



TECHNICOLOR UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2018

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The limited audit procedures have been performed. The limited audit report is being issued.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(€ in million)	Note	For the 6-month period ended June 30,	
		2018	2017 ^(*)
CONTINUING OPERATIONS			
Revenues		1,769	2,098
Cost of sales		(1,571)	(1,832)
Gross Margin		198	266
Selling and administrative expenses	(3.2)	(168)	(204)
Research and development expenses		(77)	(87)
Restructuring costs	(9.1)	(38)	(22)
Net impairment gains (losses) on non-current operating assets	(3.2)	(3)	(4)
Other income (expense)	(3.2)	(18)	(6)
Earning before Interest & Tax (EBIT) from continuing operations		(106)	(57)
Interest income		2	1
Interest expense		(21)	(25)
Other financial income (expense)		(2)	(38)
Net financial income (expense)	(7.3)	(21)	(62)
Share of gain (loss) from associates		-	-
Income tax	(4)	(11)	(6)
Profit (loss) from continuing operations		(138)	(125)
DISCONTINUING OPERATIONS			
Net gain (loss) from discontinuing operations	(11)	(14)	19
Net income (loss)		(152)	(106)
<i>Attributable to:</i>			
- Equity holders		(152)	(105)
- Non-controlling interest		-	(1)
EARNINGS PER SHARE			
<i>(in euro, except number of shares)</i>		June 30,	
	Note	2018	2017
Weighted average number of shares outstanding (basic net of treasury shares held)	(6.2)	413,440,227	412,472,546
Earnings (losses) per share from continuing operations			
- basic		(0.33)	(0.30)
- diluted		(0.33)	(0.30)
Earnings (losses) per share from discontinuing operations			
- basic		(0.04)	0.05
- diluted		(0.04)	0.05
Total earnings (losses) per share			
- basic		(0.37)	(0.25)
- diluted		(0.37)	(0.25)

(*) Amounts for the six months ended June 30, 2017 are re-presented to reflect the impacts of Discontinued Operations.

The accompanying notes on pages 8 to 32 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,	
		2018	2017 ^(*)
Net income (loss) for the year		(152)	(106)
Items that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligations	(8.1)	11	19
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)	2	(9)
Currency translation adjustments:			
- currency translation adjustments of the year		1	(106)
- reclassification adjustments on disposal or liquidation of a foreign operation		-	-
Total other comprehensive income		14	(96)
Total comprehensive income of the period		(138)	(202)
<i>Attributable to:</i>			
- Equity holders of the parents		(138)	(201)
- Non-controlling interest		-	(1)

(*) Amounts for the six months ended June 30, 2017 are re-presented to reflect the impacts of Discontinued Operations.

The accompanying notes on pages 8 to 32 are an integral part of these interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	Note	June 30, 2018	December 31, 2017
ASSETS			
Goodwill	(5.1)	955	942
Intangible assets	(5.2)	626	625
Property, plant & equipment	(5.3)	223	243
Other operating non-current assets		45	38
TOTAL OPERATING NON-CURRENT ASSETS		1,849	1,848
Non-consolidated Investments	(7.1)	18	17
Other non-current financial assets	(7.1)	14	19
TOTAL FINANCIAL NON-CURRENT ASSETS		32	36
Investments in associates and joint-ventures		2	2
Deferred tax assets		276	275
TOTAL NON-CURRENT ASSETS		2,159	2,161
Inventories		242	238
Trade accounts and notes receivable		541	684
Contract assets	(1.2)	95	-
Other operating current assets		206	256
TOTAL OPERATING CURRENT ASSETS		1,084	1,178
Income tax receivable		41	37
Other financial current assets	(7.1)	9	10
Cash and cash equivalents	(7.1)	197	319
Assets classified as held for sale	(11)	2	7
TOTAL CURRENT ASSETS		1,333	1,551
TOTAL ASSETS		3,492	3,712

The accompanying notes on pages 8 to 32 are an integral part of these interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	Note	June 30, 2018	December 31, 2017
EQUITY & LIABILITIES			
Common stock (414,461,178 shares at June 30, 2018 with nominal value of 1 euro per share)	(6.1)	414	414
Treasury shares	(6.1)	(158)	(158)
Subordinated Perpetual Notes		500	500
Additional paid-in capital & reserves		(190)	(38)
Cumulative translation adjustment		(384)	(385)
Shareholders' equity attributable to owners of the parent		182	333
Non-controlling interest		3	3
TOTAL EQUITY		185	336
Retirement benefits obligations	(8.1)	335	355
Provisions	(9.1)	25	23
Contract liabilities	(1.2)	2	-
Other non-current operating liabilities		58	59
TOTAL OPERATING NON-CURRENT LIABILITIES		420	437
Borrowings	(7.2)	1,085	1,077
Deferred tax liabilities		196	193
TOTAL NON-CURRENT LIABILITIES		1,701	1,707
Retirement benefits obligations	(8.1)	28	27
Provisions	(9.1)	111	110
Trade accounts and notes payable		850	947
Accrued employee expenses		117	129
Contract liabilities	(1.2)	85	-
Other current operating liabilities		298	334
TOTAL OPERATING CURRENT LIABILITIES		1,489	1,547
Borrowings	(7.2)	22	20
Income tax payable		27	33
Other current financial liabilities	(7.1)	-	1
Liabilities classified as held for sale	(11)	68	68
TOTAL CURRENT LIABILITIES		1,606	1,669
TOTAL LIABILITIES		3,307	3,376
TOTAL EQUITY & LIABILITIES		3,492	3,712

The accompanying notes on pages 8 to 32 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,	
		2018	2017 (*)
Net income (loss)		(152)	(106)
Income (loss) from discontinuing activities		(14)	19
Profit (loss) from continuing activities		(138)	(125)
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>			
Depreciation and amortization		109	115
Impairment of assets		10	3
Net changes in provisions		(3)	(29)
Gain (loss) on asset disposals		(4)	(2)
Interest (income) and expense	(7.3)	19	24
Other non-cash items (including tax)		17	39
Changes in working capital and other assets and liabilities		(55)	(39)
Cash generated from continuing activities		(45)	(14)
Interest paid		(20)	(26)
Interest received		2	1
Income tax paid		(12)	(1)
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)		(75)	(40)
Acquisition of subsidiaries, associates and investments, net of cash acquired	(10.1)	1	(21)
Proceeds from sale of investments, net of cash	(10.1)	4	10
Purchases of property, plant and equipment (PPE)		(30)	(25)
Proceeds from sale of PPE and intangible assets		-	1
Purchases of intangible assets including capitalization of development costs		(45)	(45)
Cash collateral and security deposits granted to third parties		(1)	(1)
Cash collateral and security deposits reimbursed by third parties		6	9
Loans (granted to) / reimbursed by third parties		-	-
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)		(65)	(72)
Increase of Capital		-	1
Proceeds from borrowings	(7.2)	-	647
Repayments of borrowings	(7.2)	(13)	(606)
Fees paid linked to the debt		(1)	(7)
Dividends and distributions paid to Group's shareholders		-	(25)
Other		16	(19)
NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)		2	(9)
NET CASH FROM DISCONTINUED ACTIVITIES (IV)		30	(45)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		319	371
Net decrease in cash and cash equivalents (I+II+III+IV)		(108)	(166)
Exchange gains / (losses) on cash and cash equivalents		(14)	(22)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		197	183

(*) Amounts for the six months ended June 30, 2017 are re-presented to reflect the impacts of Discontinued Operations.

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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, 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 income	-	-	-	-	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 Non-controlling interests	-	-	-	-	-	-	-	-	1	1
Balance as of June 30, 2017	414	(158)	1,213	500	(66)	(1,087)	(335)	481	3	484
Net income (loss)	-	-	-	-	-	(67)	-	(67)	-	(67)
Other comprehensive income	-	-	-	-	(17)	-	(50)	(67)	-	(67)
Total comprehensive income for the period	-	-	-	-	(17)	(67)	(50)	(134)	-	(134)
Capital increases	-	-	(2)	-	-	-	-	(2)	-	(2)
Change in NCI	-	-	-	-	-	-	-	-	-	-
Variation of treasury shares	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees	-	-	-	-	5	-	-	5	-	5
Tax impact on equity	-	-	-	-	-	(17)	-	(17)	-	(17)
Balance as of December 31, 2017	414	(158)	1,211	500	(78)	(1,171)	(385)	333	3	336
IFRS 9 Impact ⁽¹⁾	-	-	-	-	(1)	(9)	-	(10)	-	(10)
Balance as of January 1, 2018	414	(158)	1,211	500	(79)	(1,180)	(385)	323	3	326
Net income (loss)	-	-	-	-	-	(152)	-	(152)	-	(152)
Other comprehensive income	-	-	-	-	13	-	1	14	-	14
Total comprehensive income for the period	-	-	-	-	13	(152)	1	(138)	-	(138)
Capital increases	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Variation of treasury shares	-	-	-	-	-	-	-	-	-	-
Shared-based payment to employees	-	-	-	-	(3)	-	-	(3)	-	(3)
Balance as of June 30, 2018	414	(158)	1,211	500	(69)	(1,332)	(384)	182	3	185

(1) Please refer to Note 1.2.2 for more details.

The accompanying notes on pages 8 to 32 are an integral part of these interim condensed consolidated financial statements.



1. General information

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

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

1.1. Main events of the period

Disposal of Patent Licensing

On March 1, 2018, Technicolor announced that it concluded with InterDigital an exclusive agreement pursuant to which this company irrevocably commits to acquire Technicolor's Patent Licensing businesses, including substantially all of Technicolor's patent portfolio, excluding some mobile patents, a small number of patents for nascent technologies and some patents associated with patent pools.

Technicolor must receive U.S.\$150 million upfront whilst also receiving 42.5% of all future cash receipts from InterDigital's licensing activities in the Consumer Electronics field beyond operating expenses (these cash flows can be estimated at U.S.\$215 million, based on prudent assumptions).

In addition, this transaction provides that Technicolor and InterDigital will also enter into a perpetual grantback licensing agreement, which will give Technicolor freedom to operate its remaining businesses and benefit from existing and future patents, whilst providing Technicolor with an adequate level of intellectual property protection. As in 2016, Technicolor's operating businesses paid around €15 million of royalties to Technicolor's Patent Licensing business in 2017. Based on these figures, Technicolor has estimated the value of this agreement at U.S. \$108 million.

A funded research cooperation agreement is also planned, under which InterDigital Labs and Technicolor R&I Lab will collaborate in the development of research programs in the areas of video coding, connected home and immersive technologies. During this cooperation, InterDigital will pay Technicolor U.S.\$5 million per year and will invest an additional U.S.\$5 million annually in internal R&D projects that are aligned with the priorities of the research cooperation.

This transaction allows Technicolor to fully focus on its operating businesses, thus simplifying its structure and allocating its capital and resources to its core operating businesses.

1.2. Accounting policies

1.2.1. Basis for preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) effective as of June 30, 2018 and adopted by the European Union as of July 24, 2018, 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 2017 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, 2017, and described in the 2017 annual consolidated financial statements, which are an integral part of the 2017 Group's Registration Document, except for the standards, amendments and interpretations which have been applied for the first time in 2018 (see Note 1.2.2).

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

The unaudited interim condensed consolidated financial statements and notes were approved by the Board of Directors of Technicolor SA and authorized for issuance on July 24, 2018.

1.2.2. New standards, amendments and interpretations

Main standards, amendments and interpretations effective and applied as of January 1, 2018

New standard and interpretation	Main provisions
IFRS 15 – Revenue from contracts with customers	IFRS 15 specifies how and when revenue should be recognized. The standard provides a single 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. (see below)
IFRS 9 - Financial Instruments	IFRS 9 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. (see below)
Amendments to IFRS 2 – Share-based payment	These amendments clarify the classification and measurement of share-based payment transactions and in particular: <ul style="list-style-type: none"> - 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. . There was no significant impact identified
Improvements to IFRSs 2014-2016	These amendments are part of the annual improvement program of the IASB..

The Group has adopted IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers on their effective date of January 1, 2018. The impacts of adoption on the Group’s consolidated financial statements and accounting policies are described below. In accordance with the transitional provision of IFRS 9 and IFRS 15, the Group has not restated prior year comparatives.



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

<i>(€ in million)</i>	December 31, 2017	IFRS 9	IFRS 15	January 1, 2018
ASSETS				
Other non-current operating assets	38	(2)	-	36
Other non-current financial assets	19	(2)	-	17
TOTAL NON-CURRENT ASSETS	2 161	(4)	-	2 157
Trade accounts and notes receivable	684	(10)	(80)	594
Contract assets	-	-	103	103
Other operating current assets	256	-	(23)	233
TOTAL CURRENT ASSETS	1 551	(10)	-	1 541
TOTAL ASSETS	3 712	(14)	-	3 698
EQUITY & LIABILITIES				
Other reserves	(78)	(1)	-	(79)
Retained earnings	(1 171)	(9)	-	(1 180)
TOTAL EQUITY	336	(10)	-	326
Provisions	23	(4)	-	19
Contract liabilities	-	-	2	2
Other operating non-current liabilities	59	-	(2)	57
TOTAL NON-CURRENT LIABILITIES	1 707	(4)	-	1 703
Contract liabilities	-	-	63	63
Other current operating liabilities	334	-	(63)	271
TOTAL CURRENT LIABILITIES	1 669	-	-	1 669
TOTAL EQUITY & LIABILITIES	3 712	(14)	-	3 698



IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. On adoption, the Group has not restated the comparative period but presents the cumulative effect of adopting IFRS 9 as a transition adjustment to the opening balance of other comprehensive income and retained earnings as of January 1, 2018. The effect of changes to the Group's consolidated financial statements due to the adoption of IFRS 9 are described below.

Classification and measurement of financial assets

The Group has classified its financial assets in the following two categories: financial assets measured at amortized cost and financial assets measured at fair value through profit and loss. The selection of the appropriate category is made based both on Technicolor's business model for managing the financial asset and on the contractual cash flows characteristics of the financial asset. The new asset classes replace the following IAS 39 asset classification categories: available-for-sale investments, derivative and other current financial assets, loans receivable, trade receivables, financial assets at fair value through profit and loss.

The Group's business model for managing financial assets is defined on portfolio level. The business model must be observable on practical level by the way business is managed. The cash flows of financial assets measured at amortized cost are solely payments of principal and interest. These assets are held within a business model which has an objective to hold assets to collect contractual cash flows. Financial assets measured at fair value through profit and loss are assets that do not fall in either of the amortized cost category or fair value through other comprehensive income category.

Other non-current financial assets: Investments in unlisted private equity shares and unlisted venture funds are classified as fair value through profit and loss. Under IAS 39, these items were classified as available-for-sale. Fair valuation is recorded in other financial income and expenses based on the business model assessment performed in conjunction with IFRS 9 transition.

Loans: The Group's business model for managing loans to third parties is to collect contractual cash flows and hence to recognize and measure at amortized cost. When contractual provisions of a loan may affect the cash flows, the loan is recognized and subsequently re-measured at fair value through profit and loss. Under IAS 39, these items were measured at amortized cost less impairment using the effective interest method.

Classification and measurement of financial liabilities

The Group classifies derivative liabilities at fair value through profit and loss and all other financial liabilities at amortized cost. These classes replace the IAS 39 classes derivative and other financial liabilities, compound financial instruments, loans payable, and account payable. The implementation of IFRS 9 has not had an effect on the classification and measurement of financial liabilities.

Impairment

The Group assesses expected credit losses ("ECL") on financial assets on a forward-looking basis whereas the impairment provision under IAS 39 was based on actual credit losses. The impairment requirements concern the following financial assets: financial assets measured at amortized cost as well as financial guarantee contracts and loan commitments.

A loss allowance is recognized based on 12-month expected credit losses unless the credit risk for the financial instrument has increased significantly since initial recognition. For trade receivables and contract assets, the Group applies a simplified impairment approach to recognize a loss allowance based on lifetime expected credit losses.

Hedge accounting

The Group's hedge accounting model has not been impacted by IFRS 9, all hedging relationships qualify for treatment as continuing hedging relationship. The requirement for hedge effectiveness of 80-125 % has been removed from IFRS 9 and the effectiveness of hedging is evaluated based on the economic relationship between the hedging instrument and hedged item.



The changes to classification and measurement of financial assets in the Statement of financial position is described line-by-line as follows:

(€ in million)	December 31, 2017	IAS 39 Classification	IFRS 9 Classification	Change in measurement	January 1, 2018
Other non-current operating assets	38	Fair value P&L	Fair value P&L	(2)	36
Total non current operating assets	38			(2)	36
Non-consolidated Investments	17	Fair value OCI	Fair value P&L		17
<i>Cash collateral & security deposits</i>	15	Fair value P&L	Fair value P&L		15
<i>Loans & others</i>	4	Amortized cost	Fair value P&L	(2)	2
Other non-current financial assets	19			(2)	17
Total non-current financial assets	36			(2)	34
Trade accounts and notes receivable	684	Amortized cost	Amortized cost	(10)	674
Total current operating assets	684			(10)	674
<i>Cash collateral and security deposits</i>	8	Fair value P&L	Fair value P&L		8
<i>Other financial current assets</i>	2	Amortized cost	Amortized cost		2
<i>Derivative financial instruments</i>	-	Fair value P&L	Fair value P&L		-
Other financial current assets	10				10
<i>Cash</i>	274	Fair value P&L	Fair value P&L		274
<i>Cash equivalents</i>	45	Fair value P&L	Fair value P&L		45
Cash and cash equivalents	319				319
Total current financial assets	329				329
Borrowings	1,095	Amortized cost	Amortized cost		1,095
Other current financial liabilities	1				1
Total financial liabilities	1,096				1,096
<i>Other reserves</i>	(78)			(1)	(79)
<i>Retained earnings</i>	(1,171)			(9)	(1,180)
Shareholder's Equity	336			(10)	326
Non Current Provision	23			(2)	21



IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 – Revenue and IAS 11 – Construction contracts and establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized to reflect the transfer of promised goods and services to customers for amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods and services.

The Group has conducted an analysis of the impact of the adoption of IFRS 15 and concluded that the new standard will not affect its Consolidated financial statements.

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.

Entertainment Services segment

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. Our contracts stipulate that we have a right to payment for performance completed to date in case of a termination by the customer, and the progress measurement is based on the input method (i.e. labor costs).

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.

In case of a contract advance paid to the customer, the consideration payable to the customer is already accounted for as a reduction of the transaction price and amortized based on the units of production.

Licensing businesses (including Patent Licensing as discontinued operations)

Revenue is generated by the sale of licenses. The new standard has no impact. Licenses using 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 up-dated high-tech product all along the licensing period.

The Group separates 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 continues 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 continues 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 at signature of the contract.

For per-unit license agreements the Group continues 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.



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

New standard and interpretation	Effective Date	Main provisions
IFRS 16 - Leases		<p>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.</p> <p>At this stage, the Group has identified all leases concerned and collected the necessary data and judgment on renewal probability. The Group is currently assessing the impact of the possible transition methods, the expectation is that the main impact relates to Technicolor's real estate operating leases.</p>
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	Annual periods beginning on or after January 1, 2019	<p>These amendments clarify the classification of particular prepayable financial assets and the accounting for financial liabilities following a modification. The Group is currently assessing the potential impact.</p>
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures		<p>These amendments have been added to clarify that an entity applies IFRS 9 to long-term interest in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. They are not adopted by the European Union yet.</p>
Improvements to IFRSs 2015-2017		<p>These amendments are related to IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs but they are not adopted by the European Union yet.</p>



1.2.3. Basis of measurement & estimates

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

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

- Impairment of goodwill and intangible assets with indefinite useful lives;
- Determination of expected useful lives of intangible assets;
- 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, 2017. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2018 may subsequently change.

1.2.4. Translation

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

	Closing rate		Average rate	
	June 2018	December 2017	June 2018	June 2017
US Dollar (USD)	1.1650	1.1956	1.2077	1.0905
Pound sterling (GBP)	0.8881	0.8878	0.8798	0.8594
Canadian Dollar (CAD)	1.5402	1.5014	1.5468	1.4483

2. Scope of consolidation

No significant acquisition or divestiture occurred during the first half of 2018.



3. Information on operations

3.1. Information by business segments

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

Our Patent Licensing division, which was formerly included in the operating segment Technology, is presented as Discontinued Operations. As a result, our Trademark Licensing and Research & Innovation activities have been transferred to the segment “Corporate & Other”.

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

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

Entertainment Services

The Entertainment Services segment is organized in two divisions:

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

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

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

Connected Home

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

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

Corporate & Other

This segment includes:

- Unallocated Corporate functions, which comprise the operation and management of the Group’s Head Office, together with various Group functions centrally performed, such as Sourcing, Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and which cannot be strictly assigned to a particular business within the two operating segments;
- Post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs.
- Research & Innovation (R&I), which aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences;
- Trademark Licensing business, which monetizes valuable brands such RCA© and Thomson© which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business.



Technicolor's revenues and EBITDA have historically tended to be higher in the second half of the year than in the first half, with customers' activity being greater in the second half, especially for Entertainment Services.

(€ in million)	Connected Home	Entertainment Services ⁽²⁾	Corporate & Other	Adj	TOTAL
	Six months ended June 30, 2018				
Statement of operations items					
Revenues	1,003	756	10	-	1,769
Intersegment sales	-	-	-	-	-
Earning before Interest & Tax (EBIT) from continuing operations	(38)	(41)	(27)	-	(106)
<i>Of which:</i>					
Net impairment losses on non-current operating assets	(2)	(1)	-	-	(3)
Restructuring costs	(13)	(25)	-	-	(38)
Other income (expenses)	(7)	(8)	(3)	-	(18)
Depreciation & amortization	(45)	(62)	(2)	-	(109)
Other non-cash items ⁽¹⁾	3	-	2	-	5
Adjusted EBITDA	26	55	(24)	-	57
Statements of financial position items					
Segment assets	1,342	1,498	89	-	2,929
Unallocated assets					563
Total consolidated assets					3,492
Segment liabilities	1,012	516	382	-	1,910
Unallocated liabilities					1,397
Total consolidated liabilities					3,307
Other information					
Net capital expenditures	(42)	(31)	(2)	-	(75)
Capital employed	23	576	21	-	620

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

(2) Revenues from Production Services and DVD Services were €376 million and €380 million, respectively.

As of June 30, 2018, the aggregate amount of the transaction prices allocated to the remaining performance obligations was €292 million and related to the Films and Animations businesses of our Production Services division. Revenues will be recognized until completion of the projects.

(€ in million)	Connected Home	Entertainment Services ⁽⁴⁾	Corporate & Other ^{(*) (1)}	Adj	TOTAL
	Six months ended June 30, 2017 ⁽²⁾				
Statement of operations items					
Revenues	1,252	838	8	-	2,098
Intersegment sales	-	1	-	(1)	-
Earning before Interest & Tax (EBIT) from continuing operations	12	(27)	(42)	-	(57)
<i>Of which:</i>					
Net impairment losses on non-current operating assets	(3)	-	(1)	-	(4)
Restructuring costs	(8)	(11)	(3)	-	(22)
Other income (expenses)	(1)	(6)	1	-	(6)
Depreciation & amortization	(40)	(72)	(3)	-	(115)
Other non-cash items ⁽³⁾	11	(2)	(1)	-	8
Adjusted EBITDA	53	64	(35)	-	82
Statements of financial position items					
Segment assets	1,489	1,579	126	-	3,194
Unallocated assets					681
Total consolidated assets					3,875
Segment liabilities	1,049	518	488	-	2,055
Unallocated liabilities					1,336
Total consolidated liabilities					3,391
Other information					
Net capital expenditures	(36)	(32)	(1)	-	(69)
Capital employed	119	647	(39)	-	727

(*) Formerly Other.

(1) Following the presentation of the Patent Licensing business as Discontinued Operations, "Trademark Licensing" and "Research & Innovation", formerly reported as part of the Technology segment, have been included in the Corporate & Other segment.

(2) 2017 amounts are re-presented to reflect the impacts of Discontinued Operations (see Note 11) and the new allocation of corporate cost to our operating segments.

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

(4) Revenues from Production Services and DVD Services were €383 million and €455 million, respectively.

3.2. Operating income & expenses

(€ in million)	For the 6-month period ended June 30,	
	2018	2017 ^(*)
Selling and administrative expenses	(168)	(204)
Net impairment gains (losses) on non-current operating assets ⁽¹⁾	(3)	(4)
Other income (expense)	(18)	(6)

(*) Amounts for the six months ended June 30, 2017 are re-presented to reflect the impacts of Discontinued Operations.

(1) Fixed asset write-off.

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

Other expenses for the period ended June 30, 2017 were related to litigation settlements.

For the period ended June 30, 2018, related party transactions were not significant.



4. Income Tax

The income tax expense for the six months ended June 30, 2018 is determined using the year-end 2018 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, 2018 is summarized below:

<i>(€ in million)</i>	For the 6-month period ended June 30,	
	2018	2017 (*)
France	-	(1)
Foreign	(11)	(5)
Total Income Tax	(11)	(6)

(*) Amounts for the six months ended June 30, 2017 are re-presented to reflect the impacts of Discontinued Operations.

5. Goodwill, intangible & tangible assets

5.1. Goodwill

The following table provides the allocation of the goodwill to each Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2017 and June 30, 2018.

<i>(€ in million)</i>	Connected Home	Entertainment Services		TOTAL
		Production Services	DVD Services	
At December 31, 2017	422	183	337	942
Exchange difference	4	2	7	13
At June 30, 2018	426	185	344	955

Due to adverse market conditions in the Connected Home business and in connection with the 3-year transformation program decided by Technicolor (see note 12), a sensitivity analysis was performed based on the reforecast of Year-End 2018 and on key assumptions such as gross margin rate and perpetual growth rate.

There was no indication of impairment of goodwill for Connected Home from this sensitivity test.



5.2. Intangible assets

(€ in million)	Trademarks	Patents & Customer Relationships	Other intangibles	Total Intangible Assets
At December 31, 2017, Net,	248	254	123	625
<i>Cost</i>	255	642	389	1,286
<i>Accumulated depreciation</i>	(7)	(388)	(266)	(661)
Exchange differences	5	4	1	10
Additions	-	2	39	41
Depreciation charge	-	(24)	(39)	(63)
Impairment loss ⁽¹⁾	-	(6)	-	(6)
Other ⁽²⁾	-	5	14	19
At June 30, 2018, Net,	253	235	138	626
<i>Cost</i>	260	652	429	1,341
<i>Accumulated depreciation</i>	(7)	(417)	(291)	(715)

(1) Of which €4 million relates to Discontinued activities.

(2) Includes assets held for sale.

5.3. Property, plant & equipment

(€ in million)	Land	Buildings	Machinery & Equipment	Other Tangible Assets ⁽¹⁾	TOTAL
At December 31, 2017, Net,	3	21	100	119	243
<i>Cost</i>	3	63	1,132	372	1,570
<i>Accumulated depreciation</i>	-	(42)	(1,032)	(253)	(1,327)
Exchange differences	-	-	-	1	1
Additions	-	-	1	42	43
Depreciation charge	-	(2)	(23)	(17)	(42)
Impairment loss ⁽²⁾	-	-	(2)	(6)	(8)
Other	-	-	14	(28)	(14)
At June 30, 2018, Net,	3	19	90	111	223
<i>Cost</i>	3	64	1,128	380	1,575
<i>Accumulated depreciation</i>	-	(45)	(1,038)	(269)	(1,352)

(1) Includes assets in progress.

(2) In June 30, 2018, included an impairment of €7 million related to a restructuring plan.



5.4. Commitments related to assets operated under operating lease

As of June 30, 2018, commitments related to future minimum and non-cancellable lease payments are detailed below:

<i>(€ in million)</i>	June 30, 2018	December 31, 2017
Minimum future lease payments	306	309
Future lease payments commitments received	(1)	(4)
Net value of future lease commitments	305	305

6. Equity & Earnings per share

6.1. Change in share capital

<i>(In euros, except number of shares)</i>	Number of shares	Par value	Share capital in Euros
Share Capital as of December 31, 2017	414,461,178	1	414,461,178
Issuance of new shares	-	-	-
Share Capital as of June 30, 2018	414,461,178	1	414,461,178

As of June 30, 2018, Technicolor owns 1,074,994 treasury shares.

6.2. Earnings (Loss) per share

Diluted earnings (loss) per share

<i>(€ in million, except number of shares)</i>	For the 6-month period ended June 30,	
	2018	2017 (*)
Net income (loss)	(152)	(106)
Net (income) loss attributable to non-controlling interest	-	1
Net (gain) loss from discontinued operations	14	(19)
Numerator:		
Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders	(138)	(124)
Basic weighted number of outstanding shares ('000)	413,440	412,473
Dilutive impact of stock-option, free & performance share plans	-	2,636
Denominator:		
Diluted weighted number of outstanding shares ('000)	413,440	415,109

(*) Amounts for the six months ended June 30, 2017 are re-presented to reflect the impacts of Discontinued Operations.

Certain stock-options and performance share plans have no dilution impact due to the current stock price and conditions not met as of June 30, 2018 but could have a dilution impact in the future.



7. Financial assets, financing & derivative financial instruments

7.1. Fair value of financial assets and liabilities

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

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

Fair value measurement by accounting categories as of June 30, 2018	June 30, 2018	Fair value measurement by accounting categories as of June 30, 2018					December 31, 2017
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivative instruments (see Note 7.4)	Fair Value measurement	
(€ in million)							
Other non-current operating assets	45	-	45	-	-		38
Total non current operating assets	45						38
Non-consolidated Investments	18	-	18	-	-	Level 2	17
<i>Cash collateral & security deposits</i>	10	-	10	-	-	Level 1	15
<i>Loans & others</i>	3	-	3	-	-		4
<i>Derivative financial instruments</i>	1	-	-	-	1	Level 2	-
Other non-current financial assets	14						19
Total non-current financial assets	32						36
Trade accounts and notes receivable	541	541	-	-	-		684
Total current operating assets	541						684
<i>Cash collateral and security deposits</i>	9	-	9	-	-	Level 1	8
<i>Other financial current assets</i>	-	-	-	-	-		2
Other financial current assets	9						10
<i>Cash</i>	161	-	161	-	-	Level 1	274
<i>Cash equivalents</i>	36	-	36	-	-	Level 1	45
Cash and cash equivalents	197						319
Total current financial assets	206						329
Borrowings ⁽¹⁾	(1 107)	(1 107)	-	-	-		(1 097)
Other current financial liabilities	-	-	-	-	-	Level 2	(1)
Total financial liabilities	(1 107)						(1 098)

(1) Borrowings are recognized at amortized costs. The fair value of the Group debt is €1,062 million as of June 30, 2018 (€1,108 million as of December 31, 2017). This fair value is based on quoted prices in active markets for term loan debt (Level 1).

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

7.2. Borrowings

The Group's debt consists primarily of Term Loan Debt in U.S. dollars and in euros, issued by Technicolor SA in December 2016 and March 2017 and maturing in 2023 and a loan from the European Investment Bank ("EIB").

7.2.1. Analysis by nature

<i>(€ in million)</i>	June 30, 2018	December 31, 2017
Debt due to financial institutions	1 063	1 058
Other financial debts ⁽¹⁾	40	35
Accrued interest	4	4
Debt under IFRS	1 107	1 097
<i>Total non-current</i>	<i>1 085</i>	<i>1 077</i>
<i>Total current</i>	<i>22</i>	<i>20</i>

(1) Include capital lease liabilities mainly in Production Services division.

7.2.2. Summary of debt

Details of the Group's debt as of June 30, 2018 are given in the table below:

<i>(in million currency)</i>	Currency	Nominal Amount	IFRS Amount <small>(see Note 7.2.3.4)</small>	Type of rate	Nominal rate ⁽¹⁾	Effective rate ⁽¹⁾	Repayment Type	Final maturity
Term Loan Debt	USD	254	253	Floating ⁽²⁾	5,06%	5,18%	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	1 069	1 063		3,66%	3,77%		
Other Debt ⁽⁵⁾		44	44		3,55%	3,55%		
TOTAL		1 113	1 107		3,66%	3,76%		

(1) Rates as of June 30, 2018

(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.

7.2.3. Main features of the Group's borrowings

7.2.3.1. Analysis by maturity

<i>(€ in million)</i>	June 30, 2018	December 31, 2017
Less than 1 month	6	5
Between 1 and 6 months	3	13
Between 6 months and less than 1 year	13	2
Total current debt less than 1 year	22	20
Between 1 and 2 years	14	17
Between 2 and 3 years	13	7
Between 3 and 4 years	3	2
Between 4 and 5 years	94	5
Over 5 years	967	1,052
Total non-current debt	1,091	1,083
Total nominal debt	1,113	1,103
IFRS Adjustment (see Note 7.2.3.4)	(6)	(6)
Debt under IFRS	1,107	1,097

7.2.3.2. Interest rate characteristics

In the first half of 2018 Technicolor entered into two interest rate hedging operations: a purchase of a 3-month USD Libor cap at a rate of 3% protecting a nominal amount of U.S.\$145 million of term loan debt and an interest rate swap whereby €240 million of the group's floating rate term loan debt was swapped to fixed rate with the group receiving 3-month Euribor with a floor of 0% and paying a fixed rate of 0.22%. Both hedges expire with the 3-month fixing on November 30, 2021 (which covers the interest period November 30, 2021 to February 28, 2022). Taking into account these hedging operations:

Portion of debt at floating rate before hedging:	90%
Portion of debt at floating rate taking into account hedging:	57%

	Nominal	Effective
Average interest rate on group debt before hedging:	3.66%	3.76%
Average interest rate on group debt after hedging:	3.70%	3.81%

7.2.3.3. Analysis of borrowings by currency

<i>(€ in million)</i>	June 30, 2018	December 31, 2017
Euro	816	816
U.S. Dollar	269	271
Other currencies	22	10
Debt under IFRS	1,107	1,097

 7.2.3.4. 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 2018, that is, the difference between the nominal and IFRS amount of the Term Loan Debt, is as follows:

<i>(€ in million)</i>	
IFRS discount of the Term Loan Debt as of December 31, 2017	(6)
2018 EIR effect and variation due to exchange rates	-
IFRS discount of the Term Loan Debt as of June 30, 2018	(6)

This IFRS discount of €6 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 3.89%.

 7.2.3.5. Undrawn credit lines

<i>(€ in million)</i>	June 30, 2018	December 31, 2017
Undrawn, committed lines expiring in more than one year	357	390

The Group has a receivable backed committed credit facility in an amount of U.S.\$125 million (€107 million at the June 30, 2018 exchange rate) which matures in 2021 and a €250 million revolving facility maturing in 2021 (the "RCF"). Neither was drawn at June 30, 2018. The availability of the receivables backed credit facility line varies depending on the amount of receivables. The group also has a bilateral committed facility in an amount of €35 million which expires in May 2019 and thus is not included in the amount shown in the table above.

 7.2.3.6. Financial covenants and other limitations

For a detailed discussion of the limitations under the Term Loan Debt, the EIB Loan and the RCF please refer to Note 8.3.3.5 to the Group's 2017 consolidated financial statements.

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 financial covenant but this covenant is only applicable if there is an outstanding drawing of more than 40% of the RCF amount on June 30 or December 31 of each financial year.



The U.S.\$125 million credit line agreement with Wells Fargo contains the same financial covenant but this covenant is only applicable if outstanding availability under the line is less than U.S.\$20 million on June 30 or December 31 of each financial year.

The €35 million credit line agreement with Crédit Agricole d’Ile de France also contains the same financial covenant, but this covenant is only tested on December 31 of each financial year.

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

The total gross debt and Adjusted EBITDA are calculated on the basis of the entire Group perimeter. Therefore, the variance of €45 million between the Adjusted EBITDA determined in respect of the leverage covenant definition and the Adjusted EBITDA is equal to the Adjusted EBITDA in the discontinued activities.

Likewise, the variance of €2 million between the gross debt determined in respect of the leverage covenant definition and the gross debt from continuing operations is equal to the debt in the discontinued activities. See Note 11 for more information about the discontinued operations.

Leverage covenant

Total gross debt of the Group at June 30, 2018 must be no more than 4.00 times the EBITDA of the Group for the twelve months ending June 30, 2018.

Gross Debt	€1,109 million
Covenant EBITDA	€310 million
Gross Debt / Covenant EBITDA Ratio	3.58

Since 3.58 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

7.3. Net financial income (expense)

(€ in million)	For the 6-month period ended June 30,	
	2018	2017
Interest income	2	1
Interest expense	(21)	(25)
Net interest expense	(19)	(24)
Net interest expense on defined benefit liability	(3)	(3)
Foreign exchange gain / (loss)	5	(1)
Other ⁽¹⁾	(4)	(34)
Other financial income (expense)	(2)	(38)
Net financial income (expense)	(21)	(62)

(1) 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.

7.4. 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.

	June 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
(€ in million)				
Forward foreign exchange contracts - cash flow and fair value hedges	-	-	-	1
Total current	-	-	-	1
Interest rate hedges	1	-	-	-
Total non-current	1	-	-	-
Total	1	-	-	1

Credit risk on these transactions is minimized by the foreign exchange policy of trading short-term operations as well as bilateral collateral agreements with certain of the Group's banks. The marked-to-market carrying value shown in the table above, at June 30, 2018 of €1 million is entirely covered by collateral deposited by the Group's banks with Technicolor.

As of June 30, 2018, a gain on hedging instruments of €2 million was recognized in OCI (compared to a loss of €9 million recognized in OCI in June 2017).

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 and interest rate caps: for the underlying nominal debt amounts.

(€ in million)	June 30, 2018
Currency swaps and forward exchange contracts	527
Interest rate swap	240
Total commitments given	767
Currency swaps and forward exchange contracts	527
Interest rate swap	240
Interest rate cap	124
Total commitments received	891



8. Employee benefit

8.1. Post-employment & long-term benefits

<i>(€ in million)</i>	Pension plan benefits	Medical post- retirement benefits	Total
As of December 31, 2017	376	6	382
Net periodic pension cost	5	-	5
Benefits paid and contributions	(13)	-	(13)
Actuarial (gains) losses recognized in OCI	(11)	-	(11)
Currency translation adjustments and other	-	-	-
As of June 30, 2018	357	6	363
<i>Of which current</i>	28	-	28
<i>Of which non-current</i>	329	6	335

As of June 30, 2018, the present value of the obligation amounted to €553 million, the fair value of plan assets amounted to €190 million.

8.2. Share-based compensation plans

As of June 30, 2018, the number of stocks options and performance shares is as follows:

<i>(in millions of unit)</i>	June 30, 2018
Number of outstanding stock-options and performance shares as of December 31,2017	19.4
Number of performance shares granted during 2018 first half	0.6
Number of forfeited stock-options and performance shares during 2018 first half	(4.2)
Number of outstanding stock-options and performance shares as of June 30, 2018	15.8

The impact of compensation plans during the period amounted to €3 million and €(5) million for the six months ended June 30, 2018 and June 30, 2017, respectively. The counterpart has been accounted fully in equity in 2018 and 2017.



9. Provisions & contingencies

9.1. Detail of provisions

(€ in million)	Provisions for warranty	Provisions for risks & litigations related to		Provisions for restructuring related to		Total
		continuing operations	discontinue d operations	continuing operations	discontinue d operations	
As of December 31, 2017	43	41	30	17	2	133
Current period additional provision	6	20	1	43	1	71
Release	(1)	(3)	-	(5)	-	(9)
Usage during the period	(7)	(5)	(6)	(27)	(3)	(48)
Other movements and currency translation adjustments ⁽¹⁾	-	(2)	(3)	(6)	-	(11)
As of June 30, 2018	41	51	22	22	-	136
<i>Of which current</i>	41	42	8	20	-	111
<i>Of which non-current</i>	-	9	14	2	-	25

(1) Includes:

- Mainly the restatement of IFRS 9 Financial Instruments for €(4) million. Please refer to Note 1.2.2 for more details.
- Mainly Fixed Asset written-off in the Provision of restructuring for €(7) million.

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

9.2. Contingencies

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

In the framework of the first suit filed by the Taoyuan County Form RCA Employees' Solicitude Association against a Technicolor's subsidiary, the decision of the Taiwan's Supreme Court is expected during the second semester of 2018.

There was no other significant event during the first six months of 2018 regarding the litigation matters disclosed in Note 10 to our 2017 audited consolidated financial statements, and no other significant new litigation has been commenced since December 31, 2017.



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

10.1. Acquisitions and disposals of subsidiaries & investments

10.1.1. Acquisitions

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

For the first 6 months ended June 30, 2017, the acquisition of activities and investments, net of cash position of companies acquired, amounted to €21 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.

10.1.2. Disposals

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

For the first 6 months ended 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.

10.2. Cash impacts on financing operations

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

<i>(€ in million)</i>	December 31, 2017	Cash impact of borrowing variation ⁽¹⁾	Non cash variation			June 30, 2018
			Capital leases recognition	Currency Translation Adjustments	Transfer Current - Non Current	
Non Current Borrowing	1 077	(4)	10	6	(4)	1 085
Current Borrowing	20	(9)	6	1	4	22
Total Borrowing	1 097	(13)	16	7	-	1 107

(1) Mainly related to capital lease liabilities.

10.3. 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 2018 to sell its CIR of 2017 to a financial institution. This sale without recourse occurred at the end of June and led to the derecognition of the €20 million receivables with the following counterparts:

- A cash receipt of €18 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 2021; and
- A €1 million expense over the period.

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



11. Discontinued operations and held for sale operations

On December 18, 2017, the Group announced being in negotiations for the divestiture of its Patent Licensing division, which represents substantially all the revenues and income of its former reporting segment “Technology”. Because the disposal was considered as “highly probable” according to IFRS 5, Patent Licensing was presented as Discontinued Operations.

On March 1, 2018, the Group announced that it concluded with InterDigital an exclusive agreement pursuant to which this company irrevocably commits to acquire Technicolor’s Patent Licensing businesses (see Note 1.1)

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

CONSOLIDATED STATEMENT OF OPERATIONS

<i>(€ in million)</i>	For the 6-month period ended June 30,	
	2018	2017
DISCONTINUED OPERATIONS		
Revenues	15	48
Cost of sales	(12)	(16)
Gross Margin	3	32
Selling and administrative expenses	(8)	(8)
Restructuring costs	(1)	-
Net impairment gains (losses) on non-current operating assets	(4)	-
Other income (expense)	(4)	1
Earning before Interest & Tax from discontinued operations	(14)	25
Net financial income (expense)	(1)	(1)
Income tax	1	(5)
Net income (loss)	(14)	19



CONSOLIDATED STATEMENT OF CASH FLOWS

(€ in million)	For the 6-month period ended June 30,	
	2018	2017
Income (loss) from discontinuing activities	(14)	19
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>		
Depreciation and amortization	-	4
Impairment of assets	4	-
Net changes in provisions	(7)	(6)
Other non-cash items (including tax)	(1)	10
Changes in working capital and other assets and liabilities	51	(70)
Income tax paid	(3)	4
NET OPERATING CASH GENERATED FROM DISCONTINUES ACTIVITIES (I)	30	(39)
NET INVESTING CASH USED IN DISCONTINUED ACTIVITIES (II)	-	(1)
Proceeds from borrowings	-	1
Repayments of borrowings	-	(6)
NET FINANCING CASH GENERATED IN DISCONTINUED ACTIVITIES (III)	-	(5)
NET CASH FROM FROM DISCONTINUING ACTIVITIES (I+II+III)	30	(45)

12. Subsequent events

Announcement of CH transformation program

Technicolor decided to launch a 3-year transformation program for Connected Home to adapt to the new market conditions. This program will accelerate the customer “selectivity” plan to better achieve product synergies and develop stronger partnerships with key suppliers to improve product costing and time to market. In parallel, a strong productivity improvement plan is implemented with the objective to reduce annual fixed cost structure by 40%.

Disposal of Patent Licensing

On July 24, 2018, Technicolor and InterDigital have entered into a final agreement, the terms of which are in line with those announced on March 1, 2018.

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