technicolor
CREATIVE STUDIOS

TECHNICOLOR CREATIVE STUDIOS

2023 Half-Year Financial Report

TABLE OF CONTENTS

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

A. Person reponsible for the half-yearly financial report

Mrs Caroline Parot, Chief Executive Officer, Technicolor Creative Studios.

B. Attestation

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

Paris, Ooctober 3, 2023

Caroline Parot

Chief Executive Officer, Technicolor Creative Studios

II. GROUP MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

A. RESULT ANALYSIS

Revenues

Technicolor Creative Studios revenues amounted to €302.7 million for the first half 2023, down - 25.9% at current rate (down -24.3% at constant rate) compared to the same period in 2022. This decrease mainly includes the reduction of the pipeline compared to the first half 2022 (post covid recovery year).

- **At MPC**, first half 2023 revenues amounted to €122.8 million, down -42% at current rate (down -40% at constant rate) compared to the same period last year. This underperformance reflects the expected lower activity compared to a high first half 2022.
- **At Mikros Animation**, first half 2023 revenues amounted to €81 million, up +44.7% at current rate (up +47% at constant rate), compared to the same period last year. This significant growth was driven by a low first half 2022 with major feature animation projects ramping up in second half 2022 for deliveries in first half 2023.
- **At The Mill**, first half 2023 advertising revenues amounted to €91.7 million, representing a -30.5% decrease at current rate (down -30% at constant rate) compared to the same period in 2022. Activity was restricted by an unfavorable macroeconomic environment with decelerating VFX advertising spending and increased competition compared to first half 2022.
- **At Technicolor Games**, first half 2023 revenues amounted to €7.3 million, up +23.5% at current rate (up +20% at constant rate) compared to the prior-year period. This growth is the result of an increased activity from existing and new clients such as Sega, Sumo, GamFreak and Netease.

H1 2023	H1 2022	% Change	% Change at constant currency	in million €
122.8	213	-42%	-40%	MPC
81	56	+44.7%	+47%	Mikros Animation
91.7	132	-30.5%	-30%	The Mill
7.3	6	+21.5%	+20%	Technicolor Games
302.7	**408.7**	**-25.9%**	**-24.3%**	**Total**

Simplified P&L

In first half 2023, **adjusted EBITDA after lease**[1] decreased by €58.9 million to €-15.7 million (down to €-14.5 million at constant rate), with margin down from 11% to -5%. This decrease resulted from the

[1] As part of the spin-off, the Group has reviewed its key performance indicators, with the goal of becoming more comparable with its peers and market practices, whilst being more aligned with the way the business is managed. For more information, please refer to the adjusted indicators section in the Universal registration document 2022.

reduction of activity, that was partly offset by the cost actions taken as part of the Re*Imagined program, for both variable and fix costs.

In first half 2023, **restructuring costs** amounted to €13.5 million, compared to €1.3 million in first half 2022. This increase mainly resulted from the implementation of the Re*Imagined transformation plan.

EBIT was a €53.6 million loss compared to a €19 million profit in first half 2022. This decrease resulted from both lower activity and higher restructuring costs than previous year.

The financial result amounted to €72.2 million compared to a €8.9 million loss in first half 2022. This profit mainly resulted from the net fair value gain on debt and equity instruments arising from the refinancing.

Income tax amounted to €6.4 million in first half 2023 compared to an expense of €14.7 million in first half 2022. This decline mainly results from Technicolor Creative Studios reduced profitability.

The **Group net result** therefore amounted to €13.0 million in first half 2023, compared to a loss of €4.4 million in the same period last year.

In € million	**2023**	2022	Var
Revenues	**302.7**	**408.7**	**(106.0)**
Adjusted EBITDA after lease	**(15.7)**	**43.2**	**(58.9)**
As a % of revenues	*-5%*	*11%*	*-600 bps*
D&A	(21.8)	(20.1)	(1.7)
Adjusted EBITA after lease	**(37.5)**	**23.1**	**(60.6)**
As a % of revenues	*-12%*	*6%*	*-600 bps*
PPA amortization	(4.3)	(4.3)	-
IFRS16 impact	5.3	5.1	0.2
Restructuring	(13.5)	(1.3)	(12.2)
Other non-current	(3.6)	(3.6)	-
EBIT	**(53.6)**	**19.0**	**(72.6)**
Financial result	**72.2**	(8.9)	81.1
Taxes	**(6.4)**	(14.7)	8.3
Profits from Discontinued operations	0.8	0.4	0.4
Non-Controlling Interest	0.0	(0.1)	0.1
Net Result	**13.0**	**(4.4)**	**17.4**

Outlook

Since early May 2023, the Company has been experiencing the direct effects of the double writers and actors strike – a first for Hollywood in over 60 years – with significant impacts on the pipeline of projects of both MPC. Combined with the slowdown of the advertising VFX market affecting The Mill, this challenging environment is impacting the pace of the Company's business recovery. Therefore, Technicolor Creative Studios expects its rebound to be postponed by one year.

Consequently, the Company has reassessed its future liquidity needs and engaged discussions with some of its shareholders and lenders, and, as part of the process, shared with them forward looking assumptions. The figures given for 2023 to 2025 were established in the context of the discussions; in no case they should constitute a guidance, nor forecasts of any kind.

As a consequence of the above, the Company is publishing the following forward-looking assumptions:

- For 2023: revenue contraction and adjusted EBITDA after lease to decrease by c.€40m compared to first half 2023.
- For 2024: transition year with progressive recovery of the business in H1, to be materialized in H2 revenues, and adjusted EBITDA after lease to remain negative.
- For 2025: sharp rebound in revenues and return to normalized profitability with adjusted EBITDA after lease not to exceed €100 million.

In this challenging context, shareholders and lenders have decided to demonstrate their support and have renewed their confidence in the long-term prospects of Technicolor Creative Studios.

- The main shareholders and lenders of the Company agreed to inject an extra €30 million cash by October 31st, 2023, in accordance with the existing financial agreements.

- Cash interests on all debt instruments (New Money and Reinstated debt) will be turned into PIK interests until end of 2024.

- In addition, 23 of the main shareholders of the Company (holding 94,82%[2] of the capital) , announced their intent to acquire the Technicolor Creative Studios S.A. shares the concert does not already own and to file a public tender offer ("*offre publique d'achat simplifiée*") with the Autorité des Marchés Financiers (AMF). The tender offer, for a cash consideration of 1,63 euro per Technicolor Creative Studios share, dividends included, will be subject to the AMF's approval and will be followed, the required conditions of capital and voting rights being already met, by a mandatory squeeze-out.

The projected delisting of the Company along with these new financing arrangements are strong signals of the trust the shareholders and the lenders are giving to the Company.

In addition to this first €30 million cash injection, Technicolor Creative Studios intends to seek, in the short term, further financing options from various sources to address its future liquidity needs. The Company intends to deepen and accelerate its strategic review announced in March and June 2023. The roll-out of the transformation program will also allow to further optimize working capital and monitor the cash expenditures to ensure the relevant level of cash to operate the Company.

[2] On October 2, 2023, based on a total of 25,511,822 Technicolor Creative Studios shares and theoretical voting rights, as communicated by the Company on July 31, 2023. Taking into account the dilution resulting from the conversion of all the convertible bonds into shares and the exercise of all the share warrants issued on June 8, 2023, by Technicolor Creative Studios and held by the members of the Concert, the Concert holds 97.10% of the share capital and voting rights, on a fully diluted basis.

B. REFINANCING AND DEBT ANALYSIS

Successful completion of the Refinancing

Technicolor Creative Studios announced on June 9, 2023, the successful completion of its refinancing including a new money financing for a total principal amount of approximately 170 million euros. A first refinancing tranche of 85,000,000 euros has been drawn at the beginning of April and a second refinancing tranche of 85,000,000 euros has been granted early June.

Following the Refinancing, by a decision of the Board of Directors of July 25, 2023, adopted pursuant to the twenty-eight resolution approved by the Combined General Meeting of May 15, 2023, the par value of each of the Company's shares has been decreased from one euro (€1) to one euro cent (€0.01) and the share capital is as a result reduced from twenty-five million five hundred and eleven thousand eight hundred and twenty-two euros (€25,511,822) to two hundred and fifty-five thousand one hundred and eighteen euros and twenty-two cents (€255,118.22).

This technical share capital decrease, which was approved by the General Meeting on May 15, 2023, has no impact on the stock price of the Company's shares, or on the number of shares in circulation. As a result of this share capital reduction, the Company's share capital remains composed of twenty-five million five hundred and eleven thousand eight hundred and twenty-two (25,511,822) ordinary shares.

FCF and debt analysis

In first half 2023, Adjusted Operating Free Cash Flow after lease amounted to €(80.5) million, compared to €(23.1) million for first half 2022.

This €57.4 million deterioration is explained by:
- €(58.9) million adjusted EBITDA after lease decrease
- €(6.8) million higher restructuring costs cash out due to implementation of the Re*Imagined program
- €(1.8) million Capex increase from €17.0 million to €18.8 million

These negative impacts are partly offset by:
- €3.6 million working capital improvement from €(30.0) million to € (26.4) million
- €0.5 million decrease of capital leases.
- €5.9 million of lower other non-current cash out.

	First Half	
In € million	**2023**	2022
Adjusted EBITDA after lease	**(15.7)**	**43.2**
Capex	(18.8)	(17.0)
Capital leases	(6.1)	(6.6)
Restructuring	(12.4)	(5.6)
Change in working capital and other assets and liabilities	(26.4)	(30.0)
Other non-current	(1.1)	(7.0)
Adjusted Operating Free Cash Flow after lease	**(80.5)**	**(23.1)**
Financial cash out	(10.2)	(3.3)
Tax cash out	(1.9)	(20.0)
Adjusted Free Cash Flow after lease	**(92.6)**	**(46.4)**

	30/06/2023	31/12/2022
Nominal gross debt	**(602)**	(661)
Accrued cash & PIK interests	(12)	(3)
Cash and cash equivalents	59	38
Capital lease liabilities	(23)	(25)
Net debt (covenant – nominal)	**(577)**	**(650)**
Operating lease liabilities	(139)	(140)
Subordinated debt	(170)	0
Fair value adjustment on financial debt	273	52
Net financial debt (IFRS)	**(613)**	**(739)**

The cash position at the end of June 2023 was €59 million, compared to €38 million at the end of December 2022. Change in cash over the period was €21 million, mainly explained by €170 million new money injection, partly offset by €(93) million free cash flow after lease, €(40) million Revolving Credit Facility repaid and €(15) million fees due to the 2023 refinancing.

Operating leases debt amounted to €139 million at end June 2023, compared to €140 million at end December 2022. Total liquidity amounts to €99 million, including €40 million Revolving Credit Facility.

Fair Value adjustments on financial debt amounted to €273 million, compared to €52 million at the end of December 2022. This increase resulted from the €273 million fair value gain on debt arising from the refinancing and from the €52 million accelerated depreciation of deferred fees relating to the old debt.

Net financial debt at nominal value amounted to €577[3] million at the end of June 2023, compared with €650 million at the end of December 2022. IFRS net debt amounted to €613 million as of June 30, 2023, compared with €739 million as of December 31, 2022.

C. FIRST HALF 2023 KEY BUSINESS HIGHLIGHTS

MPC:

- In the first half of the year, MPC contributed to the successful release of highly anticipated movies and major franchise productions. Selected highlight MPC projects delivered include Disney's *The Little Mermaid*, Paramount's *Transformers: Rise of the Beasts*, Marvel's *Ant-Man and the Wasp: Quantumania*, and Netflix/MGM's *Vikings: Valhalla* season 2.
- The remarkable quality of MPC's work was once again recognized by several industry awards and nominations, including a BAFTA TV Craft Award for Special, Visual & Graphic Effects for HBO's *House of the Dragon* and an Emmy Award nomination for Outstanding Special Visual Effects In A Single Episode for Netflix's *Wednesday - A Murder of Woes*.

Mikros Animation:

- A great highlight of the first semester of 2023 was a special screening of *Teenage Mutant Ninja Turtles: Mutant Mayhem* work in progress version and *Ozi, Voice of the Forest* at the Annecy International Animation Film Festival. Both films received very enthusiastic acclaims. The Mikros Animation team handled creative development of Ozi animated feature, from concept to delivery.
- Additional half year highlights include the successful delivery of Paramount's *The Tiger's Apprentice.*

[3] Excluding 170 M€ of subordinated debt

The Mill:

- The Brand welcomed a newly appointed President, Mark Benson, to harness The Mill's portfolio activities – from VFX, design, experience, and creative production – to provide innovative opportunities for clients.
- Overall, the first half of 2023 saw a host of ground-breaking projects from The Mill including Nike 'Women's World Cup' and BMW "'The Last Beach Chair' campaigns.
- The Brand also won – among others – three AICP Awards, and two Webby Awards for HBO 'DracARys', including the People's Voice Winner, 'Technical Achievement in the Metaverse, Immersive and Virtual'; rewarding the excellence our teams.

Technicolor Games:

- In the first half of the year, the Brand contributed to AAA game releases for emblematic clients including Capcom's *Street Fighter 6* and Warner Bros. Games' *Hogwarts Legacy*.
- Under the leadership of Andy Emery, appointed President of Technicolor Games in the first quarter 2023, the Brand is further developing Technicolor Creative Studios' gaming business, at a time of increasing demand for higher quality graphics and greater complexity of games.

***

For information about the main risks identified by the Group that could affect its business, financial situation or sustainability, please refer to the risk factors section in the Universal registration document 2022.

III. TECHNICOLOR CREATIVE STUDIOS INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(€ in million)	*Note*	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue	*(3.1)*	303	409
Cost of sales		(260)	(344)
Gross margin		**43**	**65**
Selling and administrative expenses	*(3.3.1)*	(79)	(41)
Restructuring costs	*(9.1)*	(14)	(1)
Net impairment losses on non-current operating assets		(2)	(1)
Other income / (expense)	*(3.3.2)*	(2)	(3)
Earnings before Interest & Tax (EBIT)		**(54)**	**19**
Interest income		1	9
Interest expense		(48)	(18)
Net gain on financial restructuring		123	-
Other financial income / (expense)		(3)	1
Net financial income / (expense)	*(3.4)*	**72**	**(9)**
Income tax expense	*(4)*	(6)	(15)
Gain / (Loss) from continuing operations		**12**	**(5)**
DISCONTINUED OPERATIONS			
Net gain from discontinued operations	*(11)*	1	0
Net gain / (loss) for the period		**13**	**(4)**
Attribuable to :			
- Equity holders		*13*	*(4)*
- Non-controlling interest		-	-

EARNINGS PER SHARE *(in euro, except number of shares)*	Six months ended June 30, 2023	Six months ended June 30, 2022
Weighted average number of shares outstanding (basic net of treasury shares held)	790 322 842	N/A
Earnings per share		
- basic	0,02	N/A
- diluted	0,02	N/A

The accompanying notes on pages 16 to 40 are an integral part of these interim condensed consolidated financial statements.

technicolor
CREATIVE STUDIOS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ in million)	Note	Half year ended June 30, 2023	Half year ended June 30, 2022
Net income (loss) for the period		**13**	**(4)**
Items that will not be reclassified to profit and loss			
Remeasurement of the defined benefit obligations		-	-
Tax relating to these items		-	-
Items that may be reclassified subsequently to profit or loss			
Fair value gains / (losses), gross of tax on cash flow hedges:			
- reclassification adjustments when the hedged forecast transactions affect profit or loss		0	1
Tax relating to these items		-	-
Currency translation adjustments			
- currency translation adjustments of the year		1	6
- reclassification adjustments on disposal or liquidation of a foreign operation		-	-
Tax relating to these items		(0)	-
Total other comprehensive income		**1**	**6**
Total other comprehensive income of the period		**14**	**2**
Attributable to :			
- Equity holders of the parent		*14*	*2*
- Non-controlling interest		*(0)*	-

The accompanying notes on pages 16 to 40 are an integral part of these interim condensed consolidated financial statements.

technicolor
CREATIVE STUDIOS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	*Note*	June 30, 2023	December 31, 2022
ASSETS			
Goodwill	*(5.1)*	190	190
Intangible assets	*(5.2)*	81	88
Property, plant and equipment	*(5.3)*	58	55
Right-of-use assets	*(5.4)*	125	138
Other operating non-current assets		9	8
TOTAL OPERATING NON-CURRENT ASSETS		**463**	**479**
Other financial non-current assets		17	17
TOTAL FINANCIAL NON-CURRENT ASSETS		**17**	**17**
Deferred tax assets		7	7
TOTAL NON-CURRENT ASSETS		**487**	**503**
Trade accounts and notes receivable	*(3.2)*	65	99
Contract assets	*(3.2)*	49	64
Other operating current assets		34	28
TOTAL OPERATING CURRENT ASSETS		**148**	**191**
Income tax receivable		6	7
Other financial current assets	*(7.4)*	5	4
Cash and cash equivalents	*(7.1)*	59	38
Assets classified as held for sale		2	1
TOTAL CURRENT ASSETS		**220**	**241**
TOTAL ASSETS		**707**	**744**

The accompanying notes on pages 16 to 40 are an integral part of these interim condensed consolidated financial statements.

technicolor
CREATIVE STUDIOS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	*Note*	June 30, 2023	December 31, 2022
EQUITY AND LIABILITIES			
Share capital		26	273
Additional paid-in capital & reserves		(13)	(390)
Cumulative translation adjustment		(170)	(171)
Shareholders equity attributable to owners of the parent		**(157)**	**(288)**
Non-controlling interests		1	1
TOTAL EQUITY		**(156)**	**(287)**
Retirement benefits obligations	*(8.1)*	4	4
Provisions	*(9.1)*	4	4
Other operating non-current liabilities		2	1
TOTAL OPERATING NON-CURRENT LIABILITIES		**10**	**9**
Borrowings	*(7.2)*	508	562
Lease liabilities	*(7.2)*	124	133
Deferred tax liabilities		9	9
TOTAL NON-CURRENT LIABILITIES		**651**	**713**
Provisions	*(9.1)*	12	12
Trade accounts and notes payable		47	59
Accrued employee expenses		50	51
Contract liabilities	*(3.2)*	32	81
Other operating current liabilities		22	30
TOTAL OPERATING CURRENT LIABILITIES		**163**	**233**
Borrowings	*(7.2)*	2	49
Lease liabilities	*(7.2)*	36	32
Income tax payable		11	4
Other financial current liabilities		0	0
TOTAL CURRENT LIABILITIES		**212**	**318**
TOTAL LIABILITIES		**863**	**1 031**
TOTAL EQUITY & LIABILITIES		**707**	**744**

The accompanying notes on pages 16 to 40 are an integral part of these interim condensed consolidated financial statements.

technicolor
CREATIVE STUDIOS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ in million)	*Note*	Six months ended June 30, 2023	Six months ended June 30, 2022
Net gain / (loss)		**13**	**(4)**
Gain from discontinuing operations	*(11)*	1	0
Gain / (loss) from continuing operations		**12**	**(5)**
Summary adjustments to reconcile loss from continuing activities to cash generated from (used in) continuing operations			
Depreciation and amortization		39	39
Impairment of assets		0	(0)
Net changes in provisions		2	(5)
Loss on asset disposals		0	0
Interest (income) and expense	*(3.4)*	109	10
Fair value adjustments	*(3.4)*	(183)	-
Other items (including tax)		8	14
Changes in working capital and other assets and liabilities		(26)	(25)
Cash generated from (used in) continuing activities		**(39)**	**28**
Interest paid on lease debt		(8)	(6)
Interest paid		(8)	(12)
Interest received		0	9
Income tax paid		(2)	(20)
NET OPERATING CASH GENERATED FROM (USED IN) CONTINUING ACTIVITIES (I)		**(57)**	**(2)**
Purchases of property, plant and equipment (PPE)		(13)	(10)
Proceeds from sale of PPE and intangible assets		1	0
Purchases of intangible assets including capitalization of projects		(7)	(15)
Cash collateral and security deposits granted to third parties		(1)	(1)
Cash collateral and security deposits reimbursed by third parties		0	2
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)		**(20)**	**(25)**
Net contributions from / (to) Vantiva SA		-	19
Net proceeds of borrowings	*(10.2)*	173	-
Net cash pooling variance		-	24
Repayments of lease debt	*(10.2)*	(18)	(18)
Repayments of borrowings	*(10.2)*	(56)	(0)
Other		(2)	-
NET FINANCING CASH GENERATED FROM (USED IN) CONTINUING ACTIVITIES (III)		**97**	**26**
NET CASH GENERATED (USED IN) DISCONTINUED ACTIVITIES (IV)		**0**	**0**
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD		**38**	**12**
Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		**20**	**(1)**
Exchange gains / (losses) on cash and cash equivalents		(0)	(1)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**59**	**11**

The accompanying notes on pages 16 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ in million)	Share Capital	Additional paid-in capital	Other reserves	Retained earnings	Cumulative translation	Equity attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance as of December 31, 2021	**-**	**-**	**-**	**357**	**(130)**	**227**	**1**	**227**
Net income (loss)	-	-	-	(99)	-	(99)	0	(99)
Other comprehensive income	-	-	-	18	(37)	(20)	(0)	(20)
Total comprehensive income for the period	**-**	**-**	**-**	**(81)**	**(37)**	**(119)**	**0**	**(119)**
Capital increases / decreases before spin-off	0	-	1	0	-	1	-	1
Transition from combined to consolidated accounts	(0)	-	(0)	17	(4)	13	(0)	13
Transactions with shareholders with relation to spin-off:								
- Contribution by shareholders of their investments in TCS affiliates to TCS S.A.	273	863	-	(1,558)	-	(422)	-	(422)
- Other transactions	-	-	-	12	-	12	-	12
Balance as of December 31, 2022	**273**	**863**	**1**	**(1,254)**	**(171)**	**(288)**	**1**	**(287)**
Net income (loss)	-	-	-	13	-	13	(0)	13
Other comprehensive income	-	-	0	0	1	1	(0)	1
Total comprehensive income for the period	**-**	**-**	**0**	**13**	**1**	**14**	**(0)**	**14**
Capital increase	20	10	-	-	-	30	-	30
Capital decrease	(268)		1	267		-	-	-
Financial restructuring	-	(3)	-	89	-	86	-	86
Other changes	-	-	-	-	-	-	0	0
Balance as of June 30, 2023	**26**	**870**	**2**	**(885)**	**(170)**	**(157)**	**1**	**(156)**

Share Capital transactions in 2023 are detailed in Note 6.1.

Equity changes relating to the financial restructuring include:

- (3) m€ for fees allocated to the equity components of the refinancing
- 89 m€ for the fair value impact of the equity components of the refinancing:
    - share warrants granted to the New Money Lenders for 15 m€
    - equity component of the New Money Convertible Notes for 20 m€
    - difference between fair value and nominal value of the equitization of the Reinstated Term Loan EUR for 54 m€.

For further details on the financial restructuring, refer to Note 1.1.1.

The accompanying notes on pages 16 to 40 are an integral part of these interim condensed consolidated financial statements.

1 General information

Technicolor Creative Studios (TCS) offers Visual Effects ("VFX"), animation and technology services for the entertainment and the advertising industries, through its award-winning creative studios MPC, The Mill, Mikros Animation, and Technicolor Games.

TCS works primarily on an individual project basis, and builds teams and workflows around key creative and production talent. TCS also builds dedicated teams and spaces for clients who desire guaranteed capacity and talent across multiple projects.

In these interim condensed consolidated financial statements, the terms, "the Group", "TCS Group" and "Technicolor Creative Studios" mean the issuer together with its consolidated affiliates.

These interim condensed consolidated financial statements are presented in Euro, which is the Technicolor Creative Studios Group's parent company's functional and presentation currency.

1.1 Main events

1.1.1. Refinancing

On January 20, 2023, a conciliation procedure was opened in favor of the Company in order to address Technicolor Creative Studios' and its subsidiaries' liquidity shortage.

On March 8, 2023, the Company announced an agreement in principle on a new financing structure with certain of its main shareholders holding in the aggregate in excess of 80% of the share capital and voting rights, and a group of lenders which represent in aggregate more than 75% of the debt outstanding.

Following this agreement in principle, the Group announced (i) the execution on March 27, 2023 of a conciliation protocol by its lenders and shareholders showing their support in the rebound of the Company and (ii) its approval by a judgment of the Commercial Court of Paris dated March 29, 2023 which puts an end to the conciliation procedure opened on January 20, 2023.

In accordance with the terms of the agreement in principle, the Conciliation Protocol provided that the refinancing includes (i) a new money financing in aggregate principal amount, net of original issue discount and underwriting fee, equal to c.€170 million and (ii) the reinstatement of the existing indebtedness.

The main restructuring operations in this Refinancing, all now fully executed, are the following:

1. **New Money for an amount of c. €170 million (net of fees and commissions) for the financing of working capital and other general corporate purposes of the Company and its subsidiaries**

The first tranche of the New Money (€85 million net of fees and commissions) was made available on April 5, 2023, before the formal approval by the General Meeting held on May 15, 2023:

- €50 million (net of fees and commissions[4]) by way of an English law Term Loan Facility.
    - To be fully repaid on July 31, 2026
    - Interest until June 30, 2024:
        - Cash interest: EURIBOR (0% floor) + 0.5% per year payable semi-annually, quarterly or monthly (at the Company's option)
        - PIK interest: 11.5% (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €110 million) per year capitalized annually.

[4] Original Issue Discount of 5% plus underwriting fees of 3.5% plus 1.5% commitment fees on undrawn amounts

  - Interest thereafter:
    - Cash interest: EURIBOR (0% floor) + 2.0% per year payable semi-annually, quarterly or monthly (at the Company's option)
    - PIK interest: 10.0% (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €110 million) per year capitalized semi-annually.

- $5 million (net of fees and commissions[Error! Bookmark not defined.]) by way of an English law Term Loan Facility.
  - To be fully repaid on July 31, 2026
  - Interest until June 30, 2024:
    - Cash interest: Term SOFR (0% floor) or SOFR (0% floor) + 0.5% per year payable semi-annually, quarterly or monthly (at the Company's option)
    - PIK interest: 11.5% (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €110 million) per year capitalized annually.
  - Interest thereafter:
    - Cash interest: Term SOFR (0% floor) or SOFR (0% floor) + 2.0% per year payable semi-annually, quarterly or monthly (at the Company's option)
    - PIK interest: 10.0% (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €110 million) per year capitalized annually.

- €30 million by way of French law Bridge Notes.
  - To be fully repaid by July 31, 2023
  - Cash interest: 0.75% per year

The remaining New Money (€85 million net of fees and commissions) was made available on 8 June 2023 by way of:

- two additional English law Term Loan Facilities (€50 million and $5 million) with the same characteristics as the ones issued on April 5, 2023

- the issuance of French law Convertible Notes for €60 million, of which €30 million were subscribed by way of set off of the Bridge Notes issued on April 5, 2023
  - Maturity date: July 31, 2026
  - Cash interest: 0.75% per year
  - The Conversion Ratio is 5 ordinary shares of Technicolor Creative Studios SA for one Convertible Note
  - Holders of the Convertibles Notes will have at any time the right to convert them (in whole or in part) at the Conversion Ratio
  - The Convertible Notes will be automatically converted into new shares of the Company at the Converion ratio upon:
    - the date of a sale of the entire share capital of the Company pursuant to which the enterprise value paid by a purchaser is equal or exceeds €1,200 million; or
    - the date on which the enterprise value is equal or exceeds €1,200 million as determined by an independent expert; or
    - the date on which EBITDAal is equal or exceeds €150 million as determined by an independent expert,
    - in each case, at any time, including following the occurrence of a change of control.
  - Conversion of 100% of the Convertible Notes would give holders of those notes an aggregate amount of 33% of the share capital of the Company on a fully diluted basis pro forma.

In addition, as a counterpart for this financing, share warrants entitling to 11% of the share capital on a fully diluted basis pro forma were granted to the New Money Lenders in proportion to their exposure to the New Money Term Loan Facility, and only to them.

2. Restructuring of the existing indebtedness of the Group, as follows:

- On April 5, 2023, the existing multicurrency Revolving Credit Facility was reinstated for its total amount of €40 million with new financial conditions:
    - Cash interest: EURIBOR (0% floor) or Term SOFR (0% floor) or SOFR (0% floor) or CDOR (0% floor) or SONIA (0% floor) + 2.0% per year
    - PIK interest: 3.5% (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €110 million) per year

- On April 5, 2023, the existing Term Loans were reinstated for their total amount of €621 million with new financial conditions:
    - Interest until June 30, 2024:
        - Euro Tranche (€582 million):
            - Cash interest: EURIBOR (0% floor) + 0.5% per year payable semi-annually, quarterly or monthly (at the Company's option)
            - PIK interest: 5.5% per year (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €140 million)
        - USD Tranche (c. €39 million):
            - Cash interest: Term SOFR (0% floor) SOFR (0% floor) + 0.5% per year payable semi-annually, quarterly or monthly (at the Company's option)
            - PIK interest: 7.0% per year (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €140 million)
    - Interests thereafter:
        - Euro Tranche (€582 million):
            - Cash interest: EURIBOR (0% floor) + 2.0% per year payable semi-annually, quarterly or monthly (at the Company's option)
            - PIK interest: 4.0% per year (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €140 million)
        - USD Tranche (c. €39 million):
            - Cash interest: Term SOFR (0% floor) or SOFR (0% floor) + 2.0% per year payable semi-annually, quarterly or monthly (at the Company's option)
            - PIK interest: 5.5% per year (subject to PIK toggle to cash of the last 12 months EBITDAal is equal to or greater than €140 million)

- On June 8, 2023, a portion of the Reinstated Term Loan EUR was converted into a subordinated instrument for a total amount of c. €170 million, with an initial 10-year maturity (with unlimited option by successive 2-year periods at the discretion of the Company) and with PIK interests of 0.5% per year

- On June 8, 2023, a portion of the Reinstated Term Loan EUR was equitized through a reserved capital increase for a total amount of €30 million (2,004,500,355 ordinary shares at €0,014966323 per share).

Following the completion of these operations, the shareholding structure of the Company was greatly modified.

Effects of these events on the financial statements at June 30, 2023:

The group considered the New Money debt, the conversion of part of the existing debt to equity, and the restructuring of the remaining debt after conversion to be a single complex transaction with multiple elements.

This transaction resulted in:

- derecognition of the previous debt;
- receipt of the proceeds, net of fees, from the New Money;
- recognition of new financial debt (New Money, Reinstated debt and Subordinated debt);
- issuance of equity instruments to lenders (shares and New Money warrants).

The new instruments are recognized at fair value on the date of the various transactions, with the amounts being different from the nominal amounts or the amounts net of fees presented in the description of the conciliation protocol. As the various transactions which permitted the implementation of the New Money debt should be analyzed as a whole, the initial fair value of the New Money, the associated warrants and the conversion options was not presumed to be equal to the cash received but calculated by an independent expert (Discounted cash Flow method for the debt components of the issued financial instruments, Black & Scholes model for the equity components of the issued financial instruments).

The difference between the derecognized debt and the new resources obtained was recognized in financial income ("Net gain on financial restructuring"), in accordance with the IFRS applicable to financial restructuring operations (IFRS 9 "Financial Instruments", IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments "). The breakdown of the net income before tax is as follows:

In millions of euros	
Proceeds from the New Money	170
Debt derecognized (Carrying amount)	625
New Money debt (Fair value) [1]	(168)
New Money warrants and conversion options (Fair value)	(35)
New Reinstated Term Loans (Fair value) [2]	(365)
Capital increase subscribed by set-off of existing debt[3]	(84)
Subordinated debt subscribed by set-off of existing debt[4]	(3)
RESULT OF THE OPERATION	**140**
Fees booked in Profit&Loss	(17)
Net gain on financial restructuring	**123**

1: Nominal value of the New Money debt of €182 million
2: Nominal value of Reinstated Term Loans of €421 million and RCF of €40 million
3: Capital increase for a nominal value of €30 million
4: Nominal value of Subordinated debt of €170 million

The fair value measures used, based on the analysis performed by an independent expert, are as follows:

- Value of the New Money Term Loans: 104.3% of the Nominal ;
- Value of the debt component of the New Money Convertible notes: 68.8% of the Nominal ;
- Value of Reinstated Term Loans: 77.4% of the Nominal ;
- Value of Subordinated debt: 1.9% of the Nominal ;
- Share value used for the valuation of equity instruments (shares, warrants and conversion options): €0.04176.

In accordance with IFRS 13 B38, the share value of €0.04176 is different from (and lower than) the stock market price at the date of issuance, i.e. €0.0918 on June 8, 2023. Indeed, this stock market price was not considering the dilutive effect of the whole operation (the low volume of transactions before June 8 being caused by the retention commitment taken by shareholders involved in the conciliation protocol).

The effective interest rate of the New Money and the Reinstated Term Loans is presented in note 7.2.1.

The effective interest rate is the rate used to discount the future repayment flows without consideration of the initial gains and losses.

In addition to the €12.5 million of OID, underwriting and commitment fees, the fees attributable to the operation, i.e. €25 million, were recognized in equity (€3 million), financial income (€17m) or as a reduction of the New Money debt (€5 million) depending on their nature.

1.1.2. Writers and actors strike, delisting and going concern

The current writers and actors strike in Hollywood that started in early May 2023 and the slowdown of the advertising VFX market have been impacting the pace of business recovery of the Company. In this context, Technicolor Creative Studios has reassessed its future liquidity needs and engaged discussions with some of its stakeholders, which led to four major announcements on October 2, 2023:

1. A large majority of shareholders and lenders representing 94.82% of the capital and of the voting rights will act in concert to file an offer for the shares of the Company, following which the shares of the Company will be delisted from Euronext Paris;
2. An additional €30 million will be lent to the Company by its main creditors by October 31, 2023, in accordance with the existing financial agreements;
3. Cash interest on all debt instruments (New Money and Reinstated debt) will be converted to PIK interest until the end of 2024, for circa €48 million;
4. The minimum liquidity required by the covenant contained in the Credit Agreement will be reduced.

In addition to these four measures, the Company is seeking, in the short term, significant additional funding from various sources to further address its future liquidity needs.

The delisting and these new financing arrangements are a strong signal of the trust the shareholders and the lenders are giving to the Company in the context of a difficult market impacted by the strikes.

The Company intends to accelerate its strategic review announced in March / June 2023. The roll-out of the Re-Imagined program will allow the further optimization of working capital and monitoring of cash expenditures to ensure the relevant level of cash to operate the Company.

Based on the updated financial forecasts that include the actions described above, management has identified that there is an uncertainty upon the ability of the company to continue as a going concern, in particular as the additional funding mentioned above has to be materialized, but concluded that it was appropriate to prepare the half-year consolidated financial statements on a going concern basis.

Having carefully considered the above, the Board of Directors concluded on October 2, 2023 that preparing the half-year consolidated financial statements on a going concern basis is an appropriate assumption.

1.2 Accounting policies

1.2.1 Basis for preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 were prepared in accordance with IAS 34, "Interim Financial Reporting", a standard issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Because they are condensed, these financial statements do not include all the information required under the standards issued by the IASB and should be read in conjunction with the full-year financial statements of the Group for the year ended December 31, 2022.

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

TCS financial statements are presented in euro and have been rounded to the nearest million. This may in certain circumstances lead to non-material differences so that the sum of the figures equals the sub-totals that appear in the tables.

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, 2022. The standards, amendments and interpretations which have been applied for the first time in 2023 have no impact for the Group (see Note 1.2.2). The impacts of the pension reform in France on the pension liability for the Group are trivial.

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

The audited interim condensed consolidated financial statements and notes were approved by the Board of Directors of Technicolor Creative Studios SA and authorized for issuance on October 2, 2023.

The information relating to the period ended June 30, 2022 presented in these interim condensed consolidated financial statements are from the interim condensed combined financial statements as of June 30, 2022 approved by the Board of Directors of Technicolor Creative Studios SA (formerly Tech 8 SAS) on July 28, 2022 prior to the transformation of Tech 8 into a Société Anonyme and the change of its corporate name to "Technicolor Creative Studios".

1.2.2 New standard and interpretations

Main standards, amendments, and interpretations effective and applied as of January 1st, 2023

New standard and interpretation	Main provisions
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	An entity is now required to disclose its material accounting policy information instead of its significant accounting policies; several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. The amendments clarify that: • accounting policy information may be material because of its nature, even if the related amounts are immaterial; • accounting policy information may be material because of its nature, even if the related amounts are immaterial; • accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and • if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the "four-step materiality process" to accounting policy information in order to support the amendments to IAS 1. These amendments had no effect on the interim condensed consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim financial statements. The amendments are expected to be applicable for the accounting policy disclosures in the annual consolidated financial statements of the Group.
Definition of Accounting Estimates (Amendments to IAS 8)	The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. These amendments had no effect on the interim condensed consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendments aim to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A. These amendments had no effect on the interim condensed consolidated financial statements of the Group.
Pension reform in France – Promulgation (IAS19)	Modification of the French pension as of April 12, 2023, resulting in a postponement of the legal retirement age and an acceleration of the increase in contribution periods, which could have an impact on the retirement indemnities and early-retirement plans. This would extend the period during which the company carries the employees benefiting from this system, resulting in an increase in the ultimate cost for the employer. Modifications to the French pension system did not have any significant impact on the Group.

1.2.3 Significant assumptions & 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.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable and relevant. Actual results may differ from these estimates, while different assumptions or conditions may yield different results.

Management regularly reviews its valuations and estimates based on its past experience and various other factors considered reasonable and relevant for the determination of the fair estimates of the assets and liabilities' carrying value and of the revenues and expenses.

Technicolor Creative Studios' management believes the following to be the critical accounting policies and related judgments and estimates used in the preparation of its interim condensed consolidated financial statements:

- Impairment of goodwill and intangible assets with indefinite useful lives (see note 5.5);
- Determination of the term of the rents for the estimation of the right of use and of recoverable amounts for individually impaired right-of-use asset (see note 5.4);
- Determination of the fair value of the financial instruments (see notes 1.1.1, 3.4 and 7.4)
- Revenue recognition (see note 3.2);
- Deferred tax assets recognition.

The underlying assumptions used for the main estimates are similar to those described as of December 31, 2022. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2023 may subsequently change.

1.2.4 Foreign exchange translation rates

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

	Closing rate		Average rate	
	June 2023	December 2022	June 2023	June 2022
US Dollar (US$)	1,0866	1,0666	1,0789	1,0563
Pound sterling (GBP)	0,8583	0,8869	0,8752	0,8537
Canadian Dollar (CAD)	1,4415	1,4440	1,4591	1,3757
Indian Roupee (INR)	89,2065	88,1710	88,7613	82,8319

2 Scope of consolidation

During the first half of 2023, The Mill Group Inc. has merged into Technicolor Creative Services USA Inc TCS.

For *fiducies-sûreté*, refer to note 7.

3 Information on operations

3.1 Information by business segments

Technicolor Creative Studios has four continuing businesses and reportable operating segments that the business intends to follow under IFRS 8: MPC, The Mill, Mikros Animation and Technicolor Games. They have been regrouped in two business segment groups which share similar production processes, resources, economic and customer profiles. Previously, performance was followed in an aggregated manner and the information below is only presented for revenue.

The Group's Executive Committee makes its operating decisions and assesses performances based on these operating segments. All remaining activities, including unallocated corporate functions, are grouped in the segment "Corporate & Other".

MPC & Mikros Animation

Together, MPC and Mikros Animation artists deliver contents for episodic and theatrical projects of entertainment producers.

These award-winning visual effects studios, now under the unitary MPC brand, unite artistry and creativity with technology and innovation. MPC bring decades of experience in delivering everything from breathtaking environments, down to the precise details of a full Computer-Graphic ("CG") character.

From episodic hits to major animated features, Mikros Animation work with leading animation studios. Its industry-leading facilities have become home to some of the world's most recognized and respected animators;

The Mill & Technicolor Games

The Mill and Technicolor Games are delivering digital content to create new experiences for our customers' targets.

With the latest visual effects, CGI and immersive technologies, The Mill produces groundbreaking advertising, content and interactive marketing solutions for the world's biggest brands;

Technicolor Games focuses on the creative needs for the gaming industry and collaborates with many of the top game developers in the world.

Corporate & Other

This segment will include corporate functions, which comprise the costs of Group management, together with headquarters support functions, such as Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and which do not service a particular business within the two operating segments of the Group.

(€ in million)	MPC & Mikros Animation	The Mill & Technicolor Games	Corporate & Other	TOTAL
	First Half ended June 30, 2023			
Statement of operations				
Revenue	204	99	0	303
Earnings before Interest & Tax (EBIT) from continuing operations	**(4)**	**(15)**	**(35)**	**(54)**
Operating leases - rent payments	(7)	(6)	(4)	(17)
Operating leases - depreciation	5	3	3	11
Amortization of purchase accounting items	-	4	-	4
Restructuring costs	3	5	6	14
Other non current items	2	0	2	4
Adjusted EBITA after lease	**(1)**	**(8)**	**(28)**	**(37)**
Depreciation & amortization [(1)]	12	3	7	22
Other non-cash items	-	-	-	-
Adjusted EBITDA after lease	**11**	**(5)**	**(21)**	**(16)**

[(1)] Excluding Cloud rendering and other usage based IT costs, operating lease depreciation and PPA amortization; including capital lease depreciation

(€ in million)	MPC & Mikros Animation	The Mill & Technicolor Games	Corporate & Other	TOTAL
	First Half ended June 30, 2022			
Statement of operations				
Revenue	270	139	1	409
Earnings before Interest & Tax (EBIT) from continuing operations				**19**
Operating leases - rent payments				(15)
Operating leases - depreciation				10
Amortization of purchase accounting items				4
Restructuring costs				1
Other non current items				4
Adjusted EBITA after lease (new definition)				**23**
Depreciation & amortization [(1)]				20
Other non-cash items [(2)]				0
Adjusted EBITDA after lease (new definition)				**43**

(1) Excluding depreciation of cloud rendering and other usage-based IT costs, operating lease asset depreciation and amortization of intangibles that arose from acquisitions or disposals, including capital lease depreciation.

[(2)] Mainly costs of equity settled share based compensation

The Group follows two main financial indicators by operating segment. These indicators could not be computed retrospectively as allocation rules for many expenses could not be reliably established over the periods presented.

Adjusted EBITA after lease (EBITAal) :
EBIT adjusted positively by:

- The amortization of intangibles that arose from acquisitions or disposals;
- Restructuring costs;
- Other non current items (including other income (expense), impairment gains (losses) and Capital gains (losses).

And negatively by:

- The difference between operating lease payments and operating leased assets depreciation.

Adjusted EBITDA after lease (EBITDAal) :
EBITAal adjusted by:

- Depreciation and amortization, excluding Cloud rendering and other usage based IT costs, operating lease depreciation and PPA amortization; including capital lease depreciation;
- Non-cash income and expense such as Equity-settled share-based payments.

Sales by segment

(€ in million)	Six months ended June 30, 2023	Six months ended June 30, 2022
Mikros	81	56
Games	7	6
MPC	123	213
The Mill	92	132
Other	0	1
Total	**303**	**409**

As of June 30, 2023, the aggregate amount of the transaction prices allocated to the remaining performance obligations was €115 million and related to the Films and Animations businesses. These revenues will be recognized according to percentage of completion.

3.2 Contract balances

(€ in million)	June 30, 2023	December 31, 2022
Trade receivables	65	99
Contract assets	49	64
Contract liabilities	32	81

3.3 Operating income & expenses

3.3.1.1 Operating expenses

(€ in million)	Six months ended June 30, 2023	Six months ended June 30, 2022
Selling and marketing expenses	(6)	(10)
General and administrative expenses	(72)	(31)
Selling and administrative expenses	**(78)**	**(41)**

The increase in selling and administrative expenses mainly relate to certain technology costs presented in costs of sales as of June 30, 2022 which are now classified as general and administrative expenses.

3.3.2 Other income (expense)

(€ in million)	Six months ended June 30, 2023	Six months ended June 30, 2022
Net capital gains	(0)	0
Litigations and other	(2)	(3)
Other income (expense)	**(2)**	**(3)**

As of June 30, 2022 and 2023, other expenses include non current fees linked to spin-off project and other miscellaneous non operational expenses.

3.4 Net financial income (expense)

	Six months ended June 30,	
(€ in million)	2023	2022
Interest income	**1**	**9**
Interest expense on lease debt	(8)	(7)
Interest expense on financial debt	(31)	-
Other interest expense	(10)	(12)
Interest expense	**(49)**	**(18)**
Net gain on financial restructuring	**123**	**-**
Net interest expense on defined benefit liability	(0)	(0)
Foreign exchange gain / (loss)	(0)	2
Other	(3)	(1)
Other financial income (expense)	**(3)**	**1**
Net financial income (expense)	**72**	**(9)**

The net gain on financial restructuring is detailed in Note 1.1.1.

4 Income tax

The income tax expense for the six months ended June 30, 2023 is determined using the year-end 2023 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, 2023 is summarized below:

- Canada €6 million;
- India €1 million.

5 Goodwill, intangible & tangible assets

5.1 Goodwill

Technicolor Creative Studios Group is monitored under four dedicated business lines with MPC for Film & VFX, The Mill for Advertising, Mikros Animation and Technicolor Games.

The following table provides the allocation of goodwill to each Cash-Generating Unit (CGU) based on the organization effective as of December 31, 2022 and June 30, 2023.

There is no goodwill in Technicolor Games.

(€ in million)	MPC	The Mill	Mikros Animation	Total
At December 31, 2022, net	**127**	**24**	**39**	**190**
Exchange difference	-	-	-	0
At June 30, 2023, net	**127**	**24**	**39**	**190**

For impairment test, refer to note 5.5.

5.2 Intangible assets

(€ in million)	Trademarks	Customer Relationships	Other intangibles	Total Intangible Assets
At December 31, 2022, net	**25**	**40**	**23**	**88**
Cost	*27*	*103*	*189*	*319*
Accumulated depreciation	*(2)*	*(62)*	*(166)*	*(230)*
Exchange differences	1	-	-	1
Additions	-	-	6	6
Disposal	-	-	(1)	(1)
Depreciation charge	-	(4)	(7)	(11)
Other	-	-	(2)	(2)
At June 30, 2023, net	**26**	**36**	**20**	**81**
Cost	*28*	*103*	*181*	*312*
Accumulated depreciation	*(2)*	*(67)*	*(162)*	*(231)*

5.3 Property, plant & equipment

(en millions d'euros)	Installations techniques, matériels et outillages	Autres immobilisations corporelles	TOTAL
Au 31 décembre 2022, net	**1**	**54**	**55**
Brut	*62*	*266*	*329*
Amortissements cumulés	*(61)*	*(212)*	*(274)*
Acquisitions	-	11	11
Amortissements	-	(8)	(8)
Au 30 juin 2023, net	**1**	**57**	**58**
Brut	*62*	*272*	*334*
Amortissements cumulés	*(61)*	*(214)*	*(276)*

5.4 Right-of-use assets

(€ in million)	Real Estate	Others [1]	Total Right-of-use assets
At December 31, 2022, net	**103**	**35**	**138**
New contracts [2]	-	4	4
Change in contracts [3]	4	-	4
Reclassification [4]	(1)	-	(1)
Depreciation charge	(8)	(10)	(18)
Impairment loss	(2)	-	(2)
At June 30, 2023, net	**96**	**29**	**125**

(1) Relates mainly to IT capital leases
(2) Relates to new capital leases in India
(3) Relates mainly to renewal of lease in Canada and Netherlands, on top of change in Right of Use asset value of contracts in US, UK and India after adjustments in discount rate
(4) Reclass of Wardour premises in UK to Held for Sale

5.5 Impairment on non-current operating assets

In accordance with IAS 34, the Group has performed a review as of June 30, 2023 for indications of significant impairment. As part of the update of its performance forecast, the group noted a decline in its expected financial performance versus its prior budget. Hence, an impairment test was performed at each CGU level.

As per the result of the test performed, no impairment on non-current operating assets is necessary as of June 30, 2023.

5.5.1 Main assumptions

In order to perform the impairment test, the Group used the following assumptions to determine the recoverable amount of the main goodwill reporting units:

Basis used to determine the recoverable amount	Value in use
Description of key assumptions	Budget and Business Plans
Period for projected future cash flows	5 years
Growth rate used to extrapolate cash flow projections beyond projection period	2,5%
Post-tax discount rate applied	11,4%

These assumptions are similar to the ones determined for the impairment test realized as at December 31, 2022.

The group elaborates its budgets and business plans using available general market and industry surveys, information from its customers and its knowledge of the industry.

5.5.2 Sensitivity of recoverable amounts

As at June 30, 2023, the following sensitivity analysis is performed at CGU level:

	Impact on the enterprise value			
(€ in million)	MPC	The Mill	Mikros Animation	Technicolor Games
Decrease of 1 point in the long-term growth rate assumption	(19)	(18)	(19)	(12)
Decrease of 1 point of the production margin on the terminal value	(22)	(19)	(12)	(4)
Increase of 1 point in the WACC rate assumption	(26)	(25)	(26)	(17)

All sensitivity analysis performed above would not result in any impairment.

6 Equity & Earnings per share

6.1 Change in share capital

(In euros, except number of shares in units)	Number of shares	Par value	Share capital in Euros
Share Capital as of December 31, 2022	**546,681,915**	**0.50**	**273,340,958**
Share capital reduction (May 31, 2023) (1)	-	-	(267,874,138)
Reserved share capital increase (June 8, 2023) (2)	2,004,500,355	0.01	20,045,004
Issuance of warrants (June 8, 2023) (3)	-	-	-
Share Capital as of June 30, 2023	**2,551,182,270**	**0.01**	**25,511,823**

(1) On May 31, 2023, the par value of each of the Company's shares was decreased from €0.50 to €0.01 and the share capital was as a result reduced from €273,340,957.50 to €5,466,819.15.

(2) On June 8, 2023, the Company converted into equity part of the receivables held by the lenders for a total amount of €29,999,999.88 by means of a share capital increase, for a total amount (including nominal value and issue premium) of €29,999,999.88, consisting of the issuance of 2,004,500,355 new ordinary shares with a par value of €0.01 each, at a subscription price of €0.014966323057 each, subscribed by way of set-off of receivables.

(3) On June 8, 2023, the Company also allocated 501,125,088 warrants to the New Money lenders giving them the right to subscribe to a maximum number of 501,125,088 new shares, at a price of €0.01 per new share. The exercise period of these warrants is from September 1, 2023 to December 31, 2023.

6.2 Income per share

	Six months ended June 30,	
(in million euros, except number of shares in thousands)	**2023**	**2022**
Net income	**12**	**N/A**
Net income attributable to non-controlling interest	0	N/A
Net gain from discontinued operations	1	N/A
Numerator Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders	**13**	**N/A**
Basic weighted number of outstanding shares (in thousands)	790,323	N/A
Dilutive impact of stock-option & free share plans	-	-
Denominator Diluted weighted number of outstanding shares (in thousands)	**790,323**	**N/A**

7 Financial assets, financing liabilities & derivative financial instruments

7.1 Financial assets

Cash and cash equivalents

(€ in million)	June 30, 2023	December 31, 2022
Cash	20	14
Cash equivalents	39	24
Cash and cash equivalents	**59**	**38**

7.2 Financial liabilities

7.2.1 Borrowings

7.2.1.1 Main features of the Group's borrowings

The Group's debt consists primarily of

- new borrowings (the "New Money Debt"),
- restated term loans (the "Restated Term Loans") and
- subordinated debt (the "Subordinated Debt").

All of these instruments were implemented in April and June 2023 as part of the Group's financial restructuring. The Group's €40m revolving credit facility was also restated (the "Restated RCF"). The New Money Debt consists of term loans (the "New Money Term Loans") in euros and dollars and convertible notes issued by Technicolor Creative Studios S.A. in euros (the "Convertible Notes"). The Restated Term Loans, issued by Technicolor Creative Studios replace the previous term loans issued on September 15, 2022. These term loans were partly reimbursed by set-off with (i) a €30m reserved share issue and (ii) the Subordinated Debt in the amounts of €156m and $15m. In addition, under the terms of the financial restructuring the lenders agreed to waive ("*abandon de créances*") the €13m of interest due on March 15, 2023 under the term loans issued on September 15, 2022.

The New Money Term Loans, the Restated Term Loans and the Restated RCF all have both a cash and PIK (payment in kind) interest component while the convertible bonds have only cash interest and the Subordinated Debt has only PIK interest. The PIK interest is capitalized every 12 months and repaid on final maturity.

More information about the Group's financial restructuring can be found in note 1.1.1.

(in million currency)	Currency	Nominal Amount	IFRS Amount	Type of rate	Cash Rate	PIK Rate	Total Rate (1)	Effective rate (1)	Repayment Type	Final maturity
New Money Term Loans	EUR/USD	120	122	Floating	4,20%	11,50%	15,70%	15,10%	Bullet	July 31, 2026
Restated Term Loans	EUR/USD	420	331	Floating	4,47%	5,63%	10,10%	18,42%	Bullet	Sept. 15, 2026
Term Loans Subtotal		**539**	**452**		**4,41%**	**6,93%**	**11,34%**	**17,53%**		
Convertible Notes	EUR	63	41	Fixed	0,75%	-	0,75%	14,65%	Bullet	July 31, 2026
Lease debt (2)	Various	160	160	Fixed	10,16%	-	10,16%	10,16%	Various	Various
Accrued PIK interest	EUR/USD	10	10	NA	-	-	-	-	NA	
Accrued interest	EUR/USD	2	3	NA	-	-	-	-	NA	
TOTAL SENIOR DEBT		**773**	**666**		**5,24%**	**4,84%**	**10,07%**	**15,25%**		
Subordinated Debt	EUR/USD	170	3	Fixed	-	0,50%	0,50%	48,75%		June 8, 2033 (3)
TOTAL DEBT		**943**	**669**		**4,29%**	**4,06%**	**8,35%**	**15,41%**		

(1) Rates as of June 30, 2023
(2) Of which €23 million are capital leases and €137 million is operating lease debt under IFRS 16
(3) The maturity can be extended at the option of the borrower for periods of 2 years

7.2.1.2 Key terms of the credit agreements

In the framework of its financial restructuring, Technicolor Creative Studios SA ("TCS SA" or the "Group") entered into the following agreements in the 1st half of 2023:

- New Money Term Facilities Agreement (governing the New Money Term Loans);
- Convertible Notes Subscription Agreement (governing the Convertible Notes),

Together, the "New Money Credit Agreements" and the

- Amended and Restated Credit Agreement (governing the Restated Term Loans and Restated RCF)

Together with the New Money Credit Agreements, the "Credit Agreements" and a

- Subordinated Debt Agreement (governing the Subordinated Debt).

The key terms of these agreements are described below.

Security package

The lenders and noteholders under the Credit Agreements benefit from upstream guarantees (the "Guarantees") from certain subsidiaries of the Group (the "Guarantors") and pledges (i) on the shares of the main subsidiaries of the Group, (ii) on intercompany financial receivables, (iii) on the main cash pooling accounts of the Group and (iv) (with respect to pledges granted by non-French Guarantors only) on all their assets.

The lenders and noteholders under the Credit Agreements also benefit from two fiducies-sûreté in respect of (i) all shares issued by Tech 6 (except one golden share held by the security agent acting on behalf of the lenders and noteholders under the Credit Agreements and one share pledged by TCS in favor of the lenders and noteholders under the Credit Agreements), (ii) one share issued by Tech 7 and (iii) all shares issued by Mikros Image (except one golden share held by the security agent acting on behalf of the lenders and noteholders under the Credit Agreements and one share pledged by Tech 7 in favor of the lenders and noteholders under the Credit Agreements). The fiducie-sûreté consists of a contract pursuant to which TCS SA (with respect to the fiducie-sûreté over Tech 6 shares and the Tech 7 share) or Tech 7 (with respect to the fiducie-sûreté over Mikros Image shares) transfers ownership of Tech 6 shares and the Tech 7 share or Mikros Image shares (as relevant) to a trustee ("fiduciaire") as security and guarantee for the payment of all obligations due by TCS SA or Tech 7 (as applicable) under the Credit Agreements and the Guarantees. The trustee ("fiduciaire") holds these shares in a segregated account created for the purpose of that fiducie-sûreté until the discharge of such obligations.

The fiducie-sûreté for Tech 6 shares and the Tech 7 share has a maximum term of 99 years. Equitis Gestion is the trustee, TCS SA the constituent of the trust and Glas is the security agent on behalf of the lenders and noteholders under the Credit Agreements.

The fiducie-sûreté for Mikros Image shares has a maximum term of 99 years. Equitis Gestion is the trustee, Tech 7 the constituent of the trust and Glas is the security agent on behalf of the lenders and noteholders under the Credit Agreements.

For these two fiducies-sûreté, it does not give rise to any change of control of the Group affiliates nor affects the consolidation.

In addition to the *fiducies suretés* certain entities of the Group have issued "golden shares", which are held by the security agent (acting on behalf of the lenders and noteholders under the Credit Agreements) and exercisable only in specific cases in order to protect their rights. The governance rules in place for the *fiducies* and the "golden shares", except in a case of a events of default (which mirror those of the Credit Agreements), do not change the control exercised by TCS SA over the subsidiaries integrated into the *fiducies* nor over the entities which have issued "golden shares" according to an analysis performed in accordance with the criteria defined by IFRS 10 "Consolidated Financial Statements". The Group, as part of its compliance procedure, continually monitors the restrictions imposed by the *fiducie* contracts.

The Subordinated Debt is unsecured and unguaranteed.

All proceeds received in connection with the above security, after payment of enforcement and administrative costs, will be applied (i) first, to unpaid amounts owed to lenders under the New Money Term Loans, to the noteholders under the Convertible Notes and to the lenders under the Restated RCF, on a *pari passu* basis, (ii) second, to unpaid amounts owed to the lenders under the Restated Term Loan and (iii) then to the creditors under the Subordinated Debt.

Mandatory and voluntary prepayments – Mandatory conversion

In case of change of control of TCS SA (only if the enterprise value of TCS SA as determined by an independent expert is below €1,200 million in respect of prepayment of the Convertible Notes) or in case of sale of all or substantially all of the assets of the Group, TCS SA shall repay in full the New Money Term Loans, the Convertible Notes, the Restated RCF, the Restated Term Loans and the Subordinated Debt.

The Convertible Notes shall mandatorily be converted into new shares of TCS SA upon (i) the date of sale of the entire share capital of TCS SA pursuant to which the enterprise value paid by a purchaser is equal to or exceeds €1,200 million, or (ii) the date on which the enterprise value of TCS SA is equal to or exceeds €1,200 million as determined by an independent expert, or (iii) the date on which the EBITDA of the Group is equal to or exceeds €150,000,000, as determined by an independent expert.

In case of disposal of assets by any member of the Group (subject to customary exceptions and de minimis amount), TCS SA shall apply the net disposal proceeds resulting from such disposal (i) first, to prepayment of the Restated RCF, (ii) second to prepayment of the New Money Term Loans and the Convertible Notes, on a *pari passu* basis and (iii) third, to prepayment of the Restated Term Loans.

As from financial year ended on 31 December 2024, TCS shall apply 75% of excess cash flow exceeding €5 million for any financial year, to prepayment of the New Money Term Loans, the Convertible Notes and the Restated RCF on a *pari passu* basis.

In case of casualty events (such as insurance proceeds for damages caused by fire or other insured events), TCS SA shall apply the insurance proceeds (subject to customary exceptions related to third party claim, operational losses and replacement and repair of assets) resulting from such casualty event (i) first, to prepayment of the Restated RCF, the New Money Term Loans and the Convertible Notes, on a *pari passu* basis and (ii) second, to prepayment of the Restated Term Loans.

Mandatory and voluntary prepayments of the New Money Term Loans made in the first two years require a make-whole payment consisting of the higher of all interest payments due until the second anniversary of the first drawdown date and 3% of prepayment amount. Prepayments after the second anniversary but before the third anniversary of the drawdown date are subject to a 3% prepayment fee.

Events of default

In case of occurrence of an event of default, lenders under the New Money Term Loans, noteholders under the Convertible Notes and lenders under the Restated RCF and the Restated Term Loans will have the ability to immediately demand payment of all or a portion of the outstanding amounts owed to them (subject to the provisions of the intercreditor agreement they have entered into).

The events of defaults in the Credit Agreements include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by borrowers to make required payments when due under the Credit Agreements or of any other financial indebtedness;
- failure to comply with any affirmative covenant or negative covenant provided in the Credit Agreements;
- breach of a financial covenant;
- a cross default under which there is a default if any member of the Group defaults under any indebtedness (other than the New Money Term Loans, the Convertible Notes, the Restated RCF, the Restated Term Loans and the Subordinated Debt) involving an aggregate amount greater than €6,750,000;
- insolvency of TCS SA, any Guarantor or any other material subsidiaries;
- cessation of business;
- event or circumstance having or reasonably likely to have a material adverse effect (as defined in the Credit Agreements).

Financial covenants

The Credit Agreements contain a financial leverage covenant, tested quarterly beginning June 30, 2025.

The Credit Agreements also contain a minimum liquidity covenant tested the last day of each month starting on 30 June 2023, that requires the Group to maintain at least €13 million of cash and available credit lines following the announcements made on October 2, 2023.

Lastly, the Credit Agreements contain a covenant on capex expenditures (net of debt on capital expenditure) tested only for the financial year ended on 31 December 2025.

The breach of either of any of these financial covenants is an event of default.

Affirmative covenants

The Credit Agreement contains various standard and customary affirmative covenants as well as various obligations to report financial performance including monthly financial statements and cashflow projections.

Negative covenants

The Credit Agreement contains various standard and customary negative covenants as well as other specific covenants which restrict the Group’s ability to undertake certain actions. These include restrictions on:

- <u>Indebtedness</u>: capital leases, factoring and sale-leasebacks are allowed with certain limits and other debt is allowed up to a basket amount.
- <u>Liens</u>: new liens are generally not allowed except for some carve-outs and under a general lien basket.
- <u>Disposals</u>: the Group may make disposals but the proceeds are subject to mandatory prepayment provisions.
- <u>Acquisitions</u>: acquisitions are generally not allowed.
- <u>Distributions</u>: distributions to shareholders are generally not allowed.

At June 30, 2023 there was no testing of the leverage covenant. At June 30, 2023 the Group had liquidity of €99 million thereby meeting the minimum liquidity covenant.

7.3 Derivative financial instruments

7.3.1 Financial derivative portfolio

At June 30, 2023 the Group did not have any financial derivatives outstanding.

7.4 Fair values

7.4.1 Classification and measurement

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), reference 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.

The table below shows the breakdown of the financial assets and liabilities by accounting category:

(€ in million)	At June 30, 2023, net	Fair value measurement by accounting categories as of June 30, 2023					At December 31, 2022, net
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivatives Instruments	Fair Value measurement	
Non-consolidated Investments	**(0)**	-	(0)	-	-	Level 3	**(0)**
Cash collateral & security deposits	17	17	0	-	-	Level 1	17
Loans & others	0	0	-	-	-		0
Subleases receivables	0	0	-	-	-		0
Derivative financial instruments	-	-	-	-	-	Level 2	-
Other non-current financial assets	**17**						**17**
Total non-current financial assets	**17**						**17**
Cash collateral and security deposits	5	2	3	-	-	Level 1	4
Other current financial assets	(0)	(0)	-	-	-		(0)
Derivative financial instruments	(0)	-	-	-	(0)	Level 2	(0)
Other financial current assets	**5**						**4**
Cash	20	-	20	-	-	Level 1	14
Cash equivalents	39	-	39	-	-	Level 1	24
Cash and cash equivalents	**59**						**38**
Total current financial assets	**64**						**42**
Non current borrowings	(508)	(508)	-	-	-		(562)
Borrowings	**(508)**						**(562)**
Derivative financial instruments	-	-	-	-	-	Level 2	(0)
Other non-current liabilities	**-**						**(0)**
Lease liabilities	**(124)**	(124)	-	-	-		**(133)**
Total non-current financial liabilities	**(632)**						**(695)**
Current borrowings	(2)						(49)
Borrowings	**(2)**	(2)	-	-	-		**(49)**
Derivative financial instruments	(0)				(0)	Level 2	(0)
Other current financial liabilities	**(0)**	-	-	-	(0)		**(0)**
Lease liabilities	**(36)**	(36)	-	-	-		**(32)**
Total current financial liabilities	**(38)**						**(81)**
TOTAL FINANCIAL LIABILITIES	**(670)**						**(776)**
Trade accounts and notes receivable	**65**	65					**99**
TRADE RECEIVABLES	**65**						**99**
Trade accounts and notes payable	**47**	47					**59**
TRADE PAYABLES	**47**						**59**

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.

7.5 Liquidity risk and management of financing and of capital structure

Maturity schedule of the Group's financings

(€ in million)	June 30, 2023	December 31, 2022
Less than 6 months	20	62
Between 6 months and less than 1 year	18	19
Total current debt less than 1 year	**38**	**81**
Between 1 and 2 years	29	36
Between 2 and 3 years	21	28
Between 3 and 4 years	630	620
Between 4 and 5 years	18	16
Over 5 years	208	47
Total non-current debt	**905**	**747**
Total nominal debt	**943**	**828**
IFRS Adjustment	(274)	(52)
Debt under IFRS	**669**	**776**

The table below shows the future contractual cash flow obligations due on the TCS Group's external financial liabilities:

	At June 30, 2023							
(€ in million)	H2-23	H1-24	H2-24 H1-25	H2-25 H1-26	H2-26 H1-27	H2-27 H1-28	Thereafter	Total
Term Loans					539			**539**
Convertible bonds					63			**63**
Subordinated debt							170	**170**
Lease Liabilities	19	18	29	21	18	18	39	**160**
Other Debt	2				10			**12**
Total debt principal payments	**20**	**18**	**29**	**21**	**630**	**18**	**208**	**943**
Term Loans - Interest **	11	12	34	37	121			**215**
Convertible bonds - interest **			1	1				**2**
Subordinated debt - interest							9	**9**
Lease Liabilities - interest	8	7	11	9	3	2	*	**40**
Other Debt - interest								**0**
Total interest payments	**19**	**19**	**46**	**47**	**124**	**2**	**9**	**265**

** Interest expense on lease liablities beyond 2028 is not available.*

*** Cash flows of interest expense on term loans and convertible bonds presented in this table do not take into account conversion of cash interest to PIK interest announced on October 2, 2023 – refer to note 1.1.2. for further details.*

Credit Lines

(€ in million)	June 30, 2023	December 31, 2022
Undrawn, committed lines expiring in more than one year	40	0

The Group has a revolving credit facility (the "RCF") in an amount of €40 million which matures in July 2026. The RCF was undrawn at June 30, 2023 and fully drawn at December 31, 2022.

8 Employee benefits

8.1 Post-employment & long-term benefits

In France, TCS Group has a defined benefit plan which corresponds to "*Indemnités de fin de carrière*". The pension liability related to that commitment amount to €2 million as of June 2023 stable comparing to December 2022.

In Canada, Technicolor Creative Studios provided to certain employees a post-retirement medical plan. This medical plan includes life insurance, health and dental care benefit coverage and was closed to new entrants. The pension liability related to these plans amount to €2 million as of June 2023 stable comparing to December 2022.

8.2 Share-based compensation plans

Stock-options plans granted by Vantiva SA

In fiscal year 2022, the Technicolor Creative Studios Group employees participated in the Vantiva SA share-based payment programs. The expense recognized for the first six months of 2022 was less than €1 million and reflected the cost related to the Combined Group employees in regards with several Management Incentive Plans prior to 2017, Long Term Incentive Plans from 2017 to 2020 and 2020 Additional Performance Shares Plan.

There was no expense recognized for the first six months of 2023. As of 30 June 2023, there is no active plan existing in TCS Group.

9 Provisions & contingencies

9.1 Provisions

(€ in million)	Provisions for risks & litigations	Provisions for restructuring	Total
As of December 31, 2022	**10**	**6**	**16**
Of which current	*6*	*6*	*12*
Of which non-current	*4*	*-*	*4*
Current period additional provision	0	14	14
Release	(5)	(1)	(5)
Usage during the period	(0)	(11)	(11)
Other movements and currency translation adjustments	(0)	2	2
As of June 30, 2023	**5**	**11**	**16**
Of which current	*1*	*11*	*12*
Of which non-current	*4*	*-*	*4*

The provisions for restructuring are mainly composed of 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.

There was no significant event during the first six months of 2023 regarding the litigation matters disclosed in Note 12 to our 2022 audited consolidated financial statements, and there was no other significant new litigation since December 31, 2022.

10 Specific operations impacting the interim condensend consolidated statement of cash-flows

10.1 Cash impacts on investing operations

For the six months ended June 30, 2023 and 2022, the acquisition and disposal of activities and investments, net of cash position of companies acquired are nil.

10.2 Cash impacts on financing operations

The below table shows the Group's borrowings variation in the statement of financial position excluding:

			Non cash variation						
(€ in million)	**December 31, 2022**	**Cash impact of borrowing variation**	Non cash movements on lease contracts	IFRS adjustment	Interest expenses	Equitization	FX	Transfer Current - Non current	**June 30, 2023**
Non current borrowing	563	157		-199	12	-30	-1	6	508
Current borrowing	49	-40			-1		0	-6	2
Total borrowing	**611**	**117**	**0**	**-199**	**11**	**-30**	**-1**	**0**	**509**
Non current lease debt	133	-11	3				-1	-	124
Current lease debt	33	-6	10				0	-	36
Total lease liabilities	**166**	**-18**	**13**	**0**	**0**	**0**	**-1**	**0**	**160**
Total financial debt	**776**	**100**	**13**	**-199**	**11**	**-30**	**-1**	**0**	**669**

The IFRS adjustment includes the impact of financing fees allocated to the borrowings and the fair value adjustments of the new financial instruments in 2023.

11 Discontinued operations

11.1 Results of discontinued operations

(€ in million)	Six months ended June 30, 2023	2022
DISCONTINUED OPERATIONS		
Revenues	-	-
Cost of sales	-	-
Gross margin	**-**	**-**
Selling and administrative expenses	-	-
Restructuring Costs	-	-
Other income (expenses)	1	-
Earnings before Interest & Tax from discontinued operations	**1**	**-**
Financial net expenses	-	-
Income tax	-	-
Net income	**1**	**-**

11.2 Net cash from discontinued operations

(€ in million)	Year ended December 31, 2023	2022
Gain from discontinued activities	**1**	**0**
Summary adjustments to reconcile loss from discontinued activities to cash used in discontinued operations		
Depreciation and amortization	-	-
Net change in provisions	-	-
Profit (loss) on asset disposals	-	-
Interest (income) and expense	-	-
Other items (including tax)	-	-
Changes in working capital and other assets and liabilities	(1)	-
Income tax paid	-	-
NET OPERATING CASH GENERATED (USED) IN DISCONTINUED ACTIVITIES (I)	**-**	**-**
NET INVESTING CASH GENERATED (USED) IN DISCONTINUED ACTIVITIES (II)	**-**	**-**
NET FINANCING CASH USED IN DISCONTINUED ACTIVITIES (III)	**-**	**-**
NET CASH GENERATED (USED) IN DISCONTINUED ACTIVITIES (I+II+III)	**-**	**-**

12 Subsequent events

On July 18, 2023, Technicolor Creative Studios SA completed the reversed share split of all outstanding shares of the Company, involving the exchange of 100 old shares with a par value of €0.01 for 1 new share with a par value of one euro €1.

IV. STATUTORY AUDITORS' REVIEW REPORT

TECHNICOLOR CREATIVE STUDIOS

Société Anonyme

8-10, rue du Renard
75004 Paris

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

(For the period from January 1, to June 30, 2023)

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

To the Shareholders,

In compliance with the assignment entrusted to us by the shareholders at the Shareholders' General Meeting and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code ("code monétaire et financier"), we hereby report to you on :

- the review of the accompanying interim condensed consolidated financial statements of TECHNICOLOR CREATIVE STUDIOS, for the period from January 1st to June 30th, 2023 ;
- the verification of the information presented in the half-yearly management report.

These interim condensed consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information

Without qualifying our conclusion expressed above, we draw your attention to the uncertainty relating to the going concern described in the note "1.1.2 Writers and actors strike, delisting and going concern" of the notes to the interim condensed consolidated financial statements.

II - Specific verification

We have also verified the information presented in the half-yearly management report on the interim condensed consolidated financial statements subject to our review.

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

Paris La Défense, October 3, 2023

The Statutory Auditors

Mazars	Deloitte & Associés
Jean-Luc Barlet	Bertrand Boisselier