for risks & litigations related to discontinued operations**	**Provisions for restructuring**	**Total**
As of December 31, 2016	**46**	**68**	**36**	**18**	**168**
Current period additional provision	12	7	-	24	43
Release	(1)	(15)	(1)	(2)	(19)
Usage during the period	(11)	(9)	(3)	(29)	(52)
Other movements and currency translation adjustments	(2)	-	(21)	-	(23)
As of June 30, 2017	**44**	**51**	**11**	**11**	**117**
Of which current	*44*	*43*	*-*	*11*	*98*
Of which non-current	*-*	*8*	*11*	*-*	*19*

The other movements in the provisions for risks & litigations on business disposed of are mainly related to the reclassification of provisions into other liabilities following the settlements related to the CRT litigations (see Note 9.2).

The release for excess provisions for risks & litigations on continuing operations is mainly related to the update of the foreign exchange assumption in the assessment of the underlying risk.

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

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.

In 2017, Technicolor entered into settlement agreements with the remaining direct-action plaintiffs in the legal actions that Technicolor had been defending in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry. With these final settlements, all CRT cases are now closed in the US. Those US cases resulted in a total non-current expense for Technicolor of $173 million (€155 million) between 2014 and 2017 of which €3 million in 2017 related to the update of the provision booked in 2016 following the last settlements. Technicolor is still defending on similar cases in other jurisdictions like Germany and The Netherlands but no further significant event occurred during the first six months of 2017.

There was no other significant event during the first six months of 2017 regarding the litigation matters disclosed in Note 10 to our 2016 audited consolidated financial statements, and no other significant new litigation has been commenced since December 31, 2016.

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, 2017, the acquisition of activities and investments, net of cash position of companies acquired, amounted to €22 million, of which €14 million (before the purchase price adjustment of €2 million) related to the acquisition of the LG Electronics set-top box business.

As of June 30, 2016, acquisition of activities and investments, net of cash position of companies acquired, amounted to €24 million, of which mainly related to residual payments for the acquisitions of Cinram North America for €17 million and of Cisco Connected Devices business for €2 million.

11.1.2. Disposals

As of June 30, 2017, net cash impact from disposal of activities and investments amounted to €10 million. It was mainly related to the sale of Digital Cinema activities for €9 million.

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

11.2. Cash impacts on financing operations

The table below rationalizes the Group's borrowing variation in the Balance Sheet:

(€ in million)	**December 31, 2016**	**Cash impact of borrowing variation (1)**	**Non cash variation**					**June 30, 2017**
			Capital leases recognition	IFRS Discount of Term Loan Debt	Currency Translation Adjustments	Transfer Current - Non Current	Other Movements	
Non Current Borrowing	998	35	5	26	(24)	40	-	1,080
Current Borrowing	52	-	3	-	(3)	(40)	-	12
Total Borrowing	**1,050**	**35**	**8**	**26**	**(27)**	-	**-**	**1,092**

(1) Includes:
- The contractual refunds and the early repayment of 2015 Term Loan for €601 million;
- The financial debts increase, mainly related to the issuance of 2017 Term Loan Debt and EIB Loan for €556 million and €90 million, respectively.

11.3. Changes in working capital and other assets and liabilities

As French tax authorities reimburse the Research tax credit (CIR) after a three-year period, Technicolor decided in the first half of 2017 to sell its CIR of 2015 and 2016 to a financial institution. This sale without recourse occurred at the end of June and led to the derecognition of the €31 million receivable with the following counterparts:

- A cash receipt of €29 million;
- A €1 million receivable towards the financial institution, corresponding to the residual cash to be received when the French tax authorities reimburse the CIR in 2019 and 2020; and
- A €1 million expense over the period.

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

12. Discontinued operations and held for sale operations

In 2017 and 2016, there was no change in the discontinued operations scope.

In the first half of 2017 and 2016 respectively, the profit of €4 million and the loss of €44 million from discontinued operations consists mainly of settlement of some risk and litigation which were related to businesses discontinued some years ago (see Note 9.2).

In the first half of 2017, a cash usage of €75 million from discontinued operations included mainly the payment of CRT litigations (see Note 9.2).

As of June 30, 2017, there was no activity classified as held for sale.

13. Subsequent events

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

V. STATUTORY AUDITORS REPORT ON THE INTERIM FINANCIAL STATEMENTS

Statutory auditors' report on the interim condensed consolidated financial

For the six-month period ended June 30, 2017

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, 2017,
- 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 26, 2017	Courbevoie, July 26, 2017	
Deloitte et Associés	Mazars	
Ariane Bucaille *Associée*	Guillaume Devaux *Associé*	Jean-Luc Barlet *Associé*