

NOT FOR DISTRIBUTION IN THE UNITED STATES

Availability of the Supplemental Note to the prospectus having received from the AMF the visa n°. 12-335 on July 12, 2012, following the publication by Technicolor of its H1 2012 results

Rights Issue

- Gross proceeds: €96,163,572.96
- Subscription price: €1.56 per newly issued share
- Subscription ratio: 5 newly issued shares for 22 existing shares
- Subscription period: from July 18, 2012 until August 2, 2012 inclusive
- Commitment by the private equity funds of Vector Capital and Petalite to subscribe on a pro rata basis
- Commitment by Petalite to backstop up to 75% of the Rights Issue

Opening of a withdrawal period on July 27 and on July 30, 2012 for investors that have exercised their preferential subscription rights and subscribed to new shares prior to publication of the Supplemental Note

Paris (France), July 26, 2012 – Technicolor S.A. (Euronext Paris: TCH) (“**Technicolor**”) announces that a supplemental note (the “**Supplemental Note**”) to the prospectus having received from the Autorité des marchés financiers (the “**AMF**”) the visa number 12-335 on July 12, 2012 (the “**Prospectus**”) has been made available to the public, following the publication by Technicolor of its 2012 first half results on July 25, 2012.

The Prospectus was made available to the public in connection with:

- the admission to trading on the regulated market of NYSE Euronext Paris (“**Euronext Paris**”) of new shares to be subscribed to in cash through a capital increase without shareholders’ preferential subscription rights in favor of Petalite Investments S.à r.l. (“**Petalite**”) (the “**Reserved Capital Increase**”) of a gross amount of €94,943,012 through the issue of 47,471,506 new shares at a unit price of €2.00; and
- the issue and admission to trading on Euronext Paris of new shares to be subscribed to in cash through a capital increase with shareholders’ preferential subscription rights (the “**Rights Issue**”, and, with the Reserved Capital Increase, the “**Capital Increases**”), of a gross amount of €96,163,572.96 through the issue of 61,643,316 new shares at a unit price of €1.56 with a ratio of 5 new shares for 22 existing shares.



The Capital Increases, which were approved by the General Shareholders' Meeting on June 20, 2012, will lead Vector Capital ("**Vector**"), through its private equity funds (the "**Funds**") and the Luxembourg company Petalite, to become a significant shareholder of Technicolor.

The Capital increases, of an amount comprised between €167 million and €191 million, will allow Technicolor to strengthen its balance sheet and enhance its capabilities to implement its "Amplify 2015"¹ strategic roadmap. They will also contribute to stabilizing Technicolor's shareholder base, which will benefit from Vector's expertise in technology. Vector publicly expressed its long-term commitment to Technicolor.

Upon the settlement of the Reserved Capital Increase on July 16, 2012, Petalite subscribed to 47,471,506 new shares for a total amount, including issuance premium, of €94,943,012, representing 17.5% of the share capital of Technicolor.

Petalite and the Funds irrevocably committed to subscribe to the Rights Issue on a pro rata basis through the exercise of all of their preferential subscription rights, to 11,095,797 new shares representing a total amount, including issuance premium, of €17,309,443.32.

In addition, Petalite irrevocably committed to backstop the Rights Issue up to 75% of its amount, through the potential subscription following the end of the subscription period, upon decision of the Board of Directors, to a number of additional shares representing a maximum amount of €54,813,236.40.

The level of participation of existing shareholders in the Rights Issue will determine Vector's final stake in Technicolor. Following the Rights Issue, Vector will hold between 18% and 29.94% of Technicolor's share capital.

Pursuant to Articles L.412-1 and L.621-8 of the French Monetary and Financial Code (*Code monétaire et financier*) and articles 211-1 to 216-1 of its General Regulations (*Règlement général*), the AMF granted the visa number 12-388 on July 26, 2012 to the Supplemental Note.

The Supplemental Note, which includes, inter alia, the 2012 first half consolidated condensed financial statements of Technicolor, incorporates by reference the Prospectus, which consists of:

- the *document de référence* of Technicolor, filed with the AMF on March 27, 2012 under number D.12-0224;
- a first update of the *document de référence*, filed with the AMF on June 11, 2012 under number D.12-0224-A01;
- a second update of the *document de référence*, filed with the AMF on July 11, 2012 under number D.12-0224-A02;
- the *note d'opération*, included in the Prospectus ; and
- the summary of the Prospectus included in the *note d'opération*.

¹ Strategic plan unveiled at Technicolor's FY 2011 results on February 24, 2012



In accordance with paragraph II of Article 212-25 of the General Regulations (Règlement général) of the AMF, and as already indicated in the Prospectus, the investors that have exercised their preferential subscription rights and subscribed to new shares in the Rights Issue prior to the publication of the Supplemental Note shall have the right to withdraw their subscription orders within two trading days after the publication of the Supplemental Note, i.e. on July 27 and July 30, 2012. However, this withdrawal right applies only to the exercise of preferential subscription rights and does not give the investors the right, if they have completed acquisitions or disposals of preferential subscription rights on the market, to withdraw market transactions.

If the investors decide to withdraw their subscription orders, they will be refunded the subscription price.

Copies of the Prospectus and the Supplemental Note are available free of charge at the registered office of Technicolor at 1-5 rue Jeanne d'Arc, 92130 Issy-les-Moulineaux, on Technicolor's website (www.technicolor.com) and on the AMF's website (www.amf-france.org) and from Morgan Stanley & Co. International plc as lead arranger and bookrunner, and Lazard Frères Banque, as joint-lead manager. Potential investors are urged by Technicolor to consider the risk factors set forth in chapter 2 of the *note d'opération* and chapter 3 of the *document de référence*.

Timetable

Technicolor has already launched the two steps of the transaction with the Reserved Capital Increase, whose settlement was completed on July 16, 2012 and the opening of the subscription period of the Rights Issue on July 18, 2012. The timetable of the further main steps of the transaction is as follows:

- **The subscription period for the Rights Issue is open since July 18 until August 2, 2012 inclusive;**
- The trading of the preferential subscription rights started upon the opening of the subscription period, i.e. on July 18, 2012. The trading of the preferential subscription rights will end on August 2, 2012, upon the closing of the subscription period;
- **There is a two-day withdrawal period for investors that have exercised their preferential subscription rights and subscribed to new shares prior to publication of the Supplemental Note. The withdrawal period is open on July 27 and on July 30, 2012;**
- Technicolor will issue a press release announcing the results of the Rights Issue on August 10, 2012;
- The settlement and delivery of the Rights Issue will occur on August 14, 2012. The new shares will be immediately admitted to trading on Euronext Paris.



About Technicolor

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

About Vector Capital

Vector Capital is a leading global private equity firm located in San Francisco specializing in the technology sector. Founded in 1997, Vector Capital manages over \$2 billion in equity capital from a variety of investors, including the world's most respected university endowments, foundations, financial institutions, and family offices. Vector Capital has a highly focused investment strategy that emphasizes technology companies with a high degree of intellectual property that are in a state of transformation. Since inception, Vector Capital has made more than 35 investments in public and private companies with an aggregate value of more than \$2.5 billion, across sectors including digital media, infrastructure software, and internet services.

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Important notice

This communication does not constitute an advertisement, offer of or invitation to acquire any securities of Technicolor in France, the United States, the United Kingdom, Canada or any other jurisdiction.

The information contained in this communication may not be relied upon in deciding whether or not to acquire Technicolor securities. The shareholders of Technicolor are urged to read the Prospectus and the Supplemental Note carefully and in their entirety and any other relevant documents filed with the AMF because they will contain important information.

The release, publication or distribution of this press release may be restricted in certain countries by applicable laws and regulations. Persons who are physically located in those jurisdictions and in which this press release is released, published or distributed must inform themselves about and observe such restrictions.

This press release may not be published, transferred or distributed, directly or indirectly, in the United States of America, Australia or Japan.

European Economic Area

With respect to the member States of the European Economic Area other than France (the "Relevant Member States") which have implemented directive 2003/71/EC, as amended, in particular by directive 2010/73/EU (the "Prospectus Directive"), no action has been undertaken or will be undertaken to make an offer of securities to the public requiring a publication of a prospectus in any Relevant Member State. As a consequence, the securities referenced herein may only be offered or sold in any Relevant Member States pursuant to an exemption under the Prospectus Directive.

United States

The securities referenced herein have not been, and will not, be registered under the US Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, exercised or sold, directly or indirectly, in the United States absent registration with the Securities and Exchange Commission (SEC) or an exemption from such registration. Technicolor does not intend to register any offering of securities in the United States or to conduct a public offering in the United States.

Canada

The securities referenced herein may be offered in Canada only on a private placement basis to shareholders who qualify as accredited investors under applicable Canadian securities laws and who sign and deliver to Technicolor an investor letter in the form provided by Technicolor. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence under applicable securities laws. Canadian shareholders are urged to read the international offering memorandum prepared by Technicolor, together with the Canadian offering memorandum attached thereto, copies of which will be made available to Canadian shareholders who qualify as accredited investors under applicable Canadian securities laws.



United Kingdom

This communication is directed only at (i) persons who are outside the United Kingdom or (ii) in the United Kingdom, persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), or (iii) who are high net worth entities and other persons falling within Article 49(2) of the Order or (iv) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "Relevant Persons"). This communication must not be acted on or relied upon by anyone in the United Kingdom who is not a Relevant Person. Any investment or investment activity to which this communication relates is available in the United Kingdom only to Relevant Persons and will be engaged in the United Kingdom only with Relevant Persons.

PROSPECTUS SUMMARY

AMF visa no. 12-388 dated July 26, 2012

Section B – Issuer		
B.4a	Significant recent trends affecting the issuer and the industries in which it operates	<ul style="list-style-type: none"> ▪ <u>First half 2012 results</u> <p>The key highlights of the first half 2012 results were as follows:</p> <ul style="list-style-type: none"> • Group revenues were up 5.6% at current currency and up 0.6% at constant currency compared with the first half of 2011. The growth in Technology revenues, driven by a strong second quarter in 2012, and the confirmed recovery of Connected Home fully offset the decline in Entertainment Services revenues; • Adjusted EBITDA was up 18.5% at €198 million, or 12% of revenues, an increase of 1.3 points compared with the first half of 2011. This increase was the result of a strong performance in Technology, a broadly stable contribution from Entertainment Services and the ongoing turnaround of Connected Home; • there was a significant reduction in Group net loss at €(26) million compared to a loss of €(112) million in the first half of 2011; • Positive Group Free Cash Flow at €2 million in the first half of 2012 reflected the control on working capital despite the strong recovery of Connected Home. Net debt at nominal value (non IFRS) amounted to €1,161 million at June 30, 2012. <ul style="list-style-type: none"> ▪ <u>Outlook for the 2012 fiscal year</u> <p>When it published its annual results for the 2011 fiscal year on February 24, 2012, the Group announced that its objectives for 2012 were:</p> <ul style="list-style-type: none"> • to generate adjusted EBITDA of between €475 million and €500 million; • to continue to generate positive free cash flow for the Group despite higher restructuring expenses and investments in growth activities; and • to respect the covenants in the Group’s credit agreements. <p>The Group confirmed these objectives when it presented its first quarter 2012 revenue on April 26, 2012. The adjusted 2012 EBITDA objective, which qualifies as a forecast for the purposes of the Prospectus, was the subject of a statutory auditors’ report on the forecasts, dated June 11, 2012. As at the date of the visa on the Supplemental Note, the Group confirms these objectives.</p>
B.7	Selected historical key financial information	<p>To the Company’s knowledge, no significant change has occurred in the Group’s financial and commercial situation (other than those mentioned, if any, in the Supplemental Note) since the publication of the Second Annual Report Update on July 11, 2012.</p> <ul style="list-style-type: none"> ▪ <u>Second quarter 2012 revenue highlights</u> <p>Group revenues from continuing operations amounted to €846 million in the second quarter of 2012, up 13.3% at current currency and up 5.9% at constant currency compared to the second quarter of 2011.</p> <p>The key revenue highlights per segment for the second quarter of 2012 were as follows:</p> <ul style="list-style-type: none"> • Technology: Licensing revenues recorded strong growth of 20.7% at constant currency, reflecting the continuing strength of MPEG LA revenues and good performances across its programs, in particular in Digital TV and Set Top Boxes.

- Entertainment Services: revenues were down 13.1% at constant currency and down only 6.1%, if photochemical film activities, which are at end of life, are excluded. DVD Services reported an improvement compared with the first quarter of 2012 with volume growth in North America and a softer volume decrease in Europe. Creation Services recorded another quarter of revenue growth.
- Digital Delivery: the confirmed recovery of Connected Home, with revenues up 34.7% at constant currency, reflected a strong recovery in volumes and product mix. This recovery was also confirmed by the gain in additional customers for new solutions and services across the Americas, Europe, the Middle East, Africa, and Asia-Pacific.

▪ **Key highlights of first half 2012 results**

The key highlights of the first half 2012 results were as follows:

- Group revenues were up 5.6% at current currency and up 0.6% at constant currency compared with the first half of 2011. The growth in Technology revenues, driven by a strong second quarter in 2012, and the confirmed recovery of Connected Home fully offset the decline in Entertainment Services revenues;
- Adjusted EBITDA was up 18.5% at €198 million, or 12% of revenues, an increase of 1.3 points compared with the first half of 2011. This increase was the result of a strong performance in Technology, a broadly stable contribution from Entertainment Services and the ongoing turnaround of Connected Home;
- there was a significant reduction in Group net loss at €(26) million compared to a loss of €(112) million in the first half of 2011;
- Positive Group Free Cash Flow at €2 million in the first half of 2012 reflected the control on working capital despite the strong recovery of Connected Home. Net debt at nominal value (non IFRS) amounted to €1,161 million at June 30, 2012.

In the first half of 2012, Technology revenues totaled €236 million, up 7.9% at current currency and up 2.9% at constant currency compared to the first half of 2011. Licensing revenues were up 8.4% at current currency and 3.3% at constant currency. Adjusted EBITDA margin for the Technology segment increased by 0.8 points year-on-year to 75.4% of revenues, driven by revenue growth and stable operating costs in the Licensing business.

In the first half of 2012, Entertainment Services revenues totaled €757 million, down 3.4% at current currency and down 9.2% at constant currency compared with the first half of 2011. The continuing rapid decline of Photochemical Film activities and some weakness in Europe for DVD Services were partially offset by the DVD volume improvement in North America, growth in Digital Production and strong revenue growth in Postproduction and Media Services. In the first half of 2012, digital services represented 67% of Creation Services and Theatrical Services revenues compared with 53% in the first half of 2011.

Entertainment Services Adjusted EBITDA was stable year-on-year and the margin improved by 0.3 points compared with the first half of 2011. The improved mix resulting from an increased contribution of digital services to revenues and further cost savings initiatives, in particular in DVD Services, compensated for the contraction in revenues and the continuing ramp up costs related to the additional postproduction facilities in the US and in France.

In the first half of 2012, Digital Delivery revenues were up 18% at current currency and 14.2% at constant currency compared with the first half of 2011, driven by the strong growth of Connected Home in the second quarter, following the stabilization reported in the first quarter. In the first half of 2012, Adjusted EBITDA for the Digital Delivery segment was at breakeven.

Connected Home Adjusted EBITDA amounted to €(12) million compared with €(26) million in the first half of 2011. The turnaround plan of Connected Home launched in December 2011 is on track and Connected Home is well positioned to achieve Adjusted EBITDA breakeven in 2012 and to generate a positive Adjusted EBITDA in the second half of 2012.

Connected Home performed extremely well in the first half of 2012, with a top line growth of 16.8% year-on-year at constant currency. In addition, Connected Home gained new customers for new solutions and services in all regions. Gross margin in the first half of 2012 was up 1.4 points at 11.2%. The impact of the cost saving initiatives was slightly behind expectations (by €4.6 million), due to restructuring delays in Europe, which will only be completed in the third quarter of 2012.

Net result amounted to a loss of €26 million in the first half of 2012, compared with a loss of €12 million in the first half of 2011. EBIT from continuing operations amounted to €15 million in the first half of 2012 compared with €2 million in the first half of 2011. Other impacts amounted to €22 million compared with a charge of €(25) million in the first half of 2011, reflecting a €4 million loss related to the deconsolidation of Angers, lower restructuring and impairment charges compared with 2011 and a positive curtailment gain of €41 million resulting from the Group's decision to align its retirees life insurance benefits in the US with the practice of other US companies. As a result, future cash outs related to the retirement benefit obligations in the US will be reduced.

Operating cash flow from continuing operations amounted to €01 million in the first half of 2012, an increase of €39 million compared with the first half of 2011, and represented 6.1% of revenues, a year-on-year increase of 2.1 points. In the first half of 2012, cash outflow for net capital expenditures amounted to €74 million, a €10 million year-on-year decrease, resulting from a decrease in capacity expansion in Blu-ray™, and with the bulk of the investment in the US sound facility already done. Cash outflow related to restructuring amounted to €23 million, broadly stable year-on-year.

In the first half of 2012, the Group generated positive Free Cash Flow of € million compared with €32 million in the first half of 2011, which benefited from a strong contribution from working capital due in particular to the drop in the Connected Home business. The Group generated positive Free Cash Flow for the third consecutive semester.

The main impacts on Group Free Cash Flow of the Group in the first half of 2012 were as follows:

- Free Cash Flow from continuing operations amounted to €5 million, resulting from an improved Adjusted EBITDA, tight control of working capital despite the significant growth reported by Connected Home and a sustained level of restructuring costs;
- working capital improved by €13 million;
- cash financial charges amounted to €72 million;
- other cash charges, mainly related to tax, pensions and discontinued activities, amounted to €40 million.

Net debt as per the consolidated financial statements amounted to €1,020 million on June 30, 2012, compared to €57 million at December 31, 2011. Net debt at nominal value (non IFRS) amounted to €1,161 million at June 30, 2012, compared to €1,130 million at December 31, 2011.

B.9	Profit forecast or estimate	<p>When it published its annual results for the 2011 fiscal year on February 24, 2012, the Group announced that one of its objectives for 2012 was to generate adjusted EBITDA of between €475 million and €500 million.</p> <p>The Group confirmed this objective when it presented its first quarter 2012 revenue on April 26, 2012. This objective, which qualifies as a forecast for the purposes of the Prospectus, was the subject of a statutory auditors' report, dated June 11, 2012, on the forecasts. As at the date of the visa of the Supplemental Note, the Group confirms this objective.</p>
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Section E – Offer		
E.3	Terms and conditions of the offer	<ul style="list-style-type: none"> ▪ <u>Rights Issue</u> <p><i>Procedure for the exercise of preferential subscription rights</i></p> <p>Pursuant to Paragraph II of Article 212-25 of the AMF General Regulations, investors who have already subscribed for shares issued as part of the Rights Issue before the Supplemental Note is published, shall have the right to withdraw their subscription orders within two trading days after the publication of the Supplemental Note.</p> <p>The withdrawal period for the subscription orders for new shares will be open on July 27 and July 30, 2012.</p> <p>Shareholders of fully registered shares who are subscribing for shares may exercise their withdrawal option by transmitting their request to Société Générale Securities Services at help.nomilia@sgss.socgen.com or by telephone to +33 (0) 2 51 85 67 89, until July 30, 2012 at 5:00 PM.</p> <p>Shareholders with administered registered shares or bearer shares who are subscribing for shares may exercise their withdrawal option by transmitting their request to their financial intermediary until July 30, 2012 at 5:00 PM.</p> <p>Investors who purchased preferential subscription rights and subscribed for shares may exercise their withdrawal option by transmitting their request to their financial intermediary until July 30, 2012 at 5:00 PM.</p> <p>This withdrawal right will only apply to the exercise of preferential subscription rights, excluding acquisitions or disposals of preferential subscription rights on the market. Investors who purchase preferential subscription rights and then exercise their withdrawal option could lose all or part of their investment in the event such investors fail to sell their preferential subscription rights on the market or fail to sell them at a price at least equal to their purchase price.</p> <p>Investors who withdraw their subscription orders will be refunded the subscription price.</p> <p>Subscription orders transmitted since July 18, 2012, that have not been revoked during the withdrawal period opened on July 27 and July 30, 2012, remain valid.</p>