PRESS RELEASE

# Technicolor: Strong First Half 2015 Results

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

**Paris (France), 23 July 2015** – Technicolor (Euronext Paris: TCH; OTCQX: TCLRY) announces today its results for the first half of 2015.

**Frederic Rose, Chief Executive Officer of Technicolor, stated:**

*"Our first half results put us in good stead to deliver on our full year guidance, while continuing to focus on the implementation of our Drive 2020 strategic plan. I am particularly proud of the work done by our teams as evidenced by new customer wins across our businesses in the first half and our continued innovation in key technologies such as UHD, HDR and virtual reality."*

**Key points**

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

**2015 objectives confirmed**

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

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

### Key financial indicators

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

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

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

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

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

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

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

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

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

### Statement of financial position and cash position

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

**As of 31 December 2014.*

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

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

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

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

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

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## Segment review – H1 2015 result highlights

### Technology

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

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

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

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### Entertainment Services

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

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

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

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

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

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

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

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

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**Connected Home**

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

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

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

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

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

# Segment review – Q2 2015 revenue highlights

**Group revenues by segment**

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

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

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

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

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

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

**Volume Data for DVD Services**

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

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

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

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

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## Q2 2015 Regional Highlights

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

## Volume Data for Connected Home

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

** Including tablets and other connected devices.*

An analyst conference call hosted by Frederic Rose, CEO, and Esther Gaide, CFO, will be held on Thursday, 23 July 2015 at 9:30 am CEST.

**Financial Calendar**

| | |
|---|---|
| Q3 2015 Revenues | 21 October 2015 |
| FY 2015 Results | 19 February 2016 |

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***Warning: Forward Looking Statements***

*This press release contains certain statements that constitute "forward-looking statements", including but not limited to statements that are predictions of or indicate future events, trends, plans or objectives, based on certain assumptions or which do not directly relate to historical or current facts. Such forward-looking statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the future results expressed, forecasted or implied by such forward-looking statements. For a more complete list and description of such risks and uncertainties, refer to Technicolor's filings with the French Autorité des marchés financiers.*

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**About Technicolor**

Technicolor, a worldwide technology leader in the media and entertainment sector, is at the forefront of digital innovation. Our world class research and innovation laboratories enable us to lead the market in delivering advanced video services to content creators and distributors. We also benefit from an extensive intellectual property portfolio focused on imaging and sound technologies, based on a thriving licensing business. Our commitment: supporting the delivery of exciting new experiences for consumers in theaters, homes and on-the-go. www.technicolor.com

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**Technicolor shares are on the NYSE Euronext Paris exchange (TCH) and traded in the USA on the OTCQX marketplace (OTCQX: TCLRY).**

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## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

# UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

## UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

# UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

## Summary of consolidated results as reported (unaudited)

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

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## Reconciliation of adjusted indicators (unaudited)

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

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

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

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

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

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## Pro forma financial indicators (unaudited)

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

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