



This is a free translation of the report "Rapport sur la distribution exceptionnelle en nature d'actions TECHNICOLOR CREATIVE STUDIOS" issued in the French language and is provided solely for informational purposes to English speaking readers. In case of any discrepancy, the French version prevails.

**REPORT ON THE EXCEPTIONAL DISTRIBUTION IN KIND OF SHARES OF
TECHNICOLOR CREATIVE STUDIOS**

Dear Shareholders:

The Board of Directors proposes that you approve, at the combined shareholders' meeting of Technicolor SA ("**Technicolor**" or the "**Company**") due to be held Tuesday, September 6, 2022 at 2:00 P.M. at Espace Saint Martin, 199 bis rue Saint-Martin, 75003 Paris (the "**Shareholders' Meeting**"), an exceptional distribution in kind in the form of a grant of shares of Technicolor Creative Studios ("**TCS**"), representing at least 65% of TCS' share capital (the "**Distribution in Kind**"). The Distribution in Kind is to take place in parallel with the refinancing of all of the debt of the Company and its subsidiaries (collectively referred to as the "**Technicolor Group**") announced by the Company on February 24, 2022 at the same time as the proposed Distribution in Kind (the "**Refinancing**").

The Distribution in Kind follows deliberations of the Board of Directors with a view to enhancing visibility on the Company's business, all while creating value for all stakeholders. The Group had the opportunity to provide details on the terms and conditions of the Distribution in Kind, including on the capital markets day held on June 14, 2022, and subsequently in its press release issued on July 28, 2022. The objective of the contemplated transaction is to allow each entity to pursue its own strategic path independently, consistent with its underlying business dynamics and financial fundamentals, and thereby achieve its full value potential.

The purpose of this report is to inform Technicolor's shareholders of the principal terms and conditions of and the tax treatment applicable to the Distribution in Kind.

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This report was prepared by the Company for information purposes only in connection with the proposed Distribution in Kind. This report does not constitute (i) an offer to sell or subscribe for TCS shares nor a solicitation for an offer to acquire or subscribe for TCS shares, or (ii) a solicitation for the purpose of obtaining an approval or favorable vote in view of approving the Distribution in Kind, including in a country or a territory within which such a solicitation is not authorized by the laws of such country or territory.

In certain jurisdictions, the Distribution in Kind of the TCS shares may be subject to restrictions under applicable laws and regulations. Persons possessing this report are required to inform themselves of and comply with such restrictions. Any violation of these restrictions could constitute a violation of applicable securities regulations in such jurisdictions.

Member States of the European Economic Area

This report does not constitute a prospectus or any other offering document within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as amended (the "**Prospectus Regulation**") and cannot be considered to contain all information the information necessary for a potential investor to evaluate the possibility of an investment in Technicolor or TCS or that would be required to be included in a prospectus prepared in accordance with the requirements of the Prospectus Regulation.

United Kingdom

This report does not constitute a public offering of securities in the United Kingdom. This report is not a prospectus approved by the Financial Conduct Authority or by any other regulatory agency of the United Kingdom within the meaning of Section 85 of the Financial Services and Markets Act 2000.

United States of America

This report is not an offer of TCS shares or an offer to acquire or subscribe for TCS shares in the United States of America. No share, security or other instrument may be offered, sold or transferred within the United States of America absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). The TCS shares that are the subject of the Distribution in Kind have not been and will not be registered in the United States of America under the Securities Act in the framework of the Distribution in Kind, and the Distribution in Kind has not been approved or rejected by the U.S. Securities and Exchange Commission (SEC) or any other commission of a State of the United States of America, and neither these commissions nor the SEC have reviewed the accuracy or the adequacy of this report. Any representation to the contrary may be considered a criminal offence in the United States of America.

Canada, Australia and Japan

The Company’s shares cannot be offered, subscribed or sold in Canada, Australia or Japan.

1 CONTEXT OF THE DISTRIBUTION AND PRELIMINARY TRANSACTIONS

1.1 Context, purpose and grounds for the Distribution in Kind

The Board of Directors’ proposal presented in this report follows the February 24, 2022 announcement of the proposed Distribution in Kind to Technicolor shareholders in the form of a grant of shares of TCS, a subsidiary of the Company that is to consolidate the Technicolor Group’s “Production Services” activities.

The Board of Directors intends to create through the Distribution in Kind two entities that will be independent players on their respective markets:

- the TCS shares will be admitted to trading on Euronext’s regulated market in Paris (“**Euronext Paris**”) and TCS will position itself as a key player in the high-growth visual effects market; and
- upon the completion of the Distribution in Kind, Technicolor will remain listed on Euronext Paris under its new name, “Vantiva” (subject to the adoption of the 10th resolution submitted to the Shareholders’ Meeting) and will be a world champion in high-speed equipment for connected homes and in DVD services, with DVD services being renamed “Vantiva Supply Chain Services” (“**Vantiva**”).

As a result of the streamlining of their activities, these new entities will become more visible and will be in a position to concentrate on their respective growth. As Technicolor shareholders, you will receive TCS shares, all while remaining shareholders of Technicolor, which will be renamed “Vantiva”. You will therefore have exposure to two different growth experiences. The Distribution in Kind and the concomitant listing of the TCS shares on Euronext Paris are expected to help reduce the conglomerate discount that has weighed down the share price, thereby allowing the value of Technicolor’s assets to be better reflected, especially those tied to the “Production Services” business.

A first step in connection with the implementation of the Distribution in Kind was taken at the May 6, 2022 shareholders’ meeting, during which you approved the amendment to Technicolor’s by-laws allowing Technicolor to distribute dividends, interim dividends, reserves and additional paid-in capital, through the delivery of assets in kind, including in the form of financial instruments.

1.2 Preliminary and related transactions

Description of the transactions

On July 8, 2022, TCS's company name, formerly "Tech 8", was changed to "Technicolor Creative Studios". On such date, TCS, which was originally formed as a simplified joint-stock company (*société par actions simplifiée*) was also transformed into a limited company (*société anonyme*). After corporate decisions taken on such date, TCS' share capital was also increased to €75,000 and the nominal per unit amount of the TCS shares was increased to €0.50.

For the purpose of bringing together the Technicolor Group's "Production Services" activities within the scope of TCS and its subsidiaries, the following transactions are planned prior to the Distribution in Kind:

- the transfer of the shares of Technicolor Creative Services USA, Inc. by Technicolor USA, Inc. to Tech 7 SAS, a French company ("**Tech 7**"), a subsidiary of French company Tech 6 SAS ("**Tech 6**"); and
- the transfer of the shares of Technicolor Trademark Management SAS by Gallo 8 SAS to Tech 7 (collectively, the "**Preliminary Transactions**").

The transfer of the shares of a subsidiary of the Company, Tech 6 SAS, is also scheduled to take place upon the completion of the Preliminary Transactions (the "**Tech 6 Transfer**"). The Tech 6 Transfer is intended to take place through the sale of some of the shares of Tech 6 to TCS. The balance of the shares, representing more than 50% of Tech 6's capital, will be contributed to TCS.

It is noted that, in the context of the Refinancing, the Company's May 6, 2022 shareholders' meeting deciding on an extraordinary basis also approved the issuance of bonds convertible into shares of Technicolor (the "**MCN**"). In this context, the Preliminary Transactions and the Tech 6 Transfer are scheduled to take place prior to the Distribution in Kind, on the same day as the Refinancing of the Technicolor Group, which includes the issuance of the MCN (the "**Refinancing Date**").

The terms and conditions of the MCN provide that these instruments will be automatically converted if (i) a shareholders' meeting of the Company approves the distribution by the Company of at least 65% of TCS' share capital and the Company's Board of Directors decides such a distribution unconditionally, and (ii) Euronext Paris S.A. has issued a decision admitting TCS' shares to trading on Euronext Paris, and will thereby result in a capital increase of Technicolor prior to the Distribution in Kind (the "**TSA Capital Increase**").

In addition, in the context of the Refinancing, it is planned that the Company will create and grant a *fiducie-sûreté* (the "**Fiducie-Sûreté**") covering the TCS shares that are not the subject of the above-mentioned Distribution in Kind and, in any event, over at least 34.9% of the TCS shares, benefitting (i) the lenders under a first-ranking term loan of a principal amount of €250,000,000 (the "**First Lien Loan**") as a guarantee for the payment and repayment of all amounts due under such First Lien Loan, and (ii) the lenders under a second-ranking term loan of a principal amount of €125,000,000 (the "**Second Lien Loan**", and, together with the First Lien Loan, the "**New TSA Loans**") as a guarantee for the payment and repayment of all amounts due under such Second Lien Loan; provided, however, that if the above-mentioned Distribution in Kind has not been completed by December 31, 2022, the Fiducie-Sûreté must cover all of TCS' shares.

At its June 10, 2022 meeting, the Company's Board of Directors approved the signature of the engagement letter relating to the New TSA Loans and, on the same principle, the Fiducie-Sûreté contained therein. As indicated in the February 24, 2022 press release published by Technicolor, it is also noted that for the purpose of continuing to deleverage the two new entities, the Company plans to sell before or after the Distribution in Kind the interest it holds in TCS that is not the subject of such distribution.

Purpose and justification – restoration of the Company's equity

Under Article L. 232-11 of the French Commercial Code, no distribution can be made to shareholders when equity is or becomes, subsequent to such a distribution, less than the amount of the share capital plus reserves that are non-distributable under the law or the by-laws.

It is noted that the amount of equity items reflected in the Company's accounts at the close of the financial year ended December 31, 2021 is as follows:

- share capital: €2,358,245.55;
- additional paid-in capital: €642,651,051;
- legal reserve: €218,324; and
- other reserves: €414,368,028, including €414,307,674 arising from the reduction of capital decided by the March 23, 2020 Combined General Shareholders' Meeting (which is not distributable pursuant to that resolution and is predominantly made up of contributions).

After allocation of the result for the financial year ended December 31, 2021 in accordance with the third resolution adopted at the June 30, 2022 shareholders' meeting, the "retained earnings" account amounted to €(1,164,139,016.22). In this regard, the Preliminary Transactions, the Tech 6 Transfer and the TSA Capital Increase are intended to restore the Company's equity to a sufficient level for the purpose of meeting the conditions laid down by Article L. 232-11 of the French Commercial Code prior to and upon the completion of the Distribution in Kind.

In particular, it is expected that the Company will realize a capital gain under the Tech 6 Transfer; it being specified for information purposes that in its report issued on August 2, 2022, the conclusions of which are set out in point 2.2.2 hereafter, Finexsi, acting as an independent expert for the purpose of estimating the value of TCS, evaluated the TCS enterprise value at €1,690 million. In addition, the nominal amount of the MCN is €299,999,999, and the bulk of this amount is to be allocated to Technicolor's additional paid-in capital account prior to the Distribution in Kind. It is also noted that on May 31, 2022, Technicolor announced that it had finalized the sale of its Licenses and Trademarks business and that it had received approximately €100 million in cash (subject to customary price adjustments) in the framework of that transaction; this operation has had a positive impact on Technicolor's equity.

2 TERMS OF THE DISTRIBUTION IN KIND

Technicolor's grant to its shareholders of TCS shares will take the form of an exceptional Distribution in Kind at the rate of one (1) TCS share per one (1) Technicolor share.

2.1 Indicative schedule

April 29, 2022	French Financial Markets Authority (<i>Autorité des marchés financiers</i> , or "AMF") approval of the prospectus of Technicolor SA relating to the admission to trading on Euronext Paris of the Technicolor SA new shares to be issued upon conversion of the MCN.
May 6, 2022	Combined annual general meeting of Technicolor's shareholders approved the issuance of the MCN.
August 1, 2022	AMF approval of the TCS Prospectus (as defined below) relating to the listing of the TCS shares on Euronext Paris. Publication in the BALO (French Bulletin of Mandatory Legal Announcements) of the notice (<i>avis de reunion valant avis de convocation</i>) regarding Technicolor's combined annual shareholders' meeting
August 19, 2022	Publication in the BALO and in a legal announcements bulletin of the convening notice (<i>avis de convocation</i>) regarding Technicolor's combined annual shareholders' meeting, as the case may be.
September 6, 2022	Technicolor's combined shareholders' meeting called to approve the Distribution in Kind, among other things.
September 13, 2022	Publication by Euronext Paris of notice relating to the Distribution in Kind. Publication by Euronext Paris of notice relating to the listing of the TCS shares.
September 15, 2022	Refinancing Date.
September 22, 2022	Technicolor Board of Directors' meeting in view of the approving the Distribution in Kind.

September 26, 2022	Publication by Euronext Paris of notice relating to the technical reference price for the TCS shares.
September 27, 2022	<i>Ex date</i> for the Distribution in Kind of Technicolor (“ Ex Date ”). Delivery to the Centralizing Bank (as defined below) of the TCS shares allocated under the Distribution in Kind. TCS shares listed for trading on Euronext Paris.
September 28, 2022	Date of the determination of the beneficiaries of the Distribution in Kind (record date), taking into account the orders executed during the day of September 26 (inclusive).
September 29, 2022	Payment of the Distribution in Kind (delivery and account registration of the TCS shares allotted under the Distribution in Kind).

2.2 Characteristics of the Distribution in Kind of TCS shares to Technicolor’s shareholders

2.2.1 Share of TCS capital distributed and distribution ratio

As of the date of this report, Technicolor directly and indirectly holds 100% of the share capital and voting rights of TCS. More specifically, as of the date of this report (i) Technicolor holds 149,999 TCS shares and (ii) Thomson Sales Europe SAS (a wholly owned subsidiary of Technicolor) holds one TCS share acquired through a share loan agreement entered into between Technicolor and Thomson Sales Europe SAS on May 11, 2022, which can be terminated by Technicolor at any time.

The Preliminary Transactions and the Tech 6 Transfer will be completed on the Refinancing Date, which is scheduled to take place prior to the date the TCS shares are listed for trading on Euronext Paris. Subject to the approval of TCS’s shareholders, these transactions will result in the issue of new TCS shares as consideration for the contribution in kind of Tech 6 shares. The contribution of the Tech 6 shares will be the subject of a report issued by a contribution appraiser in accordance with applicable legal and regulatory provisions. The difference between the value of the contributed Tech 6 shares and the nominal value of the TCS shares issued in connection with the contribution will be booked as additional paid-in capital of TCS.

For the purpose of allowing the Distribution in Kind to be carried out according to a ratio of one (1) TCS share per (1) Technicolor share held, the number of new TCS shares to be issued (subject to the approval of TCS’s shareholders) prior to the date the Company’s TCS shares are listed for trading on Euronext Paris will be determined according to the exact number of Technicolor shares entitled to the Distribution in Kind. 65% of the number of TCS shares existing at the date the TCS shares are listed for trading on Euronext Paris should correspond to the exact number of Technicolor shares entitled to the Distribution in Kind.

Therefore, in view of the information available on the date of this report, the Distribution in Kind would relate to an estimated total maximum number of 369,219,561 TCS shares in view of the expected maximum number of Technicolor shares outstanding on the date of the Distribution in Kind, which was established based on the following information:

- (i) the 235,842,443 Technicolor shares existing at June 30, 2022;
- (ii) the 115,384,615 Technicolor shares that may be issued as a result of the conversion of the TSA Capital Increase, subject to any adjustments to the conversion ratio aimed at safeguarding the rights of MCN holders;
- (iii) the theoretical maximum number of 12,272,275 Technicolor shares that may be issued as a result of the exercise by their holders of Technicolor share subscription warrants (“**Shareholder Warrants**”) in view of the number of outstanding/non-exercised Shareholder Warrants at June 30, 2022;
- (iv) up to 78,637 Technicolor shares to be delivered under the 2019 long-term incentive plan; and
- (v) up to 5,641,591 Technicolor shares liable to vest under the 2020 long-term incentive plan and the 2020 investment & incentive plan, subject to the adoption of the 12th and 13th resolutions submitted to the Shareholders’ Meeting.

In light of the estimated total number of TCS shares that are the subject of the Distribution in Kind as described above and the distribution percentage of 65% of the share capital of TCS, the corresponding maximum number of shares issued before the Distribution in Kind would be 568,030,093 shares.

The exact number of Technicolor shares existing prior to the Distribution in Kind will depend in particular on the number of Shareholder Warrants exercised before the planned suspension of their exercisability as from September 6, 2022 (as mentioned in section 5.1 hereafter) and the number of shares actually delivered under the 2020 long-term investment plan and the 2020 investment & incentive plan (as mentioned in section 5.4 below and subject to the adoption of the 12th and 13th resolutions submitted to the Shareholders’ Meeting).

We draw your attention to the fact that the proposed Distribution in Kind was submitted to the European Social and Economic Committee (*Comité Social et Economique Européen*) of your Company for a consultative opinion as well as to the competent Social and Economic Committees (*Comités Sociaux et Economiques*) of the Company and of Mikros Image SAS, as appropriate, in accordance with applicable texts. The above-mentioned Social and Economic Committees issued their opinions on June 27, July 6, and July 8, 2022, respectively.

Payment of the Distribution in Kind is scheduled for September 29, 2022 (the “**Payment Date**”), with a Record Date of September 27, 2022.

2.2.2 *Decisions of Technicolor’s shareholders’ meeting and Board of Directors’ meeting*

The Distribution in Kind will be carried out subject to the prior authorization of the Shareholders’ Meeting deciding pursuant to the quorum and majority requirements for ordinary shareholders’ meetings.

Under the second resolution that is to be submitted to the vote of the Shareholders’ Meeting, the Distribution in Kind would be subject to, in particular:

- (i) the completion of the Preliminary Transactions;
- (ii) the issuance of the MCN in accordance with resolutions 1 to 16 approved by the Company’s May 6, 2022 Shareholders’ Meeting, subject to the adoption of the eleventh resolution submitted to the Shareholders’ Meeting;
- (iii) the preparation of a set of interim accounts prior to the Distribution in Kind that reflect an amount of shareholders’ equity of Technicolor that is sufficient to allow the Board of Directors to decide to implement the Distribution in Kind, in accordance with the provisions of Article L. 232-11 of the French Commercial Code;
- (iv) the publication of the Euronext notice announcing the admission of the TCS shares to trading on Euronext Paris; and
- (v) obtaining a decision from the Paris Commercial Court acknowledging that the execution of the Company’s accelerated financial safeguard plan has been completed in accordance with the provisions of Article L. 626-28 of the French Commercial Code,

The exact amount of the Distribution in Kind to charge to the Company’s additional paid-in capital account will be determined prior to the implementation of the Distribution in Kind at a meeting of the Board of Directors in view of the report issued by Finexsi, which has been appointed independent expert for the purpose of determining a valuation of TCS (the conclusion of such report is included below). Prior to the Distribution in Kind, the Board of Directors must have available to it interim financial accounts that reflect an amount of shareholders’ equity that is sufficient for the purpose of carrying out the Distribution in Kind in accordance with the provisions of Article L. 232-11 of the French Commercial Code.

Conclusion from the report of Finexsi, acting as independent expert appointed for the purpose of establishing a valuation of TCS

« First of all, it should be noted that the purpose of our report is not to give an implicit or explicit recommendation on the Transaction on which the shareholders must vote, but to provide them with information and an opinion on the terms and conditions of this Transaction and its impact on them.

The Transaction is part of a dual process, in which the Company envisages the full refinancing of its debt, as well as the distribution of 65% of the Company’s capital to its shareholders, who will consolidate the TCS activities of which they will become direct shareholders.

In this context, FINEXSI issued on April 4, 2022, a fairness opinion report in order to assess the fairness of the financial terms of the issuance of the Mandatory Convertible Notes from the point of view of the TECHNICOLOR shareholders. The issuance of the Mandatory Convertible Notes was approved by the Extraordinary Shareholders’ Meeting of TECHNICOLOR HELD ON May 6, 2022. It should be noted that the introduction of the MCN issue improves the Company’s financial risk profile at terms close to those of comparable issues.

Accordingly, the MCNs issued may be converted at a price of €2.60 per share, which would result in the issuance of 115.4 million shares in the event of conversion, and a dilution of shareholders who do not hold MCNs.

The Refinancing in the amount of €1.3 billion improves the Company's financial risk profile, with a reduction in TECHNICOLOR's debt and a better cost of debt (7.0%¹ vs. 8.7%²). The Refinancing also allows the Company to extend the maturity dates of its current debt from 2024 to 2026. Refinancing includes:

- €299,999,999 of MCNs;
- A two-tranche €375,000,000 term loan (one tranche of €250,000,000 and one of €125,000,000) taken out by TECHNICOLOR SA;
- A two-tranche €623,345,991 term loan (one tranches of €564,200,000 and one of \$60,000,000) taken out by TCS to finance the acquisition price by TCS from Technicolor of part of the shares of the Company that will hold the Technicolor Creative Studios business (the balance to be contributed by Technicolor to TCS after completion of the sale) and the repayment of the intra-group debt to Technicolor.

Secondly, the distribution of 65% of TCS' capital to its shareholders will make TCS' activities more visible to its shareholders and investors and will give them direct access to the liquidity of this asset.

We cannot estimate the future share price of TCS but in order to assess the shareholder's situation in the context of this Transaction, we have performed a multi-criteria valuation of TECHNICOLOR before and after the Transaction (Refinancing and spin-off process) in order to calculate the dilution and the creation of value for the shareholders.

On the basis of the sum of the parts approach, this valuation is between €2.8 and €3.5 per share before the Transaction. These valuation levels assume, however, that the updated forecasts established by Management will be achieved without major uncertainties.

Its share price over different reference periods in the last 12 months has fluctuated between €2.55 and €3.53³.

On the basis of the work described in this report on the valuation of the Group and the examination of the financial conditions of the Transaction, we have the following main remarks to make:

For shareholders and creditors subscribing for MCNs:

- It is reminded that not all subscribers for MCNs benefit from the same effects linked to the conversion into shares of MCNs, considering the subscription amounts which differ from the shareholders' participation in the Company's capital before the Transaction. According to the subscription levels, the capital accretion of the various subscribing shareholders is between -0.6 % and 2.4 %;
- The remuneration of the subscribing shareholders and/or creditors in the form of Upfront Fees, Original Issue Discount, and Exit Fees is significant, but remains coherent with regard to the whole Transaction. We have compared this remuneration to those observed in the context of debt restructuring transactions, which may have had different terms and conditions. It appears that the remuneration granted in the context of the present Transaction, expressed as a percentage of their investment, is within the range of the transactions analyzed. Moreover, the remuneration in the form of OIDs, rather than in cash, will have no impact on the Company's income statement or on its cash flow, which can be used entirely for the financing of the business;

For shareholders not subscribing for the MCNs and not participating in the Refinancing as creditors, the following analyses emerge:

- We recall that the conversion price of the MCNs of €2.60 results in a discount of 5% on the volume weighted average price 3 months prior to the announcement of the Transaction, and of 3% on the closing price level of the day before the announcement. Consequently, the level of dilution in value suffered by the non-subscribing shareholders is of the order of 1% on the basis of the last stock exchange price before the Transaction, which seems to us to be insignificant with regard to the creation of Value from which they could benefit in case of realization of the Transaction;
- The shareholders who do not have the possibility to subscribe for the issue will be diluted in that they will hold globally 24.8% of the capital after the Transaction in case of full conversion of the MCNs, against a holding of about 36.9% before the Transaction, which is significant;
- This level of dilution is explained by the size of the Transaction, which will enable it to refinance all of its debt, reduce its cost and reduce its amount. This has the effect of creating value;

¹ Weighted average cost of debt taken out by Technicolor SA and TCS (excluding MCN considered as converted).

² Weighted average cost of debt at 12/31/21 (excluding lease liabilities). This rate is 8.88% at June 30, 2022.

³ As of July 27, 2022.

- *The Transaction appears to create shareholder value. Our valuation work shows a central value per TECHNICOLOR share held after the Transaction of €3.4⁴ compared to €3.1⁵ initially. This is based on an Enterprise Value of TCS through the application of the DCF criterion, which ranges from €1,561 million to €1,842 million with a central value of €1,690 million. The estimated equity value based on this enterprise value (€1,690 million) and the estimated adjusted net debt of TCS (€622 million), would thus amount to €1,068 million.*

The creation of value from the reduction of the Company's financial risk, through the decrease in its financial leverage and cost of debt, which translates into an improvement in the cost of capital⁶. It should be noted that the Company's share price has risen by 14%⁷ since the announcement of the Transaction.

In conclusion, we note for the shareholders that the implementation of this Transaction allows to improve the financial risk profile of the Company and to favor the development of TCS, of which they will become direct shareholders. These components have been integrated in our calculations on the evolution of the shareholders' assets.

Therefore, in this context, we believe that, as of the date of this report, the terms of the Transaction are fair from a financial point of view to the shareholders. »

2.3 Beneficiaries and payment

2.3.1 Persons entitled to the Distribution in Kind

In view of the contemplated timetable, the persons entitled to the Distribution in Kind will be Technicolor shareholders whose shares are registered in their name at day-end closing on the date preceding the Payment Date, *i.e.*, September 28, 2022 (the "**Record Date**") (*i.e.*, after taking account orders executed during the day of September 26, 2022 (inclusive) and with respect to which settlement-delivery will take place on the Record Date) (the "**Beneficiaries**").

In the case of separated ownership of the shares (*démembrement de propriété*), the Beneficiary is bare owner absent an agreement to the contrary. Shareholders are invited to contact their customary advisor for such issues. Technicolor shares held in treasury at the end of the Record Date will not benefit from the Distribution in Kind.

2.3.2 Practical payment terms

Transactions for the payment for the Distribution in Kind will take place as specified below.

The investment services provider responsible for centralizing the transactions in connection with the Distribution in Kind (the "**Centralizing Bank**") is Société Générale Securities Services, 32 rue du Champ de Tir, CS 30812, 44308 Nantes Cedex 3.

Regarding the Beneficiaries of the Distribution in Kind holding Technicolor shares in bearer form (*au porteur*) or in registered accounts (*au nominatif administré*):

- on the Payment Date, the Centralizing Bank will credit via Euroclear France each account custodian the whole number of TCS shares that correspond to its position in Technicolor shares duly registered with Euroclear France at day-end closing on the Record Date, *i.e.*, September 28, 2022, by applying the ratio of one (1) TCS share per one (1) Technicolor share registered with the relevant account custodian;
- each account custodian will then credit each of its clients with the number of TCS shares corresponding to the number of Technicolor shares registered in its books in the name of the relevant customer.

For Beneficiaries of the Distribution in Kind holding Technicolor shares in directly registered form (*au nominative pur*), the Centralizing Bank, acting in its capacity as financial institution in charge of maintaining the company's register of directly registered shareholders, will credit as from the Payment Date the account of each of the Beneficiaries of the

⁴ It being specified that any shareholder holding one Technicolor share prior to the Transaction will hold one Technicolor ex-TCS share and one TCS share after the Transaction.

⁵ It should be noted that in our report of April 4, 2022, the central value of Technicolor's share was €4.1. The decrease in value is mainly explained by a higher cost of capital now given the evolution of the global economic and financial context of the last months. It is also explained by the revision of the Company's forecasts.

⁶ Technicolor's cost of capital prior to the Transaction is 10.2% in our work, while post-Transaction, TCS's cost of capital is estimated at 8.8% taking into account the Refinancing and the effects of the spin-off.

⁷ Based on a pre-announcement price of €2.68 and a closing price on July 27, 2022, of €3.05.

Distribution in Kind holding their Technicolor shares in directly registered form with TCS shares corresponding to the number of Technicolor shares held in directly registered form by the relevant Beneficiary of the Distribution in Kind.

If a part of the Distribution in Kind was to have, from a tax perspective, the nature of a distribution of securities income, the authorized financial intermediary responsible for maintaining the bearer or administered registered share accounts or Technicolor, through the Centralizing Bank, as the case may be, may sell the number of TCS shares necessary to pay the social security contributions and/or the non-discharging levy and/or the withholding tax due in respect of the portion of the Distribution in Kind that has, from a tax perspective, the nature of a distribution of securities income.

Shareholders wishing to sell the TCS shares they receive in connection with the Distribution in Kind should contact their customary tax advisor and/or account custodian.

3 IMPACT OF THE DISTRIBUTION IN KIND AND THE REFINANCING ON TECHNICOLOR'S CONSOLIDATED SHAREHOLDERS' EQUITY, NET CONSOLIDATED RESULT AND NET FINANCIAL DEBT

3.1 Impact of the Distribution in Kind and the Refinancing on Technicolor's consolidated shareholders' equity (group share)

The Distribution in Kind will result in respect of Technicolor, on the Payment Date, (i) a capital gain net of current and deferred tax and the reclassification of historical conversion rate differences relating to all the TCS shares held by Technicolor prior to the Distribution in Kind for an amount of €905 million, and (ii) an estimated €694 million decrease in Technicolor's consolidated shareholders' equity (group share). These capital gains are estimated on the basis of a fair value resulting from the report of Finexsi, acting as independent expert, and will be reassessed following the listing of TCS.

The expected conversion of the convertible bonds into shares will result in an increase in equity of €287 million.

Assuming that the total estimated value of the distributed TCS shares amounts to €694 million (*i.e.*, 65% of the total valuation of TCS amounting to €1,690 in accordance with the valuation presented in the report of Finexsi acting as independent expert, less TCS's net debt) as of the date of this report, the impact of this transaction on Technicolor's consolidated shareholders' equity (group share) is estimated to be €516 million compared to shareholders' equity reflected in the consolidated balance sheet as at December 31, 2021, assuming that this Distribution in Kind, the conversion of the OCAs and the Refinancing would take place on January 1, 2021. This difference is presented in an appendix to this report (the "Appendix").]

3.2 Impact of the Distribution in Kind and the Refinancing on Technicolor's consolidated net result (group share)

Based on the conclusions of the report of Finexsi, acting as independent expert, the Distribution in Kind will result in a capital gain net of costs, taxes and reclassification of the historical conversion rate on the 65% of TCS shares concerned by the Distribution in Kind, in the amount of €496 million, and the revaluation at fair value of the remaining 35% of TCS shares will result in a revaluation gain of €409 million. These gains will be reassessed following the listing of TCS on the basis of its initial listing price. The classification of the 35% of TCS as an asset held for sale would result in a change in the value of this asset if the TCS share price were to fall below the determined fair value.

The Refinancing will result in the expensing of the fair value adjustment recognized on the backup debt, *i.e.*, €84 million as of January 1, 2021.

The transactions will result in non-capitalized costs of €43 million.

3.3 Impact of the Distribution in Kind and the Refinancing on Technicolor's net financial debt

Immediately prior to the Distribution in Kind and the conversion of the MCNs, TCS's net debt will amount to €722 million, including €564 million of new debt net of estimated costs, a large part of which would be used to repay the safeguard debt and the IFRS 16 debt.

In the event of the completion of the Distribution in Kind, which would result in such debt being deconsolidated, and the prior conversion of the €300 million of MCNs, and in light of the terms of the new financing negotiated in the context of the Refinancing, Technicolor's adjusted net debt would amount to approximately €238 million based on the balance sheet at December 31, 2021 if the Distribution in Kind, the conversion of the MCNs and the Refinancing occurred on January 1, 2021.

3.4 Adjusted Illustrative 2021 financial information

The adjusted illustrative 2021 financial information presented in the Appendix and the corresponding key metrics presented in the table below have been prepared to reflect the impact that the Distribution in Kind and Refinancing would have had on Technicolor's consolidated financial statements if they had occurred on January 1, 2021.

This adjusted illustrative financial information has been prepared based on the 2021 consolidated financial statements published in accordance with International Financial Reporting Standards (IFRS).

This adjusted illustrative financial information is presented for illustrative purposes only and therefore is not indicative of the results and financial position that Technicolor would have reported had the Distribution in Kind and the Refinancing actually occurred on January 1, 2021. This adjusted illustrative financial information has not been audited or reviewed by the Company's statutory auditors, nor has any report in respect thereto been issued by the Company or its statutory auditors, and is therefore presented for reference purposes only and should not be considered as binding on the Company.

As at/during the financial year ended on 31 December (in € million)	2021 Published	2021 Adjusted illustrative
Revenues	2,898	2 251
Adjusted EBITA ⁸	95	39
Operating result	30	(19)
Net result (group share)	(140)	695
Net result (group share) per share ⁹	(0.59)	1.95

4 TAX TREATMENT OF THE DISTRIBUTION IN KIND

The following discussion summarizes the French tax consequences that may apply to Technicolor's shareholders as a result of the Distribution in Kind in view of legislation in force on the date hereof. The rules referred to below may be affected by potential legal and regulatory changes that could be coupled with a retroactive tax effect or apply to the current calendar year or financial year.

Technicolor's shareholders' attention is drawn to the fact that the tax information contained in this paragraph is simply a summary of the tax regime applicable under the laws in force on the date hereof, which is provided for general information purposes only. As a result, the tax information discussed below does not constitute an exhaustive description of all the tax effects that may apply to Technicolor's shareholders as a result of the Distribution in Kind.

Technicolor's shareholders are therefore invited to seek information from their customary tax advisor regarding the tax treatment that applies to their specific circumstances.

Individuals who do not have their tax residence located in France must also comply with the laws applicable in their country of residence.

4.1 Qualification of the Distribution in Kind from a French tax perspective

In view of the composition of Technicolor's shareholders' equity subsequent to the allocation of its results for the 2021 financial year and the projected results for the 2022 financial year (including the capital gained realized at the time of the Tech 6 Transfer), which should not be sufficient to absorb its negative retained earnings, from a French tax perspective, the Distribution in Kind should be characterized as a repayment of capital contributions in accordance with the provisions of paragraph 1) of Article 112 of the French Tax Code that does not constitute distributed income pursuant to the provisions of such Article 112.

⁸ "Adjusted EBITA" corresponds to income from continuing operations before tax and net financial income, excluding other income and expenses, restructuring costs, net impairment losses and write-downs of PPA items.

⁹ Calculated for adjusted illustrative information by dividing the net income attributable to the Group by the number of shares constituting Technicolor's share capital as of June 30, 2022 adjusted by the 115 million shares created by the conversion of the MCNs as well as by the delivery of all LTIP 2019, LTIP 2020 and ASP 2020 incentive plans.

The composition of Technicolor's shareholders' equity will be reviewed prior to the Distribution in Kind based on the interim financial accounts. The tax qualification of the Distribution in Kind under French law will be disclosed in a press released published on that date.

If such shareholders' equity does not reflect profits and reserves (other than those resulting from contributions) that remain to be allocated, the Distribution in Kind will be a repayment of capital contributions within the meaning of paragraph 1) of Article 112 of the French Tax Code, which repayment is not, in principle, considered to be distributed income and as such will not be subject to a levy or at-source withholding in France by the paying institution for the Distribution in Kind (see 4.2 below).

4.2 If the results realized by Technicolor since the beginning of the 2022 financial year exceed the amount of its negative retained earnings (less the share of its reserves not corresponding to contributions), a portion of the Distribution in Kind could be treated as a distribution of securities income which, in principle, is subject to tax in France (see 4.3 below). Tax regime for the Distribution in Kind qualifying their repayment of capital contributions within the meaning of Article 112, 1) of the French Tax Code

4.2.1 Shareholders who are resident in France for tax purposes

4.2.2 Natural persons holding Technicolor shares as part of their private assets and not carrying out stock market transactions under conditions similar to those characterizing an activity carried out by a person professionally engaged in such transactions

Subject to the following, the portion of the Distribution in Kind having the nature of a repayment of capital contributions will not be considered as a distribution of income and will thus not be subject to income tax or social security contributions. The share of the Distribution in Kind having the nature of a repayment of capital contributions will be deducted from the cost price for tax purposes of the Technicolor shares when calculating the capital gain or loss recorded upon the subsequent sale of Technicolor shares (*Bulletin officiel des Finances Publiques* ("BOFIP"), BOI-RPPM-PVBMI-20-10-20-40 of December 20, 2019, paragraph no. 240, publishing tax ruling 2006/55 (FP) of December 5, 2006).

Shareholders whose cost price for tax purposes of the Technicolor shares is lower than the amount of the share of the Distribution in Kind having the nature of a repayment of capital contributions and shareholders who benefited from a tax deferral at the time of the acquisition or subscription of their Technicolor shares are invited to contact their customary tax advisor to determine the tax treatment that applies to them.

4.2.3 Legal entities subject to corporate income tax under the standard regime

In accordance with the combined application of Article 209, I and Article 112, 1 of the French Tax Code, except as provided below, the share of the Distribution in Kind having the nature of a repayment of capital contributions should not be considered to be an income distribution and therefore should not be subject to corporate income tax.

The share of the Distribution in Kind having the nature of a repayment of capital contributions should reduce the tax cost basis for the Technicolor shares for the purpose of calculating the capital gain or loss realized upon the subsequent sale of Technicolor shares. However, it is worth noting that this position has not given rise to a tax ruling comparable to tax ruling 2006/55 (PP) of December 5, 2006 that applies to natural persons, nor has it given rise to comments by the tax authorities in the *Bulletin officiel des Finances Publiques*. The legal persons concerned, and in particular the legal persons with respect to which the cost price for tax purposes of a Technicolor share is lower than the portion of the Distribution in Kind having the nature of a repayment of capital contributions, are therefore invited to contact their customary tax advisor.

4.2.4 Other shareholders

Technicolor shareholders who are subject to a tax regime other than those referred to above, including taxpayers whose securities transactions go beyond the simple management of a portfolio or who have recorded their Technicolor shares as assets on their commercial balance sheet, are invited to contact their customary tax advisor for the purpose of ascertaining the tax treatment that applies to their specific situation.

4.2.5 Shareholders whose tax residence is located outside of France

The portion of the Distribution in Kind having the nature of a repayment of capital contributions will not be considered as an income distribution and therefore should not be subject to at-source withholding in France for shareholders whose tax residence is located outside of France.

However, the portion of the Distribution in Kind having the nature of a repayment of capital contributions should be deducted from the cost price for tax purposes of the Technicolor shares for French tax purposes.

In addition, persons whose tax residence is located outside of France must comply with the laws applicable in their state of residence and determine the tax treatment for the Distribution in Kind in such state.

Generally speaking, shareholders whose tax residence is located outside of France are invited to contact their customary tax advisor.

4.3 Tax treatment applicable to the portion of the Distribution in Kind having the nature of a distribution of income

The below summary is relevant only to the extent that the entire Distribution in Kind does not have the nature of a repayment of capital contributions within the meaning of Article 112, 1) of the French Tax Code and therefore would partially consist of a distribution of income.

4.3.1 Shareholders whose tax residence is located in France

4.3.2 Natural persons holding Technicolor shares as part of their private assets and not carrying out stock market transactions under conditions similar to those characterizing an activity carried out by a person professionally engaged in such transactions

4.3.2.1 Technicolor shares hold outside the context of a share savings plan

Non-releasing 12.8% levy

In accordance with Article 117 *quater* of the French Tax Code, subject to the exceptions discussed hereafter, natural persons domiciled in France are subject to a non-discharging levy (*prélèvement non libératoire*) charged at a rate of 12.8% on the gross amount of income distributed.

This levy is applied by the paying agent paying the income distributed if such agent is established in France. If the paying agent is established outside of France, this income must be reported and the corresponding levy paid to the French tax authorities within the first 15 days of the month that follows the month of payment, either by (i) the taxpayer himself, or (ii) by the paying agent if such agent is established in a Member State of the European Union or in a state party to the European Economic Area Agreement that has entered into an administrative assistance agreement with France to combat tax fraud and tax evasion and which has been duly authorized for such purpose by the taxpayer.

This flat-rate levy, which does not release taxpayers from paying income tax or, as appropriate, the exceptional contribution on high income, and which does represent an advance payment on income tax, will be set off against the taxpayer's final income tax amount charge due in respect of the year in which the distributed income was paid. Any excess amounts will be refunded by the French tax authorities.

Natural persons belonging to a tax household with reference taxable income (*revenu fiscal de référence*) in the prior tax year, as defined in Article 1417, IV, 1 of the French Tax Code, of less than €50,000 for single, divorced or widowed taxpayers or €75,000 for jointly taxed couples, may apply for an exemption from this levy as provided for by Article 242 *quarter* of the French Tax Code by providing to the paying agent no later than November 30 of the year preceding the year in which the income was distributed a sworn statement that their reference taxable income in the tax notice issued in respect of their income in year preceding the year of payment was below the above-mentioned thresholds.

When the paying agent is established outside France, natural persons belonging to a tax household whose reference taxable income for the preceding year, as defined in Article 1417, IV, 1 of the French Tax Code, is below the amounts referred to in the preceding paragraph are not subject to the non-discharging 12.8% levy.

Special situation: Withholding tax in the event of payment into a non-cooperative jurisdiction

Regardless of where the beneficiary's tax domicile or residence is located, in accordance with Article 119 *bis* of the French Tax Code and subject to the provisions of the applicable tax treaty, income distributed by Technicolor paid outside of France to a non-cooperative country or territory ("**NCCT**") within the meaning of Article 238-0 of the French Tax Code (except countries or territories considered as such pursuant to Article 238-0-A, 2 *bis* 2 of the French Tax Code) is subject to withholding tax levied at the rate of 75% unless the Company proves that the distribution of such income in such state or territory has neither the purpose nor the effect of permitting it, for the purpose of tax evasion, to be localized in such a country or territory. The list of NCCTs is published by ministerial order and updated at least once every year and applies from the first day of the third month following publication of the order. The current list (excluding countries or territories

considered as such pursuant to Article 238-0-A, 2 bis 2 of the French Tax Code, includes the British Virgin Islands, Anguilla, Panama, Seychelles and Vanuatu.

17.2% social security contributions

The gross amount of the income distributed is also subject to social security contributions at a global rate of 17.2%, broken down as follows:

- the general social contribution (*contribution sociale généralisée*, or “**CSG**”) charged at a rate of 9.2% (Article L 136-8 of the French Social Security Code);
- the contribution for repaying social security debt (*contribution pour le remboursement de la dette sociale*, “**CRDS**”) charged at a rate of 0.5% (Articles 1600-0 H and 1600-0 J of the French Tax Code); and
- the solidarity levy at a rate of 7.5% (Article 235 *ter* of the French Tax Code).

These social security contributions are collected in the same way as the non-discharging 12.8% levy referred to above.

Income tax

The final taxation of the income distributed by Technicolor will be carried out based on the income reported by the taxpayer in their tax return filed with the French tax authorities in the year that follows the year in which such income was received. Income distributions are subject to income tax at a flat rate of 12.8% (“**PFU**”) (Article 200 A of the French Tax Code) or, on the taxpayer’s irrevocable option covering all income entering within the scope of the PFU, on the progressive scale (Article 200 A, 2 of the French Tax Code) of up to 45%.

Opting for taxation under the progressive scale is subject to a formal election made in the income tax return filed in the year following the year in which the income distribution was received. When a taxpayer elects to be taxed under the progressive scale, a general rebate of 40% applies to the gross amount of the income distributed (Article 158, 3, 2 of the French Tax Code) and up to 6.8% of the corresponding CSG is deductible from their taxable income.

The 12.8% non-discharging levy is set off against the income tax charge due in respect of that year.

Exceptional contribution on high income

Pursuant to Article 223 *sexies* of the French Tax Code, taxpayers liable to personal income tax are subject to a contribution based on the amount of the tax household’s reference taxable income as defined in Article 1417, IV, 1 of the French Tax Code, without application of the quotient rules laid down in Article 163-0 A of the French Tax Code. For this purpose, reference taxable income includes the distributed income received, prior to the 40% rebate, and capital gains realized by the relevant taxpayers (except for capital gains referred to in Article 150-0 B *ter* of the French Tax Code for which the tax deferral expires). This contribution is calculated by applying the following rates:

- 3% of the portion of reference taxable income above €250,000 and lower than or equal to €500,000 for single, widowed, separated or divorced taxpayers, and to the portion of the reference taxable income above €500,000 and lower than or equal to €1,000,000 for taxpayers taxed jointly;
- 4% of the portion of reference taxable income above €500,000 for single, widowed, separated or divorced taxpayers, and to the portion of taxable income above €1,000,000 for taxpayers taxed jointly.

4.3.2.2 Technicolor shares held through a share savings plan

Technicolor Creative Studios ordinary shares received by Technicolor shareholders holding their Technicolor shares through a share savings plan (*plan épargne en actions*, or “**PEA**”) will be received on their PEA accounts.

Subject to certain conditions, a PEA allows for an income tax exemption on gains and dividends received in respect of listed shares held in the PEA. When the PEA is closed (is such closure takes place more than five years after the plan’s opening date) or when funds are partially withdrawn from the PEA (if such withdrawal takes place more than five years after the plan’s opening date), the net gains recorded since the PEA was opened are exempt from income tax but remain subject to social security contributions at the global rate of 17.2%.

Specific provisions that are not described in this report apply when capital losses are realized, where the plan is closed prior to a period of five years following the opening of the PEA, or where the taxpayer exists from the PEA in return for an annuity. The relevant shareholders are invited to consult their customary tax advisor.

4.3.3 Legal persons subject to corporate tax (standard regime)

Legal entities which do not benefit from the parent company – subsidiary regime (*régime mère-fille*) within the meaning of Article 145 of the French Tax Code should include the gross amount of the share of the Distribution in Kind having the nature of distributed income in their net result that is subject to corporate income tax at the standard rate (currently 25%) plus, where applicable, an additional 3.3% contribution assessed on their annual corporate tax above €763,000 (Article 235 ZC of the French Tax Code). Legal entities whose fully paid-up share capital is at least 75% held, continuously throughout the relevant fiscal year, by natural persons or by companies satisfying certain conditions may benefit from a 15% corporate income tax rate on the portion of their taxable income and be exempt from the 3.3% social security contribution referred to above.

Legal persons holding at least 5% of Technicolor's share capital (or, absent meeting this threshold, holding 2.5% of Technicolor's share capital and 5% of its voting rights, subject to the shareholder being controlled by one or more non-profit organizations (within the meaning of 1 *bis* of Article 206 of the French Tax Code)) and that comply with all the conditions provided for by Articles 146 and 216 of the French Tax Code could benefit from the parent company – subsidiary regime. When this regime applies, the share of the Distribution in Kind having the nature of a distribution of income is exempt from corporate income tax, except for a share of costs and expenses equal to 5% of the amount of the Distribution in Kind having the nature of a distribution of income, which should be included in the beneficiary's taxable income that is subject to corporate income tax at the standard rate.

Regardless of where the beneficiary's registered office or place residence is located, in accordance with Article 119 *bis* 2 of the French Tax Code and subject to the provisions of the applicable tax treaty, income distributed by Technicolor paid outside France to a NCCT is subject to withholding tax levied at the rate of 75%, unless Technicolor proves that the distribution of such income in such state or territory has neither the purpose nor the effect of permitting it, for the purpose of tax evasion, to be localized in such a country or territory. The list of NCCTs is published by ministerial order and updated at least once every year and applies from the first day of the third month following the order's publication. Section 4.2.1 of this report contains the list of the relevant NCCTs.

4.3.4 Other shareholders

Technicolor shareholders subject to a tax regime other than those referred to above, and in particular taxpayers whose securities transactions go beyond simple portfolio management or who have recorded their shares as assets on their commercial balance sheet, are invited to contact their customary tax advisor to determine which tax regime applies to their particular circumstances.

4.3.5 Shareholders whose tax residence is located outside France

The following discussion is a summary of certain French tax consequences for investors (i) who are not domiciled in or residents of France for tax purposes, and (ii) whose ownership of shares is not attributable to a fixed base or a permanent establishment subject to tax in France.

The relevant shareholders must comply with the tax laws in force within their country in residence and are invited to consult their tax advisor regarding the tax treatment that applies to their particular circumstances.

Subject to the provisions of applicable tax treaties and to the exceptions referred to below, the share of the Distribution in Kind having the nature of a distribution of income from a French tax perspective will in principle be subject to withholding tax levied by the paying agent for the Distribution in Kind.

The rate of this withholding tax is set by Article 187 of the French Tax Code as follows:

- 12.8% where the beneficiary is a natural person;
- 15% where the beneficiary is a non-profit organization that has its registered office in a Member State of the European Union or in a State party to the European Economic Area Agreement that has entered into an administrative assistance agreement with France to combat tax fraud and evasion, that would be taxed according to the regime provided for by Article 206-5 of the French Tax Code if it had its registered office in France and had satisfied the criteria provided for by paragraphs 580 *et seq.* of the administrative guidelines published in the BOFIP under reference BOI-IS-CHAMP-10-50-10-40-20130325; and
- at the standard corporate income tax rate in other cases (currently set at 25%).

This withholding tax also applies to any payment (up to the amount of the share of the Distribution in Kind having the nature of a distribution of income) made by a person established or having their tax residence in France to the benefit of, directly or indirectly, a person who is not established or who does not have their tax residence in France, carried out within the context of a temporary transfer or a similar transaction giving the right or making it mandatory to return or resell the shares or other rights relating to such securities within the meaning of Article 119 *bis* A, 1 of the French Tax Code. This temporary transfer or similar transaction must be carried out during a period of less than 45 days, including the date on which the right to the distribution of the share proceeds is acquired. However, if the beneficiary of such payment proves that it corresponds to a transaction that has mainly a purpose and an effect other to avoid the application of a withholding tax or obtaining a tax benefit, then such beneficiary will be able to obtain from the French tax authorities the reimbursement of the withholding tax.

Further, regardless of the location of the beneficiary's tax domicile, the location of its registered office or the beneficiary's status, subject to the provisions of the applicable tax treaty, the share of the Distribution in Kind having the nature of a distribution of income from a French tax perspective paid outside of France into a NCCT will be subject to withholding tax at the rate of 75%, unless Technicolor proves that the distribution of such income in such state or territory has neither the purpose nor the effect of permitting it, for the purpose of tax evasion, to be localized in such a country of territory. The list of NCCTs is published by ministerial order and updated at least once every year and applies from the first day of the third month following the order's publication. Section 4.2.1 of this report contains the list of the relevant NCCTs.

Withholding tax may be reduced or even eliminated in certain circumstances, in particular pursuant to:

- Article 119 *bis*, 2-2° of the French Tax Code, which provides for an exception from withholding tax that applies to dividends distributed to foreign collective investment vehicles comparable to French collective investment vehicles having the characteristics listed in BOFIP (BOI-RPPM-RCM-30-30-20-70-20211006) situated in a Member State of the European Union or a state or territory that has entered into an administrative assistance agreement with France in view of combatting tax fraud and evasion;
- Article 119 *ter* of the French Tax Code, which applies under certain conditions to shareholders who are legal entities that are the beneficial owners of the distributed income:
 - (i) having their center of effective management in a Member State of the European Union or in a state that is a party to the European Economic Area Agreement that has entered into an administrative assistance agreement with France in view of combatting tax fraud and tax evasion and that are not considered, under a tax treaty entered into with a third-party state, as having their tax residence outside the European Union or the European Economic Area,
 - (ii) having one of the forms listed in Part A, Annex I to Directive 2011/96/EU of the Council of November 30, 2011 on the common tax regime applicable to parent companies and subsidiaries of different Member States or an equivalent form where the company has its center of effective management in a state that is a party to the European Economic Area Agreement,
 - (iii) directly holding, and have so continuously for at least two years, at least 10% of the share capital of the distributing company and satisfying all the other conditions provided for by such article as interpreted by administrative guidelines (published in the BOFIP under reference BOI-RPPM-RCM-30-30-20-10-20190703); it being specified that the 10% holding requirement is reduced to 5% of the share capital of the French distributing company when the legal entity that is the beneficial owner of the dividends holds a shareholding that meets the conditions provided for in Article 145 of the French Tax Code and is not able to credit the withholding tax in its state of residence (BOFIP ref. BOI-RPPM-RCM-30-30-20-40-20160607); and
 - (iv) liable for corporate income tax, in the Member State of the European Union or in a state that is party to the European Economic Area Agreement where they have their center of effective management, without any opt-out option and without being exempt therefrom.

However, the provisions of Article 119 *ter* of the French Tax Code do not apply to income distributed under an arrangement or series of arrangements that, having been put in place with the principal objective or with a principal objective of obtaining a tax benefit contrary to the objective or purpose of the same provisions of Article 119 *ter*, is not genuine in light of all relevant facts and circumstances.

- Article 119 *quinquies* of the French Tax Code, as commented on in administrative guidance published in the BOFIP under reference BOI-RPPM-RCM-30-30-20-80-20160406 applicable to shareholders who are legal persons:

- (i) having their head office or, where applicable, the permanent establishment where the income and profits are included are located in a Member State of the European Union or in another state party to the European Economic Area Agreement that has entered into an administrative assistance agreement with France in view of combatting tax fraud and tax evasion as well as a mutual assistance agreement for recovery having a scope similar to that provided for by directive 2010/24/EU of the Council of March 16, 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties, rights and other measures and not being non-cooperative within the meaning of Article 238-0 A or, regarding the withholding tax provided for by Article 119 *bis*, in a state that is not a Member State of the European Union or that is not a state party to the European Economic Area Agreement that has entered into the agreements referred to in this paragraph with France, subject to such state not being non-cooperative within the meaning of Article 238-0A and that the stake held in the distributing company or organization does not allow the beneficiary to participate effectively in the management or control of such company or organization.
- (ii) having their tax result or, where applicable, the tax result of the permanent establishment where the income and profits are included, calculated according to the rules of the state or territory where their head office or permanent establishment is located, is loss-making, and
- (iii) are, at the date the income is received or the profits are realized, subject to a procedure comparable to that referred to in Article L. 640-1 of the French Commercial Code (or, absent such a procedure, which are not able to meet their payment obligations (*cessation des paiements*) and their recovery is obviously impossible) and that satisfy the other requirements of Article 119 *quinquies* of the French Tax Code, or
 - applicable double tax treaties, as appropriate.

Technicolor's shareholders are invited to consult their customary tax advisor for the purpose of determining, should part of the Distribution in Kind have the nature of a distribution of income, whether they may benefit from a reduction or exemption pursuant to the principles discussed above or the provisions of double tax treaties, and to carry out the practical steps necessary for the application of such reductions or exemptions, and in particular those described in the administrative guidelines published in the BOFIP under reference BOI-INT-DG-20-20-20-20-20120912 on the so-called "standard" or "simplified" procedure applicable to reductions of or exemptions from withholding tax provided for under double tax treaties.

5 PROTECTION OF HOLDERS OF STOCK SUBSCRIPTION WARRANTS AND OPTIONS AND GRANT TO BENEFICIARIES OF FREE SHARE PLANS

As a result of the Distribution in Kind, Technicolor's shareholders will be asked at the Shareholders' Meeting to acknowledge that the rights of the holders of exercisable stock options, *i.e.*, the plans granted by Technicolor's Board of Directors pursuant to the delegation granted by the May 23, 2013 shareholders' meeting in the framework of option plans provided for by the "2016 Management Incentive Plan" of June 20, 2014 (with respect to the portion of such plan that has not expired), the "June 2017 Management Incentive Plan" of June 26, 2015 and the "October 2017 Management Incentive Plan" of October 19, 2015 (the "**Stock Options**"), will be protected, such that the Board of Directors will have all powers to adjust the number and price of the shares under option in accordance with the principles set forth in Article R. 228-91 of the French Commercial Code. Technicolor's shareholders will also be asked at the Shareholders' Meeting to acknowledge that the rights of the holders of exercisable Shareholder Warrants will be protected, such that the Board of Directors will have all powers to adjust the exercise ratio applicable to the Shareholder Warrants in accordance with the terms of the prospectus related to the issuance of the Shareholder Warrants.

Technicolor's Board of Directors will proceed as described below with the adjustment of the rights of holders of Stock Options and Shareholder Warrants who have not exercised such rights prior to the suspension of the exercisability of such instruments.

5.1 Suspension of the exercisability of the Stock Options and Shareholder Warrants

As a financial transaction relating to Technicolor's share capital that requires the number of outstanding shares to be known in advance, that requires an adjustment of the terms specified hereafter and that is intended to take place prior to the issuance of securities granting access to Technicolor's share capital in the framework of the TSA Capital Increase, the Board of Directors plans to suspend the exercisability of the Stock Options and the Shareholder Warrants commencing September 6, 2022 for a period that may not exceed three months.

5.2 Preservation of the rights of holders of Stock Options

5.2.1 Adjustment to the exercise price

The exercise price for one Technicolor share under option post-adjustment will be:

$$\text{subscription price for a share under option prior to the adjustment} \times \left(1 - \frac{\text{Amount of the Distribution in Kind per Technicolor share}}{\text{Value of the Technicolor share prior to the Distribution in Kind}}\right)$$

For the purposes of this adjustment, the Board of Directors will apply the following:

- the amount of the Distribution in Kind per Technicolor share will be equal to the volume weighted average of the TCS share price recorded on Euronext Paris during the first three trading days commencing on the Payment Date; and
- the pre- Distribution in Kind value per Technicolor share will be equal to the volume weighted average of the Technicolor share price recorded on Euronext Paris during the last three trading days preceding the Payment Date.

5.2.2 Adjustment of the number of shares under option

The number of Technicolor shares under option after adjustment will be equal to:

$$\text{Number of shares prior to the adjustment} \times \frac{\text{subscription price for a share under option pre-adjustment}}{\text{subscription price for a share under option post-adjustment}}$$

For the purposes of this adjustment, the number shares under option will be rounded up to the next whole number, as necessary.

5.3 Preservation of rights of holders of Shareholder Warrants

Under section 4.2.8.4 of the *note d'opération* relating to the issuance of the Shareholder Warrants which forms part of the prospectus approved by the AMF on July 10, 2020 under no. 20-343, the new exercise ratio of the Shareholder Warrants will be equal to:

$$\text{exercise ratio of the Shareholder Warrants prior to the Distribution in Kind} \times \frac{\text{value of a Technicolor share before the Distribution in Kind}}{\text{value of a Technicolor share before the Distribution in Kind} - \text{value of the TCS share allocated per share}}$$

It is specified, however, that in accordance with the above-mentioned prospectus relating to the issue of the Shareholder Warrants:

- the value of a Technicolor share prior to the Distribution in Kind will be equal to the volume weighted average of the Technicolor share price recorded on Euronext Paris during the three last trading days preceding the Payment Date; and
- the value of the TCS shares allocated in the framework of the Distribution in Kind will be equal to the volume weighted average of the TCS share price recorded on Euronext Paris during the first three trading days commencing on the Payment Date.

5.4 Long-term incentive and investment & incentive plans

Making partial use of the authorization granted by the June 30, 2020 shareholders' meeting under the 25th and 26th resolutions, in December 2020, March 2021 and April 2021, the Board of Director implemented a 2020 long-term incentive plan and a 2020 incentive & investment plan benefiting corporate officers and employees of the Company.

In the context of the Distribution, upon the Remunerations Committee's proposal, the Board of Directors wishes, for the purpose of encouraging the loyalty of the beneficiaries of these plans and aligning their interests with those of the shareholders so as to allow them to benefit from the Distribution in Kind, to reduce by several months the vesting of the free shares granted under these resolutions. To this end, it is proposed to the shareholders that they approve the 12th and 13th resolutions submitted to the Shareholders' Meeting for the purpose of modifying paragraph 4) of the 25th resolution and paragraph 6) of the 26th resolution of June 30, 2020 referred to above by reducing the minimum vesting period from two years to sixteen months. For more information about the above-mentioned plans in the context of the Distribution in Kind, Technicolor's shareholders are invited to refer to the addendum amending/supplementing the Board of Directors' report on corporate governance included in Technicolor's universal registration document filed on April 29, 2022 under no. D.22-0237-A01.

6 INFORMATION REGARDING TCS AND RISK FACTORS

6.1 Information regarding TCS

Technicolor's shareholders are invited to refer to the listing prospectus approved by the AMF on August 1, 2022 under no. 22-331, as amended (the "**TCS Prospectus**"), which is available on the AMF's website and on the websites of Technicolor and TCS.

In particular, for more information on TCS's business and results, Technicolor's shareholders are invited to refer to, in particular, chapters 2 (*Information about the Issuer*), 3 (*Risk Factors*), 5 (*Overview of the Group's Activities*), 6 (*Organizational Structure*), 7 (*Capitalization and Indebtedness*), 8 (*Analysis of the Group's Financial Position and Results*), and 9 (*The Group's Liquidity and Capital Resources*)

6.2 Risk Factors

The main risk factors relating to the Distribution in Kind should be carefully considered. In this regard, Technicolor's shareholders are invited to refer in particular to section 3.5 (*Risks relating to the Distribution in Kind*) and section 3.6 (*Risks relating to TCS's shares*) of the TCS Prospectus. Regarding the risk factors relating to TCS's activities, Technicolor's shareholders are invited to refer to the risk factors in the Company's press release published June 14, 2022 ("*Technicolor Presents Technicolor Creative Studios at its Capital Markets Day*").

The attention of Technicolor's shareholders is drawn to the fact that the list of the risks identified in the sections of the TCS Prospectus and in the press release mentioned above is not exhaustive and that there may be other unknown risks or risks the realization of which are not, on date of the TCS Prospectus, considered as being liable to have a material adverse effect on the Distribution in Kind or TCS's business.

The Board of Directors

APPENDIX

Adjusted Illustrative Information for the Financial Year 2021¹⁰

Adjusted illustrative Information below presents the Technicolor (to be renamed Vantiva subject to the approval of the related resolution at the September 6th shareholders' meeting) group 2021 accounts as if the Spin-off and refinancing operations had occurred on January 1st 2021, therefore presenting the Vantiva group based on its future scope and debt structure.

These accounts have not been audited and are presented for illustrative purposes only and cannot be considered as predictive of the consequences of the operation in progress.

In order to prepare these illustrative financial statements, here are the main assumptions:

- €300m Mandatory Convertible bond (MCN) approved, raised and converted.
- €375m Vantiva private debt issued.
- €623m TCS private debt issued.
- €1,035m Repayment of safeguard debt (estimated to be €1.1 bn as of end of September 2022).
- Distribution of 65% of TCS shares (Spin-off).
- Vantiva's 35% stake in TCS in the process of being sold.

Key accounting adjustments of the Spin-off:

- Financial elements of the TCS Group have been carved-out.
- The loss of control results in a net gain on distribution presented in discontinued operations in accordance with IFRS 5.
- In accordance with IFRIC 17, this gain on distribution is equal to the difference between the fair value of the Distribution in Kind and the carrying amount of the equity distributed. This fair value is credited in P&L but debited in the retained earnings in the Balance sheet, so that net impact in equity is the carrying amount of the net equity of TCS distributed.
- The fair value of TCS used in these adjusted illustrative statements has been computed using the Enterprise value from the independent appraiser adjusted for debt and debt-like elements and is not predictive of the fair value that will be retained in the Full Year Vantiva Financial Statements and that will be measured using the future TCS share price after listing.
- The retained 35% stake of TCS in Vantiva is revalued at fair value (€383m based on the independent appraiser valuation) and reclassified as asset held for sale.

Refinancing accounting assumptions:

- The capital increase through conversion of the Mandatory convertible note (€300m) is recognized in Equity and the Financing cash-flows for an amount net of estimated fees of €287m.
- The new Vantiva private debt (€375m) is recognized net of issuance premiums and fees, which are amortized in one year based on the assumption of an early repayment in 2022 depending on the sale of the 35% stake in TCS.
- Part of the funds raised from the TCS private debt (in these adjusted illustrative financial statements €566m out the €623m) will fund Vantiva (through repayment of intra-group debt and TCS legal structuring).
- Repayment of the safeguard debt shown here is €1,035m versus an expected €1.1bn and excludes the PIK interest accrued between January 21th, 2021 and September 22nd, 2022 nor the change in conversion rate between the euro and US dollar.

Other elements

- Transaction fees non directly accounted in debt or equity were estimated at around €36m were booked for €28m in Discontinued activities and €8m in the Other financial expenses.
- One-off costs linked to the separation are presented in Other income (expense).
- Neither the dyssynergies (as costs), nor the income from the transaction services re invoicing have been recorded here.

¹⁰ Some of the amounts included in this Appendix differ marginally from the adjusted illustrative information set out in the appendix to the press release issued by the Company on August 1, 2022. These variations are the consequence of minor adjustments made to the Adjusted Illustrative accounts following the issuance of the report of Finexsi acting as independent expert, in particular for the purpose of reflecting in these accounts the exact equity value of TCS as assessed in this report.

- Trademark Licensing activities have been presented in discontinued activities in the P&L and as asset held for sale in the Balance sheet to reflect their disposal in 2022.

Interest expense in the Adjusted Illustrative accounts includes a €86m reversal of the IFRS adjustment on the safeguard debt.

ADJUSTED ILLUSTRATIVE STATEMENT OF OPERATIONS

(€ in million)	Year ended December 31, 2021		
	Technicolor accounts (published)	Adjustments	Vantiva accounts (illustrative)
CONTINUING OPERATIONS			
Revenue	2,898	(647)	2,251
Cost of sales	(2,494)	517	(1,977)
Gross margin	404	(130)	274
Selling and administrative expenses	(263)	81	(182)
Research and development expenses	(84)	1	(84)
Restructuring costs	(37)	6	(31)
Net impairment losses on non-current operating assets	(5)	2	(2)
Other income (expense)	14	(9)	5
Earnings before Interest & Tax (EBIT) from continuing operations	30	(49)	(19)
Interest income	-	-	-
Interest expense	(126)	(44)	(171)
Other financial income (expense)	-	-	-
Net financial expense	(127)	(44)	(171)
Share of gain (loss) from associates	0	-	0
Income tax income (expense)	(24)	10	(15)
Loss from continuing operations	(121)	(83)	(204)
DISCONTINUED OPERATIONS			
Net gain (loss) from discontinued operations	(19)	918	899
Net loss for the year	(140)	835	695
Attributable to :			
- Equity holders	(140)	835	695
- Non-controlling interest	-	-	-

These accounts have not been audited and are presented for illustrative purposes only and cannot be considered as predictive of the consequences of the operation in progress.

ADJUSTED ILLUSTRATIVE STATEMENT OF CASH FLOWS

	Year ended December 31, 2021		
	Technicolor accounts (published)	Adjustments	Vantiva accounts (illustrative)
(€ in million)			
Net income (loss)	(140)	835	695
Income (loss) from discontinuing activities	(19)	918	899
Profit (loss) from continuing activities	(121)	(83)	(204)
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>			
Depreciation and amortization	222	(83)	138
Impairment of assets	1	3	3
Net changes in provisions	(53)	(1)	(55)
Gain (loss) on asset disposals	(29)	8	(21)
Interest (income) and expense	126	44	171
Other items (including tax)	29	(23)	6
Changes in working capital and other assets and liabilities	(81)	(20)	(101)
Cash generated from continuing activities	93	(156)	(63)
Interest paid on lease debt	(15)	11	(4)
Interest paid	(49)	19	(30)
Interest received	0	(0)	0
Income tax paid	(16)	0	(16)
NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)	14	(126)	(112)
Acquisition of subsidiaries, associates and investments, net of cash acquired	(0)	0	(0)
Proceeds from sale of investments, net of cash	27	(27)	0
Purchases of property, plant and equipment (PPE)	(45)	12	(33)
Proceeds from sale of PPE and intangible assets	2	(2)	0
Purchases of intangible assets including capitalization of development costs	(52)	16	(36)
Cash collateral and security deposits granted to third parties	(10)	2	(8)
Cash collateral and security deposits reimbursed by third parties	12	(1)	11
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)	(67)	0	(66)
Increase of Capital	0	287	287
Net contributions from / (distributions to) TCS	-	5	5
Proceeds from borrowings	0	375	375
Repayments of lease debt	(62)	34	(29)
Repayments of borrowings	(1)	(1,035)	(1,035)
Fees paid in relation to financing operations	(2)	(33)	(35)
Other	(4)	-	(4)
NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)	(68)	(367)	(435)
NET CASH FROM DISCONTINUED ACTIVITIES (IV)	(29)	550	522
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	330	(28)	301
Net increase (decrease) in cash and cash equivalents (I+II+III+IV)	(149)	58	(92)
Exchange gains / (losses) on cash and cash equivalents	16	(16)	(0)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	196	13	209

These accounts have not been audited and are presented for illustrative purposes only and cannot be considered as predictive of the consequences of the operation in progress.

ADJUSTED ILLUSTRATIVE STATEMENT OF FINANCIAL POSITION

(€ in million)	Year ended December 31, 2021		
	Technicolor accounts (published)	Adjustments	Vantiva accounts (illustrative)
ASSETS			
Goodwill	773	(188)	585
Intangible assets	510	(328)	182
Property, plant and equipment	162	(68)	93
Right-of-use assets	143	(96)	47
Other operating non-current assets	35	(18)	17
TOTAL OPERATING NON-CURRENT ASSETS	1,622	(698)	924
Non-consolidated investments	20	(1)	19
Other financial non-current assets	38	(12)	25
TOTAL FINANCIAL NON-CURRENT ASSETS	58	(13)	45
Investments in associates and joint-ventures	1	0	2
Deferred tax assets	50	(33)	16
TOTAL NON-CURRENT ASSETS	1,730	(744)	987
Inventories	335	(0)	335
Trade accounts and notes receivable	359	(64)	295
Contract assets	94	(76)	18
Other operating current assets	243	(29)	214
TOTAL OPERATING CURRENT ASSETS	1,031	(170)	861
Income tax receivable	13	(6)	8
Other financial current assets	26	(1)	25
Cash and cash equivalents	196	13	209
Assets classified as held for sale	3	413	415
TOTAL CURRENT ASSETS	1,268	250	1,518
TOTAL ASSETS	2,999	(494)	2,505

These accounts have not been audited and are presented for illustrative purposes only and cannot be considered as predictive of the consequences of the operation in progress.

(€ in million)	Year ended December 31, 2021		
	Technicolor accounts (published)	Adjustments	Vantiva accounts (illustrative)
EQUITY AND LIABILITIES			
Shareholders equity attributable to owners of the parent	134	517	651
Non-controlling interests	-	0	0
TOTAL INVESTED EQUITY	134	517	651
Retirement benefits obligations	261	(5)	256
Provisions	35	(3)	31
Contract liabilities	-	1	1
Other operating non-current liabilities	19	(12)	7
TOTAL OPERATING NON-CURRENT LIABILITIES	315	(20)	296
Borrowings	1,025	(1,023)	2
Lease liabilities	145	(106)	39
Other non-current liabilities	0	(0)	0
Deferred tax liabilities	20	(14)	6
TOTAL NON-CURRENT LIABILITIES	1,505	(1,163)	343
Retirement benefits obligations	34	(0)	34
Provisions	44	(7)	37
Trade accounts and notes payable	671	(38)	634
Accrued employee expenses	147	(63)	84
Contract liabilities	81	(78)	4
Other operating current liabilities	284	(21)	263
TOTAL OPERATING CURRENT LIABILITIES	1,263	(207)	1,056
Borrowings	17	372	389
Lease liabilities	48	(28)	19
Income tax payable	29	11	40
Other financial current liabilities	3	1	3
Liabilities classified as held for sale	-	4	4
TOTAL CURRENT LIABILITIES	1,360	152	1,512
TOTAL LIABILITIES	2,865	(1,010)	1,855
TOTAL EQUITY & LIABILITIES	2,999	(494)	2,505

These accounts have not been audited and are presented for illustrative purposes only and cannot be considered as predictive of the consequences of the operation in progress.