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FINANCIAL RESTRUCTURING IFRS ACCOUNTING TREATMENT

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KEY TRANSACTION PRINCIPLES

NEW MONEY ISSUANCE €457 MILLION (€350 MILLION AND $120 MILLION). ONLY €420 MILLION WAS RECEIVED BY THE GROUP (THE €37 MILLION BEING UPFRONT FEES), TO FUND THE COMPANY'S OPERATIONAL NEEDS AND REPAY THE $110 MILLION BRIDGE LOAN SET UP IN MARCH 2020 BY JULY 31ST 2020

- €400 million fully underwritten by a group of lenders under the existing Term Loan and RCF creditors and €20 million provided by Bpi France Participations(1)
- Maturity of this new financing is June 2024

DEBT REDUCTION OF €660 MILLION ACROSS THE TERM LOAN AND THE RCF ON A *PARI PASSU* BASIS

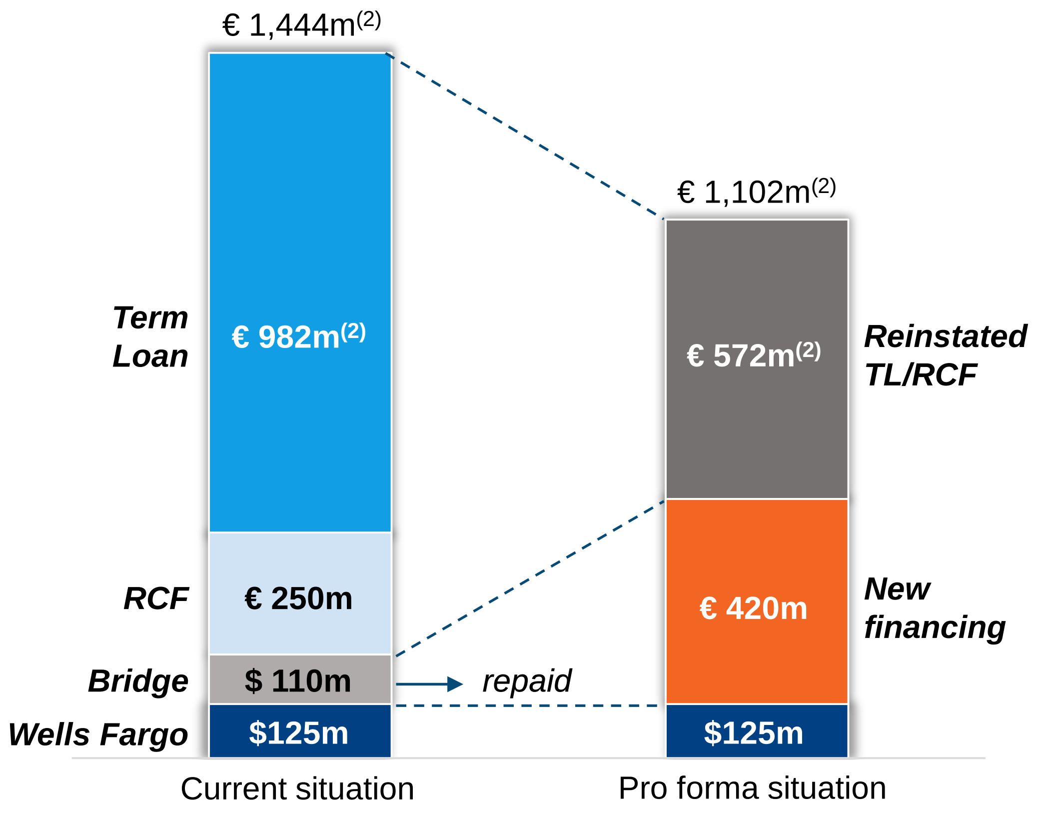
- Debt reduction implemented through (i) a € 330m rights issue backstopped by TL/RCF creditors with commitment by Bpi France Participations(1) participating pro rata to their shareholding and (ii) a €330 million reserved capital increase for TL/RCF creditors
- Maturity of this new financing is December 2024

REINSTATED TLB/RCF DEBT OF €572 MILLION(2) extended to December 2024 with a bullet repayment

REPAYMENT OF THE $110 MILLION bridge facility

MATURITY EXTENSION OF THE $125 MILLION Wells Fargo facility to December 2023

Gross debt evolution



Notes:
(1) Bpi France Participations will subscribe to the rights issue in cash pro rata its current shareholding (c. 7.5%) for an aggregate amount up to € 25.5m
(2) Rounded figure; based on EUR/USD of 1.13

KEY PRINCIPLES

The terms of the transaction were negotiated with a **pool of existing lenders**, **shareholders** (Bain Cap, BPI) and **investors** committed to underwrite the operation through debt acquisition

This restructuring transaction with **multiple components** has to be analyzed **as a whole**:

RESULT OF THE OPERATION =

+ [**Derecognized debt** (measured at **carrying value**) + Cash **received**]

− [**Debt and equity issued** measured at fair value at operation date (fair value only at inception), carrying value for subsequent periods]

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KEY DATES AND RATES

June 22, 2020	July 23, 2020	September 2, 2020	September 22, 2020
Entry into SFA (*Sauvegarde Financière Accélérée*) Gross debt TLB / RCF at this rate= €1,234 million, basis of calculation for the **reinstated debt** (1,234-660)= **€574 million**	New money Tranche 1 EUR (€158 million) & USD Tranche ($120 million)	New money Tranche 2 EUR (€191 million) **New money** =158+120/1.16+191= **€453 million**	Debt reduction through rights issue and capital increase **Cancellation of remaining debt (€1,218 million at 1.17- 660 = €558 million)** and issuance of **reinstated debt (€574 million)**
EUR/USD RATE: 1.12	***EUR/USD RATE: 1.16***	***EUR/USD RATE: 1.16***	***EUR/USD RATE: 1.17 (and 1.12 for reinstated debt)*** ***Share price at issuance: 2.18 €***

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NEW MONEY

ASSETS RECEIVED:

€457 million mentioned in June 22 press release includes €37 million in upfront fees and €420 million cash

The €420 million are made up of USD and EUR tranches of $110 million and €321.5 million

On July 23 (1.16 EUR/USD), the cash received is equal **to €416 million** 1

"NEW MONEY" DEBT ISSUED:

€457 million made up of $120 million and €350 million, which are valued at €453 million using July 23 rate (1.16 EUR/USD)

Fair value on issuance of the debt according to market quotations for “Over the counter” transactions:

105.5% of the nominal value of the debt (€453 million): **€478 million** 6

EQUITY (PENNY WARRANTS) ISSUED TO THE BENEFIT OF THE "NEW MONEY" LENDERS:

17.7 million of penny warrants valued at 2.17 € (2.18 [Technicolor share price at issuance of new shares and penny warrants] – 0.01 strike price) each**: €38 million** 3

DEBT REDUCTION THROUGH RIGHTS ISSUE & EQUITY SWAP

DEBT CANCELLED:

Nominal and book value of debt set-off or repaid: **€660 million** ❷

EQUITY ISSUED:

20 million shares issued at 2.98 € paid cash by subscribers **: €60 million** ❹

183 million shares issued at 2.98 € or 3.58 €, fair value of which is estimated at **2.18 €** per share (quote at issuance): **€399 million** ❺

In statutory equity terms,

1. The nominal/statutory value of the equity issued by set-off of claims is 90.7 million shares at 2.98 € per share (€270 million) and 92.2 million shares at 3.58 € (€330 million) for a total of €600 million
2. 20 million shares issued at 2.98 € paid cash by subscribers for a total of €60 million

The nominal value of the two equity subscriptions (1+2) is equal to €660 million

REINSTATED TLB/RCF DEBT

CANCELLATION OF THE REMAINING DEBT AFTER EQUITIZATION DUE TO SIGNIFICANT CHANGES IN MATURITY AND TERMS IN THE NEW TERM LOANS:

Carrying value of TLB/RCF gross debt before transaction is €982 million + €250 million: €1,232 million

Net amount at 22 September 2020 rate (1.17 EUR/USD): €1,218 million

Book value of cancelled debt on 22 September 2020: €1,218 million - €660 million: **€558 million** 2

REINSTATED TERM LOANS ISSUED BY TECHNICOLOR:

Nominal value of reinstated term loans €572 million in press release

The reinstated term loans have two tranches of €453.5 million + $141.5 million equaling €574 million (reinstated debt frozen at 1.12 EUR/USD) at issuance FX rate 1.17 EUR/USD

Fair value is estimated at market quotation rate of 81.25% of the nominal: **€466 million** 7

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ACCOUNTING TREATMENT OF FEES

According to IFRS, accounting treatment of transaction fees (lawyers, consultants…) is different depending on whether they are related to debt or equity.

When attributed to debt, fees are booked as a financial expense through the P&L, when attributed to equity, fees are deducted from equity (exception being fees related to rights issue, not launched, through P/L)

Fees total: €51 million

ATTRIBUTED TO DEBT: €36 MILLION OF WHICH €29 MILLION 8 FULLY EXPENSED IN 2020

- **New money**: Fees initially reduce the debt amount and are expensed as interest cost over the duration of the debt (€6.5 million)
- **Debt renegotiation**: Fees are expensed immediately (€19.6 million) 8
- **Fees related to rights issue announced in Feb. 2020 but not launched** (€9.8 million) are expensed in 2020 8

Attributed to equity: €15 million

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P&L RESULT OF THE OPERATION

In M€		
Cash received (New Money)	416	1
Debt cancelled (book value)	1,218	2
Penny warrants issued at fair value	(38)	3
Equity increase paid in cash	(60)	4
Equity increase suscribed by lenders at fair value	(399)	5
New Money debt (fair value)	(478)	6
Reinstated debt (fair value)	(466)	7
RESULT OF THE OPERATION	**193**	
Fees taken in P&L	(29)	8
NET RESULT (DAY 1)	**164**	

The result of the transaction is booked in P&L according to IFRS standards applicable to debt restructuring.
IMPORTANT: these impacts are excluding any potential tax impact

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B/S IMPACTS ACCORDING TO IFRS

ASSETS M€		LIABILITIES M€	
		Equity, ❸ ❹ ❺ *minus:* Fees **Equity, *net***	497 (15) **482**
		Net result **Total Shareholders' Equity**	164 **646**
		"Initial" debt ❷	(1,218)
Cash	416 ❶	Reinstated debt ❼	466
minus €51 million o.w.: Fees in P&L Fees in debt Fees in equity	 (29) ❽ (7) (15)	New Money debt, ❻ *minus :* Fees New Money debt, *net*	478 (7) 471
Cash, net	**365**	**Net debt variation**	**(281)**
NET	365	NET	365

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APPENDIX

NEW MONEY CASH FLOWS

Cash disbursements (interest + PIK interest + principal) made under New Money debt are equal to €689 million. PIK (« Payment in kind ») interest is capitalized every year and repaid at maturity of debt.

The difference between the initial value of the New Money debt under IFRS standards and cash disbursements will be recognized through interest expense in 2020-2024.

EUR/USD rate: 1.16

Nominal	Cash	IFRS
Nominal New Money debt €453 million	Principal + PIK interest payment €570 million	Initial New Money debt €471 million
Interest expense €236 million (PIK €117 million + Cash €119 million)	Interest payment €119 million	Interest expense €218 million
Total €689 million	Total €689 million	Total €689 million

REINSTATED DEBT CASH FLOWS

Cash disbursements (interest + PIK interest + principal) to be made under reinstated debt are equal to €733 million.

The difference between the initial value of the reinstated debt and cash disbursements will be recognized through interest expense in 2020-2024.

EUR/USD rate: 1.16

Nominal	Cash	IFRS
Reinstated debt €576 million	Principal + PIK interest payment €654 million	Reinstated debt €468 million
Interest expense €158 million (o.w. PIK €78 million)	Interest payment €79 million	Interest expense €265 million
Total €733 million	Total €733 million	Total €733 million

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DEBT COST / YEAR

New money and reinstated debt cost with a USD/EUR rate of 1.16:

	P&L				Cash Interest	
Year	**Cash Interest**	**PIK interest**	**IFRS adj**	**Total IFRS**	**Cash out NM**	**Cash out Reinstated**
2020	16	16	4	36	0	0
2021	46	46	18	110	-28	-18
2022	49	48	20	117	-30	-18
2023	51	51	22	123	-32	-19
2024	36	36	26	98	-29	-25
Total	**198**	**196**	**90**	**484**	**-119**	**-79**

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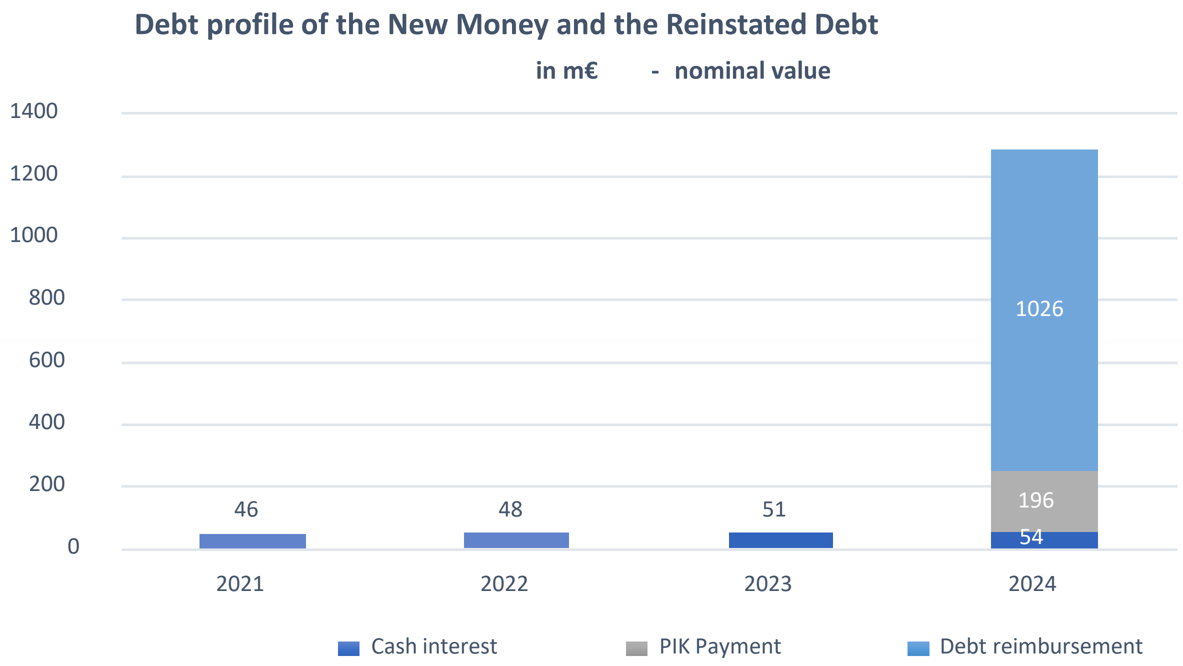
DEBT CASH COST / YEAR

New money and reinstated debt cost



CASH INTEREST CALCULATIONS

NEW MONEY

Cash interest is paid half yearly based on 6% + EURIBOR/LIBOR applied to nominal amount increased by capitalized PIK interest (PIK interest is 6% and capitalized every year for the euro-denominated debt or every 6 months for the dollar-denominated debt)

	Nominal and capitalized PIK value EUR New Money	Nominal and capitalized value USD New Money
Dec 2020	€350 million	$120 million
Dec 2021	€371 million	$127 million
Dec 2022	€394 million	$135 million
Dec 2023	€418 millon	$143 million

REINSTATED DEBT

Cash interest is paid half yearly based on 3% + EURIBOR/LIBOR on nominal amount increased by capitalized PIK interest (PIK interest is 6% and capitalized every year for the euro-denominated debt or every 6 months for the dollar-denominated debt)

	Nominal and capitalized PIK value Reinstated debt EUR	Nominal and capitalized PIK value Reinstated debt USD
Dec 2020	€453 million	$142 million
Dec 2021	€467 million	$146 million
Dec 2022	€482 million	$150 million
Dec 2023	€496 million	$155 million

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NOMINAL VS IFRS DEBT (EXCLUDING ACCRUED INTEREST)

	Nominal and capitalized PIK value EUR New Money	Nominal and capitalized PIK value USD New Money	IFRS Adj	Nominal and capitalized PIK value Reinstated debt EUR	IFRS value Reinstated debt EUR	Nominal and capitalized PIK value Reinstated debt USD	IFRS value Reinstated debt USD
Dec 2020	€350 million	$120 million	€16 million	€453 million	€367 million	$142 million	$115 million
Dec 2021	€371 million	$127 million	€11.5 million	€467 million	€399 million	$146 million	$124 million
Dec 2022	€394 million	$135 million	€7 million	€482 million	€432 million	$150 million	$135 million
Dec 2023	€418 million	$143 million	€2.5 million	€496 million	€467 million	$155 million	$146 million
To be repaid 2024	€440 million	$152 million		€515 million	€515 million	$161 million	$161 million

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ANALYSIS ACCORDING TO IFRS STANDARDS

THE TRANSACTION IS ANALYZED WITH THREE DIFFERENT COMPONENTS CLOSELY LINKED AND NEGOCIATED AS A WHOLE.

NEW MONEY

- New Money is available to lenders who participate in the debt/equity swap / to shareholders who participate in the capital increase (Bpi)
- New Money is available for them at a discounted price in exchange for allowing the debt equity swap
- Initial value of the New Money is measured at fair value which is
  - → not equal to cash received as this is a multiple component transaction (IFRS 13 “fair value measurement” *B4 c)*)
  - → observable as debt is exchanged over the counter with market quotations (IFRS 13.59)
- Difference between cash received and fair value (the discount) is part of the result of the operation
- Penny warrants linked to debt equity swap

DEBT EQUITY SWAP

- Debt equity swap is accounted according to IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Fair value of the equity is measured at issuance date 22 September
- New money lenders benefit from additional equity in the form of penny warrants which should be included in the measure of equity issued

DEBT RENEGOTIATION

- In accordance with IFRIC 19.10, remaining debt substantially modified is considered as an extinguishment and the new liability recognized in accordance with IFRS 9 “financial instruments”
- Debt was renegotiated to reflect lower Technicolor credit rating; market conditions, currency and maturity change so this considered a substantial change according to IFRS 9.3.3.3 and associated guidance
- Cash-flow profile and maturity selected make it junior compared to New Money debt (together with less collateral)
- This results in a discounted fair value as logically the EIR is higher than the one for New Money

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ANALYSIS ACCORDING TO IFRS STANDARDS

RESULT OF THE OPERATION:

- Although the operation has some equity components, the substance of it is a debt restructuring and should be therefore accounted in P&L:
  - → IFRIC 19 states that the result of debt equity swap with lenders (that are not shareholders) is in P&L
  - → Debt renegotiation is in P&L according to IFRS 9.3.3.3
  - → Day 1 loss will be booked in P&L if it is based on an observable fair value (IFRS 13.60 – IFRS 9.B5.1.21 a))

TRANSACTION COSTS:

- On the new money, they reduce the debt (IFRS 9.5.1.1)
- On equity, they reduce the equity, unless on abandoned transaction in which case they are recognized as an expense (IAS32.37)
- On the debt renegotiation, they are part of the gain/loss on extinguishment (IFRS 9.B3.3.6)
- It is to be noted that as a counterpart to the debt extinguishment Technicolor had to bear significant fees from its lenders, some of the fees were pertaining to the New Money, but as the cause is the debt renegotiation, they are taken to P&L

DEFERRED TAX IMPACT OF THE OPERATION:

- Deferred tax arises from the difference between tax and accounting value of the debt
- This difference might give rise to a deferred tax liability which might be recognized either through P&L or offset against unrecognized deferred tax assets. The treatment will depend on the profitability of the tax group over the next five years and will be finalized at year-end

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THANK YOU

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