



French public limited company (*Société Anonyme*)
with a Board of Directors
and share capital of €13,932,353.06
Registered office: 20 rue Ampère
93200 Saint-Denis - France
RCS Bobigny 384 824 041

REGISTRATION DOCUMENT



This Registration document was filed with the French Financial Markets Authority (AMF) on July 26, 2018 under number D.18-0703, in accordance with Article 212-13 of the AMF General Regulation. It may be used in connection with a financial transaction if accompanied by a securities note and a summary note, as defined by the AMF.

This Registration document includes, pursuant to Sections VI and VIII of the aforementioned Article 212-13, the annual report mentioned in Section I of Article L.451-1-2 of the French Monetary and Financial Code.

This document has been prepared by the issuer and is binding on its signatories.

Copies of this Registration document are available free of charge from EuropaCorp at 20 rue Ampère, La Cité du Cinéma, 93413 Saint-Denis Cedex, as well as from the Company's website (www.europacorp.com) and the AMF website (www.amf-france.org).

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N.B.: Unless otherwise stated for more recent information, all disclosures contained in this document are as of March 31, 2018

1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

1.1 Person responsible for the Registration document

Luc Besson, Chief Executive Officer

1.2 Declaration of the person responsible for the Registration document containing an annual financial report

"I hereby certify, having taken all reasonable measures to that end, that the information contained in this Registration document is, to my knowledge, correct and free from material misstatement.

I certify that, to my knowledge, the separate and consolidated financial statements of EuropaCorp (EuropaCorp or the Company) have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income of the company and of all companies included within the scope of consolidation (the Group), and that the management report provides an accurate picture of the business performance, income and financial position of the company and of all companies included within the scope of consolidation as well as a description of the principal risks and uncertainties they face.

I have received an audit letter from the Statutory Auditors, stating that they have verified the information relating to the financial position and financial statements contained in this Registration document and reviewed the Registration document as a whole.

The historical financial information presented in this document has been reported on by the Statutory Auditors.

The Statutory Auditors' report on the consolidated financial statements to March 31, 2016, on page 182 of the Registration document filed with the AMF on July 26, 2016 under number D.16-0740 contains the following observation:

[Without calling into question the opinion expressed above, we would like to draw your attention to Sections "3.2 intangible assets" and "3.6 Deferred tax" of the Notes to the consolidated financial statements, which outline respectively the conditions for the amortization of films and audiovisual productions applied as of March 31, 2016 and the error correction as a result of additional investigations carried out during the financial year on the basis of deferred taxes.]

The Statutory Auditors' report on the consolidated financial statements to March 31, 2017, on page 183 of the Registration document filed with the AMF on July 27, 2017 under number D17-0804 contains the following observation:

["Without calling into question the opinion expressed above, we draw your attention to the paragraph entitled "2.26 Application of IFRS 5" of the notes to the consolidated financial statements showing the treatment and the impact on the consolidated financial statements of the activities intended for sale."]

The Statutory Auditors' report on the consolidated financial statements to March 31, 2018 found in Chapter 20.2 of this Registration document contains no specific comments.

Saint-Denis, July 25, 2018

Luc Besson
Chief Executive Officer, EuropaCorp

1.3 Incorporation by reference

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004, this Update to the Registration document incorporates by reference the following information:

- the Group's consolidated financial statements for the year ended March 31, 2016, prepared in accordance with IFRS, featuring on pages 207-263 of the Registration document filed with the AMF on July 26, 2016 under number D.16-0740, as well as the related Statutory Auditors' report on pages 182-183 of the same Registration document;
- the Group's consolidated financial statements for the year ended March 31, 2017, prepared in accordance with IFRS, featuring on pages 208-262 of the Registration document filed with the AMF on July 27, 2017 under number D17-0804, as well as the related Statutory Auditors' report on pages 183-184 of the same Registration document.

2. PERSONS RESPONSIBLE FOR THE AUDIT

2.1 *Principal Statutory Auditors*

Premier Monde

Member of the Regional Association of Statutory Auditors of Lyon

Represented by Arnaud Malivoire
20 rue Louis Guérin, 69100 Villeurbanne

Date of appointment: September 26, 2014

Date of expiry of current term of office: after the General Meeting of Shareholders called to approve the financial statements for the financial year ending on March 31, 2019.

Auditeurs et Conseils Associés

Member of the Regional Association of Statutory Auditors of Paris

Represented by Olivier Juramie
31 rue Henri Rochefort, 75017 Paris

Date of appointment: September 26, 2014

Date of expiry of current term of office: after the General Meeting of Shareholders called to approve the financial statements for the financial year ending on March 31, 2020.

2.2 *Deputy Statutory Auditors*

Heloence

Member of the Regional Association of Statutory Auditors of Paris

Represented by Benoît Mulin
21 rue d'Argenteuil, 75001 Paris
Date of appointment: September 26, 2014

Date of expiry of current term of office: after the General Meeting of Shareholders called to approve the financial statements for the financial year ending on March 31, 2019.

Pimpaneau & Associés

Member of the Regional Association of Statutory Auditors of Paris

Represented by Olivier Lelong
31 rue Henri Rochefort, 75017
Date of appointment: September 26, 2014

Date of expiry of current term of office: after the General Meeting of Shareholders called to approve the financial statements for the financial year ending on March 31, 2020.

3. GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP – SELECTED FINANCIAL INFORMATION

3.1 General information about the Group

EuropaCorp is mainly involved in the production and distribution of film and audiovisual works. The company has developed a business model for the production and distribution of films destined for French and international markets, by seeking to manage all stages of the content production and exploitation chain. In doing so, EuropaCorp is able to apply its professionalism, creative methods and quality standards during each stage of the film's conception and marketing, making EuropaCorp one of Europe's few independent, vertically integrated "studios".

EuropaCorp is the Group's entity involved in film production, sale of international film exploitation rights (theaters, video, TV broadcasting, etc.), sale of broadcasting rights to French TV channels, as well as film exploitation in the form of licenses, associated products and partnerships.

Its main subsidiaries conduct the following business: EuropaCorp Distribution distributes films to theaters in France, EuropaCorp Home Entertainment publishes videos in France and sells exploitation rights to VOD broadcasting platforms, while EuropaCorp Music Publishing and Orchestra are involved in music publishing. Ydéo creates marketing plans for the Group on movies being released in theaters and on video in France; Roissy Films manages the use of a catalog of films. The primary activity of EuropaCorp Television is the production of television programs. Fox Pathé Europa EIG, an economic interest group of which EuropaCorp Home Entertainment is a member, is involved in the distribution of films on video in France. Digital Factory is responsible for image and sound post-production.

Since the 2013/2014 financial year, EuropaCorp Films USA Inc. has been working on film projects in North America and distributing the films produced or acquired by EuropaCorp in the United States via the EuropaCorp Distribution LLC (formerly "RED") shared distribution and marketing platform, owned 50-50 with Relativity Media. EuropaCorp Television USA LLC, which was created on September 23, 2015 and is wholly owned by EuropaCorp Television SAS, has overseen the project development of series produced by EuropaCorp Television SAS in the United States. These two entities allow the Group to position itself as close as possible to developments, thus giving it direct and immediate access, without any intermediary, to the best audiovisual projects in the United States.

For further information, see Chapter 6 and Section 7.2 of the Registration document.

3.2 Selected historical financial information¹

The historical financial information presented in this Registration document was the subject of the Statutory Auditors' reports, found in Sections 19.2 and 20.2 and in Note 3 of the Registration document. The reports contain no reservations.

The tables below contain excerpts of the Group's consolidated financial statements under IFRS and the notes thereto for the years ended March 31, 2016, 2017 and 2018.

These elements must be considered in light of the Group's audited financial statements and related notes and must be assessed in their entirety by reference to said financial statements and notes which accompany this Registration document and the 2015/2016 and 2016/2017 Registration documents.

¹ Presentation without IFRS 5 restatement (see Appendix 1 for an IFRS 5 presentation)

Consolidated profit and loss statements (IFRS)

<i>(In thousands of euros)</i>	Financial year ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Revenue	226,526	151,699	147,340
Operating margin	(20,276)	(69,657)	37,334
Operating profit (loss)	(68,725)	(122,240)	(22,314)
Income before tax and goodwill impairment	(76,783)	(140,431)	(41,906)
Net income - Group share	(82,826)	(119,888)	(27,700)

Consolidated statement of financial position (IFRS)

<i>(In thousands of euros)</i>	Financial year ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Non-current assets	309,402	408,735	399,957
<i>of which intangible assets</i>	240,961	323,121	312,630
Current assets	155,921	256,835	285,030
TOTAL ASSETS	465,323	665,570	684,987
Equity - Group share	9,545	96,747	155,245
Non-controlling interests	261	(235)	(231)
Non-current liabilities	11,897	25,402	32,670
<i>of which bonds and financial liabilities > 1 year</i>	375	1,375	1,696
Current liabilities	443,621	543,656	497,303
<i>of which bonds and financial liabilities < 1 year</i>	267,939	372,401	310,191
TOTAL LIABILITIES	465,323	665,570	684,987

Consolidated statement of cash flows (IFRS)

<i>(In thousands of euros)</i>	Financial year ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Cash flow from operating activities after net financial debt and taxes	63,759	(16,677)	48,984
Cash flow from operating activities before net financial debt and taxes	84,786	(24,777)	42,978
Net cash flow from operations	107,417	2,385	81,675
Net cash flow from investments	(60,275)	(123,281)	(180,016)
Net cash flow from financing	(121,158)	105,817	148,720
Overall change in cash position	(74,016)	(15,079)	50,379
Cash position at the start of the period	107,128	122,207	71,827
Cash position at the end of the period	33,112	107,128	122,207

The table below gives the breakdown of revenue by distribution channel for financial years ended March 31, 2016, 2017 and 2018, under IFRS:

<i>(In thousands of euros)</i>	Financial year ended					
	March 31, 2018		March 31, 2017		March 31, 2016	
	Revenue	%	Revenue	%	Revenue	%
International Sales	76,713	33.9%	48,820	32.2%	55,497	37.7%
Theatrical distribution	39,596	17.5%	13,693	9.0%	9,777	6.6%
Video & VOD	33,227	14.7%	17,389	11.5%	15,155	10.3%
Television & SVOD	40,935	18.1%	29,913	19.7%	23,846	16.2%
Subsidies	4,377	1.9%	3,941	2.6%	4,201	2.9%
TV Series	24,594	10.9%	23,570	15.5%	21,774	14.8%
Other activities	7,086	3.1%	14,372	9.5%	17,090	11.6%
Revenue	226,526	100%	151,699	100%	147,340	100%

4. RISK FACTORS

Investors are advised to read carefully the risks described in this Chapter, in addition to all the other information contained in the Registration document, before making their investment decision. The company has conducted a review of the risks it is likely to face. The risks discussed in this Chapter are those the company believes, as of the date of this Registration document, could have a significant adverse effect on the Group, its business, financial position, income or growth if they were to materialize. The company does not believe other material risks to exist, apart from those described.

For each risk category described below, the risks are, in the company's opinion, categorized in decreasing order of importance.

4.1 Risks relating to film industry

4.1.1 Risks relating to the uncertain nature of the commercial success of films

There is no guarantee that a film will be a success with the public. This success largely depends on the artistic and technical quality of the film and the hype surrounding its theatrical release, as well as the quality and success of rival productions released at the same time, the popularity of other forms of audiovisual content (including TV series), the commitment and quality of the film's distributors, the general economic climate and other tangible or intangible factors which can all change rapidly and are difficult to predict.

The Group's prolonged inability to produce films with considerable public appeal in France and among audiences in regions where the films are distributed could harm its image, business, growth prospects and ability to make pre-sales and to raise funding using its lines of credit, as well as to attract well-known actors and directors and experienced crew.

The conception and approval process of film projects developed by the Group is geared towards selecting those projects which are most likely to appeal to the public.

4.1.2 Risks relating to high film production costs

The production and promotion of films require large amounts of capital. In 2017, the CNC reported that investment in French films at the national level declined by 9.9% compared with 2016, for one more film (+0.5%). €1,088.9 million were invested in 2017. This decrease is mostly because of two big-budget films in 2016: *Valerian and the City of a Thousand Planets* (€197.5 million) and *Renegades* (€66.2 million). Between 2008 and 2017, total investment in French films decreased by 1.6% per year on average. In 2017, the average budget for French films was €4.9 million, compared with €5.5 million in 2016, i.e. a decrease of 11%. This decrease was due to the two films from 2016 cited above, *Valerian and the City of a Thousand Planets* and *Renegades*. Excluding these films, the average budget in 2016 was €4.3 million. In the ten years between 2008 and 2017, the average budget fell by 23.4% (in constant euros).
Source: CNC – 2017 Report

Since its IPO in 2007, the Group has focused on producing a number of high-budget feature films with significant international potential. Consequently, an uncontrolled increase in film production costs or a controlled increase in production costs that does not translate to an increase in receipts, could have an impact on the Group's profitability.

To counter this risk, the Group will continue its policy of controlling production costs (see Section

6.3.1.4 of the Registration document). However, its expertise in this area cannot act as a guarantee against the risk of cost overruns for future productions.

4.1.3 Risk of delays in production schedules and budget overruns

The production, filming and distribution of films are governed by numerous constraints, particularly regarding the search for funding, the availability of talent and quality material, as well as the timing of films released by rival studios. The Group cannot guarantee investors that all the films it makes will be completed or be released on schedule and within budget.

A significant production delay could have negative repercussions for the Group, such as higher production costs and financial charges relating to the film, the obligation to shift the film's theatrical release date outside the ideal window or even delay the film's broadcast on pay TV and free-to-air channels and its video release.

Where the Group is executive producer of a film, due to the limited commitments of co-producers, it alone bears the risk of cost overruns if co-producers are unwilling to finance their share of the overrun. When the Group invests as co-producer, its decision not to fund its share of a cost overrun could limit its right to a portion of the film's receipts and its involvement in the executive producer's decisions, particularly regarding changes made to the film to cut costs, which, in each case, could reduce the Group's expected revenue.

Section 6.3.1.4 of the Registration document describes the cost control policy introduced by the Group to prevent budget overruns and production delays. In addition, the internal control procedure implemented by the Company is also aimed at reducing these risks (see Section 16.II of this Registration document).

4.1.4 Risks relating to film industry concentration

4.1.4.1 French TV channels

Only a limited number of companies buy and distribute films. In France, television channels have been and are expected to remain important sources of funding and outlets for the Group's films. However, EuropaCorp's ability to obtain funding from television channels depends on their editorial policy and budget. The decreasing number of slots available for films in television schedules could make it harder to sell films to television channels and thus limit the pre-financing of films.

In 2017, French producers were the main sources of finance for French films, ahead of TV channels. Investments by French producers were down by 17.8% between 2016 and 2017 for a total of €379.47 million (34.8% of budgets). Investments by TV channels in financing French films (pre-sales and contributions to coproductions) increased substantially: +13.3% in 2017, to €347.27 million. The share of financing provided by television channels is up by 6.5 percentage points from 25.4% in 2016 to 31.9% in 2017.

Source: CNC - 2017 Report

During financial year 2017/2018, the three theater-release films that EuropaCorp produced or for which it was co-executive producer were pre-sold to television channels. Pre-sales of television broadcasting rights for films released during the years ended March 31, 2016, March 31, 2017 and March 31, 2018 amounted to €9,824 thousand, €2,770 thousand, and €13,988 thousand, respectively.

For all three years, pre-sales to the Canal+ and TF1 groups accounted for 48% and 30% respectively of total pre-sales. If TF1 or Canal+ decided to reduce the number or amount of purchases of

television broadcasting rights for films produced or co-produced by the company, this could have an impact on the pre-financing of the company's productions or coproductions, depending on the size of the film's budget and any share of the pre-financing represented by pre-purchases from television channels.

4.1.4.2 Foreign distributors

To distribute its films outside France (receipts from international sales represented 33.9% of the Group's consolidated revenue during the financial year versus 32.2% for financial year 2016/2017 and 37.7% for financial year 2015/2016), in most countries the Group has several preferred distributors.

The decision of these distributors not to distribute or promote the Group's films or to promote more of the films produced by rival studios could create temporary difficulties for the Group. Similarly, the decisions made by the Group's foreign distributors in terms of the timing of release of films in theaters and on video and their marketing and promotion are critical to the international success of these films, and the Group only has limited control over these decisions. In addition, the disappearance of one of these foreign buyers or distributors (especially if an independent distributor is absorbed by the local subsidiary of one of the company's competitors), a significant decrease in the willingness or ability of these operators to invest in the film industry, or even their decision to stop working with the Group, could make the pre-financing of the Group's films more difficult.

In terms of foreign distribution, the Group's policy is to choose, in each country where its films are distributed, preferred partners with whom it has worked on several occasions in the past, while still seeking to maintain diversity among its potential partners, particularly through regular contact with various foreign players at film markets such as Berlin (European Film Market), Cannes (Marché du Film) or Los Angeles (American Film Market).

In addition, the Group believes that the North American market is a key region in the distribution strategy of its productions, boosting sales performance in other regions. Therefore, on March 18, 2013 and September 23, 2015, respectively, EuropaCorp set up two new subsidiaries, EuropaCorp Films USA Inc. and EuropaCorp Television USA LLC, which are responsible for the development of its film and series projects whenever the Group wants to involve North American talent (writers, actors, etc.). These two entities allow the Group to position itself as close as possible to developments, thus giving it direct and immediate access, without any intermediary, to the best projects circulating in the United States. On February 21, 2014, EuropaCorp also announced the creation of a joint distribution venture in the United States with Relativity Media, Relativity EuropaCorp Distribution ("RED"), now known as EuropaCorp Distribution LLC.

During the 2016/2017 financial year, the Group also entered into a new multi-year agreement with STX Motion Pictures Group for the theater distribution of its films in the United States.

China is another region where the distribution of French and international films has taken off in recent years. In July 2012, EuropaCorp announced that it had signed a three-year output deal (renewed on July 9, 2015 for five years) with China's Fundamental Films, one of the biggest distributors of Chinese and foreign films.

In Europe, the Group has also signed several framework agreements: with the German company Universum in 2010 or with Belga Films for exclusive distribution in Belgium, the Netherlands and Luxembourg for all films produced or coproduced by EuropaCorp.

Many other output deals were concluded in key regions, particularly with Fundamental Films in China in 2012, an agreement that was renewed in 2015, and with Gulf Film in the Middle East, Deepjoy Picture in Taiwan, PVR in India, Kino Swiat in Poland, Jil in Romania and Hungary and

Forum Films in Israel among others.

This has enabled the Group to secure the international distribution and financing of its films.

4.1.5 Risks relating to the highly competitive nature of the industry

The company is a relatively small player in a highly competitive market. Although the company exerts a strong pull for young talent and experienced industry professionals due to its dynamism and the personality of Luc Besson, the major American studios in particular have significantly greater resources in the competition for ideas, screenplays and scripts pitched by third parties, as well as for hiring actors, directors and other talent that a film's creation requires. The financial strength of these major American studios also gives them a competitive advantage in the acquisition of business units or assets (including film catalogs) that are likely to be of interest to the company. In addition, a certain number of other French and European players outside the film industry and with significant financial resources are currently investing in this sector to offer proprietary content or to acquire film rights, which could further add to the competitive pressure.

The number of films produced each year both in the United States and Europe has reached high levels. As a result, the company could be exposed to a glut of films on the market, with a negative impact on its visibility, receipts and the value of its catalog, not to mention the commercial success of its films. A glut of films during a particular period (especially during holiday periods) could affect the Group's ability to release its films in theaters or on video at the most favorable time, and thus reduce its ability to generate as many receipts as initially expected.

4.1.6 Risks relating to the growth of the video market and development of VOD

Receipts from video media and VOD sales represented 14.7% of the Group's revenue for the year ended March 31, 2018, compared with 11.5% for the year ended March 31, 2017.

In 2017, the video market in France (DVD, Blu-ray, VOD and SVOD) increased by 6.2% to €1,021.7 million, versus €961.7 million in 2016. This was the first increase in that market since 2010. Sales of physical media (DVD and Blu-ray) fell by 9.8%, to €536.6 million in 2017, compared with €595.1 million in 2016. Household spending on physical video formats decreased for the sixth consecutive year. In ten years, income from the physical video market has fallen by more than half (-61.2%), accounting for 63.4% of the total video market in 2017, compared with 61.9% in 2016. Cinema continues to dominate the overall video market, with receipts of €339.7 million in 2017, or 63.3% of the total, and a 3.5% decrease compared with 2016.

Nevertheless, the paid-for VOD (pay-per-view and subscription) market grew by 32.3% in 2017, reaching €485.1 million. For the first time, the market for subscription video on demand (SVOD) has exceeded the market for pay-per-view and now represents more than half of total sales (51.3%), up by 89%.

Source: CNC – 2017 Report

Given that it represents an alternative mode of film distribution, VOD partly competes with the distribution of the same films on video and in theaters, when the theatrical release coincides with the period of availability on VOD. Moreover, the large number of players in the VOD market and the economic weight of some of them, such as Apple, Google or Orange, could exert downward pressure on the prices of films available for download and, by implication, erode the margins of film rights holders.

The development of on-demand audiovisual media services (AMS) should continue to drive growth in the video market.

Aside from VOD, the development of online services for downloading audiovisual content at home is reshaping the film distribution and broadcasting chain. For example, the launch of America's

Netflix in France in September 2014 has led to competition with traditional TV drama channels. This raises the indirect question of the pre-financing of content, as well as how media release schedules will develop in future. It therefore has a direct impact on traditional distribution networks. By the end of December 2017, Netflix had more than 3 million subscribers in France (source: *Libération*, “Netflix now has almost 3.5 million subscribers in France”, April 2018) and Amazon Prime Video is also making inroads. Both platforms are sometimes involved in collaborations with major broadcasters: for example, the first two episodes of the Netflix series *Marseille* aired on TF1 a week after its worldwide release on the platform.

Conversely, the emergence of this new medium in France looks like a good alternative to piracy, and is also being touted as a new source of funding for producers such as EuropaCorp.

If the erosion of the global market for physical media in terms of volume, value and number of titles continues, this could lead to a decline in the Group’s receipts from the video business as well as eroding margins.

However, the company believes it is in a position to capitalize on the medium- and long-term growth opportunities afforded by SVOD, provided that users are willing to pay higher subscription charges.

4.1.7 Risks relating to piracy

The piracy of audiovisual products, through illegal DVD or Blu-ray copies or the illegal download of films and audiovisual content, is a phenomenon which has grown considerably over recent years, with higher-speed Internet connections. The digitization of content effectively facilitates the creation, transmission and sharing of high-quality illegal copies. The proliferation of such unauthorized copies has had, and will certainly continue to have, an unfavorable impact on the Group’s business and results, as it reduces revenue generated by movie theater admissions and the sale of authorized videos. This could thus affect the Group’s operating results and financial position.

To combat this phenomenon, the Group has set up and implemented an active anti-counterfeiting policy, by marking the copies of the films supplied to movie theaters in France and abroad, by securing the transport of hard copies intended for operators, and by increasing the proportion of films delivered via secure digital files in order to limit the number of hard copies. In addition, the Group has also introduced special computer technology to prevent the unauthorized downloading of digital files by peer-to-peer file sharing, direct downloads or streaming, either by preventing them from appearing on unauthorized sites (filtering technique using digital signatures), or by removing unauthorized files detected electronically. To this effect, the Group’s Internet protection measures are now applicable “lifelong”, from the moment a film is covered; this protection is systematic for all of the Group’s new films. The Group’s VOD policy consists in only granting film exploitation rights to VOD platforms which, as confirmed by the Group beforehand, implement efficient measures to combat counterfeiting and film piracy on the Internet.

Any relaxation of this regulatory framework when powers are transferred from the French High Authority for Audiovisual and Communications (Hadopi) to a new body, as ratified by the French National Assembly on April 28, 2016 and due to take effect on February 4, 2022, could have negative consequences for all industry stakeholders, and therefore for the Group.

In partnership with the CNC and at the request of the audiovisual anti-piracy association (ALPA), Médiamétrie carried out a study on the use of illegal video direct download (DDL), peer to peer (P2P) and streaming sites: almost 26% of internet users (or 12 million people) view a media counterfeiting site at least once a year (source: *La consommation illégale de vidéos en France (Illegal consumption of videos in France) – Médiamétrie – June 2018*).

4.1.8 Risks relating to management of the release schedule and its future development

The delinearization of the ways in which films are watched (theaters, television, internet, DVD, Blu-ray, smartphone, etc.) has led governments and industry professionals to phase in a new part-regulatory, part-conventional system governing the order in which a film is released in each format, reserving exclusive windows for each one to optimize the profitability of the film's exploitation (see Section 6.2.1 of this Registration document for more details).

With the development of new communication technologies (particularly ultrafast internet) and the geographic decompartmentalization of markets, integral to this development, consumers now have access to content streamed to or from other countries. It is not inconceivable that film release schedules will have to evolve in future years, by reducing exclusive windows or overlapping exploitation periods. Such changes could lead to a new form of competition between the various distribution channels. In this case, it is possible that the Group's marketing strategy and earnings could be affected.

4.1.9 Risks relating to policies to support the film industry and their development

The French regulatory system and to a lesser extent the European system bring significant benefits to the Group. For example, the requirement for French television channels to buy and distribute a minimum amount of French-language content and content produced in Europe helps bolster demand for the Group's films, driving pre-sales of broadcasting rights to television channels and contributing to the pre-financing of the films it produces.

The company cannot guarantee that this favorable regulatory environment will continue in the future. Indeed, it is regularly challenged, both internationally by American studios (and more generally in the context of international negotiations on trade liberalization), and at the European level by the European Commission, which controls the proportionality of State aid in relation to compliance with the freedom of establishment and services within the European Union.

However, in the name of diversity and cultural exception, the audiovisual industry was excluded from the scope of trade negotiations between the European Union and the United States in June 2013. To increase the protection for this industry, in November 2013 the European Commission adopted a text affirming the cultural nature of State aid for the film and audiovisual industries and granting an exemption from the rules on liberalization. The system in place to support audiovisual creation is now fully shielded from market liberalization.

With this enhancement, the risk associated with support policies is now limited, even though a regulatory change could still take place. If French and European regulations supporting the industry should change, this could have a negative impact on the Group's revenue and earnings. The Group benefits from these measures, and particularly from the automatic production subsidies fund provided by the CNC, France's National Film and Moving Image Center. In this respect, over the last three years the Group has received aid totaling €4,201 thousand for the year ended March 31, 2016, €3,941 thousand for the year ended March 31, 2017, and €4,377 thousand for the year ended March 31, 2018.

However, given its international positioning and the convergence of commercial and creative talent and skills within the Group, it considers itself a little less dependent on the incentives offered under French regulations than the majority of its competitors benefiting from these measures.

4.1.10 Risks relating to film exploitation rights

When the company buys film exploitation rights from a producer or distributor authorized by the

producer, it is exposed to the risk of non-validity of the chain of rights conferring ownership on the assignor of the film exploitation rights that the company intends to buy. A break in the chain of rights, for example due to the film's producer defaulting on its obligations towards the authors, could render any exploitation of the work by the buyer impossible, even though the buyer has paid for this. The chain of rights is therefore one of the crucial elements of distribution agreements entered into by the Group. The validity of the chain of rights is always certified by the assignor of each film before or upon delivery of the film.

Conversely, when the Company is executive producer, it declares that it holds the copyright to the film's production and indemnifies its counterparties (especially the film's co-producers) against any action that could be brought by a third party, whether involved or otherwise in producing or directing the film (writers, directors, artists, third parties, etc.), and who could potentially make a claim on the exploitation rights to the film.

A break in the chain of rights could make it impossible to exploit the film and place the Group at risk of prosecution. When it buys exploitation rights, the Group has a right of recourse against the assignor. When it sells exploitation rights, it indemnifies its counterparties against any legal action that could be initiated by persons claiming intellectual property rights in the work.

At the filing date of the Registration document, the Group had not, since its inception, recorded any break in the chain of rights that could jeopardize the exploitation of one of the films on which it has acquired exploitation rights or for which it holds a distribution agreement. Furthermore, no break has been identified in the chain of rights to films where it acted as executive producer.

4.1.11 Risks relating to with administrative authorization and audiovisual regulations

Any release of a film in a French theater must first be licensed by the Ministry of Culture, on the recommendation of the Film Classification Commission. The Commission recommended to the Culture Minister that the film be classified in one of the following categories: "general audience" or suitable only for a specific age group: 12 years and over, 16 years and over, and 18 years and over. The Commission's recommendation is forwarded to the Ministry of Culture, who decides on the film's classification and issues the license to its distributor.

French television channels have their own guidelines, standardized by the French Audiovisual Board (CSA). These are more detailed than the Commission's classification (for example, they include a "suitable only for ten years and over" category). Television channels, under the retrospective supervision of the CSA, decide on the film's classification based on the restrictions imposed when the license was issued. They must also inform viewers, during any advertising and exploitation of the film, of any restrictions imposed on the film when the license was issued.

The Group therefore faces the risk that one of the films for which it holds the exploitation rights in France should be banned for some audiences. If a film is restricted to 12 years and over or 16 years and over, this is likely to affect its commercial potential in theaters, and more importantly in the television and audiovisual market. Moreover, under agreements for the pre-purchase of broadcasting rights and coproduction agreements with television channels, the company may undertake to deliver a film that will be classified "general audience" when the license is issued, or take all necessary measures so that the film can be advertised as "general audience" by the channel, otherwise it could find itself forced to make the necessary changes to ensure compliance or face termination of the contract.

Other types of administrative authorization are required during the production of a film, such as investment approval and confirmation that the production is eligible for the CNC automatic production subsidies fund. Finally, films must be recognized as a European work or original French-language work to count towards the broadcasting quotas for French television channels.

When acting as executive producer, the company is exposed to the risk that the film it produces cannot be classified as an original French-language film or European film as defined by French law. In fact, when entering into coproduction or purchase agreements for broadcasting rights with French television channels, the company generally assumes a commitment that the film will be able to count towards their regulatory commitments in terms of broadcasting French or European films or in terms of investment in independent productions. Without this classification, the company faces the risk that the coproduction agreement and television broadcasting rights agreement will be terminated.

Finally, the company could be at risk of investment or production approval being withheld, both of which are issued by the CNC and allow the film to qualify for production aid and to generate credits for subsequent productions that can be drawn against the CNC's automatic production subsidies fund. Failure to obtain such approval could also result in termination of the coproduction agreements where the company is contractually committed to obtaining these.

The possibility of restricted viewing for certain audiences is factored in by the company when producing or purchasing a film, so as to estimate its commercial potential with its partners and with French television channels in particular. Similarly, the Group's film production experience and its in-depth knowledge of the regulatory environment of the film industry reduce the risk of the film not receiving CNC approval or not being classified as an original French-language film or European film.

4.1.12 Risks relating to TV programs production

The aforementioned risks also apply to the production of television series and one-off specials, with similar consequences.

In addition to the risks already listed, the risks specific to the production of audiovisual programs are linked with the dependency on broadcasters, whose decision and timing of investments in a project are key to its feasibility and against which the only possible alternative is the sale to another broadcaster.

In the event that EuropaCorp Television were unable to maintain privileged access to decision-makers at TV channels to pitch its projects and convince the channels to invest, the company might no longer be able to raise the necessary funding for TV programs production.

In the event of a change in the regulations requiring French television channels to invest in French and European audiovisual production, the market for French TV series production could be reduced. EuropaCorp Television could then find it harder to raise the necessary funding for TV programs production.

4.2 Company risks

4.2.1 Risks of key person dependency

The Group's effective operation and success are in large part due first to the commitment of one of its founders, Luc Besson, and second to its management team and key operational managers.

The Group's image and performance depend to a certain extent on Luc Besson's creativity and reputation. Indeed, Luc Besson's involvement, renowned creativity and reputation have a positive impact on the pre-sales of EuropaCorp productions and on the company's ability to attract talent (writers, actors, renowned directors and quality technicians). If Mr. Besson were to end his artistic collaboration with the Group, or if his reputation or talent were altered or weakened, the Group's business could be affected. In March 2007 Mr. Besson renewed his commitment towards

EuropaCorp not to carry out any film work outside the company. This commitment applies while he is an officer or major shareholder of EuropaCorp or while he controls EuropaCorp within the meaning of Article L.233-3 of the French Commercial Code. If Mr. Besson, in the event that the terms of his commitment should cease to apply while EuropaCorp's operations still largely depended on him, were to carry out film work outside EuropaCorp, the Group's earnings and future prospects could be affected. Furthermore, aside from the commitment described above, Mr. Besson is not contractually bound either to remain as a long-term shareholder or to remain with EuropaCorp for any length of time.

Additionally, the credit agreements entered into on October 22, 2014 contain a change of control clause for the early repayment of the credit line in the event that (i) the direct or indirect interest of Luc Besson in the capital and the voting rights of EuropaCorp should become less than 30%, (ii) senior executives should cease to control EuropaCorp directly or indirectly as defined by Article L.233-3 of the French Commercial Code (Code de commerce) or (iii) Luc Besson should cease to act as a corporate officer of EuropaCorp and should come to exercise a position with a competitor directly or indirectly, (iv) a third party should come to hold over 50% of the company's capital, or (v) more than half of the members of the company's Board of Directors should be replaced.

EuropaCorp has, in each key position, an effective and recognized operational team which contributes hugely to the Group's reputation and success both in film production and distribution and in TV drama production and distribution. The Group's medium-and long-term strategy is to continue relying on professional, experienced and well-known teams to promote and perpetuate the EuropaCorp brand.

4.2.2 Risks relating to the Group's shareholders

The company is controlled by the group comprising the company Front Line, Mr. Luc Besson, the company Lambert Capital BV and the heirs of Mr. Christophe Lambert, who at June 30, 2018 together held 38.73% of the company's capital and 38.76% of the voting rights.

Consequently, Front Line, Lambert Capital BV, Mr. Besson and Mr. Lambert's heirs are able to influence, by exercising their voting rights, most of the decisions within the remit of the Ordinary General Meeting of Shareholders of the company, including the appointment and removal of members of the Board of Directors, and the approval of the financial statements and distribution of dividends.

Moreover, it should be noted that Mr. Besson, as Chairman of the Board of Directors, and Front Line, as Director, are able to influence decisions taken by the company's Board of Directors.

The presence of five Independent Members out of a total of nine members on the Company's Board of Directors is designed to prevent control of the Company being exercised improperly.

4.3 Risks inherent in the Group's business

4.3.1 Risks relating to fluctuations in Group revenue

Although the Group has branched out into television production and distribution, its core activity remains the production and distribution of feature films. Its operations are therefore less diversified than some of its competitors, especially those who belong to integrated groups operating numerous theaters or television channels and which therefore benefit from recurring revenue streams enabling them to offset the irregular nature of revenue from the production and distribution of films. A significant percentage of the Group's revenue comes from the exploitation and distribution of the films it produces or to which it acquires distribution and/or broadcasting rights.

Consequently, without further diversification the Group's earnings could be affected if its films were to perform below expectations.

Revenue generated by a given film can vary significantly from one quarter or half to another, insofar as it depends not only on the film's success, which is difficult to predict, but on the timing of the theatrical release and video release and the delivery dates for international distributors. This impact may, in some cases, be higher than for certain competitors who produce or release more films than EuropaCorp.

The combination of these various factors and the fact that the Group's revenue are linked to the release schedule can lead to dramatic fluctuations in the Group's quarterly or half-year revenue and income. The revenue and income generated for a given quarter or half are therefore in no way indicative of the Group's annual revenue and earnings.

However, the irregular nature of the Group's revenue from the production and distribution of new films could be lessened thanks to more effective use of its production catalog and its involvement in more recent projects, such as audiovisual drama productions via EuropaCorp Television.

4.3.2 Financial risks relating to the production or coproduction of films

The Group's policy, albeit one which is not systematically applied, is not to embark on a film's production unless a significant portion of the production cost is, based on the expressions of interest received, potentially covered by firm commitments (television and international pre-sales and/or contributions from co-producers and/or the tax credit - see Section 6.3.1.3 of this Registration document), which must be signed before the film is released in theaters. This coverage rate is around 70% to 80%. To maintain an opportunistic approach so that it can tailor this policy to the specific characteristics of each film and depending on the Group's role (executive producer, co-producer), the level of risk coverage and timing of this coverage can vary from one film to another.

While it intends to pursue its policy of coverage and diversification of sources of pre-financing, the Group cannot guarantee that it will automatically obtain, for all films it produces, a high percentage of pre-financing or that it will achieve a level of 70-80% for each film by its theatrical release date.

On February 21, 2014, EuropaCorp announced that it had set up a distribution joint venture in the United States in association with Relativity Media.

On January 3, 2017, the Group announced that it had entered into a multi-year agreement with STX for the theater distribution of its films in the United States.

Since it began distributing the films itself in the United States, the Group no longer receives a minimum guarantee in this region, which is likely to have an adverse effect on the coverage rate.

In addition, the Group is still exposed to the potential failure of a buyer to honor its commitment during the interim period between the expression of interest and the formal signing of the contract - although this type of withdrawal is rare in practice - or even of a buyer defaulting on the contract. Even though the Group could potentially take legal action, this type of withdrawal could affect its policy of pre-financing its productions and expose it to a greater financial and liquidity risk.

Finally, when acting as executive producer, the Group takes responsibility for the film's success, not only indemnifying the co-producers against any budget overrun, but also promising to deliver a film that meets the contractual terms, since the contract specifically mentions the film's technical and artistic properties and sometimes even identifies the lead actors. If the Group fails to honor its commitments under the coproduction agreement, there is the risk that this could be terminated, involving the repayment of all monies paid by the co-producer. Agreements for the purchase of television broadcasting rights and international sales agreements could contain similar clauses. Therefore, were the Group unable to complete the shooting of a film for which it has guaranteed

completion, or to deliver the film in accordance with the contractual specifications, it could face the termination of all contracts signed prior to the theatrical release with co-producers, TV channels and foreign distributors.

4.3.3 Risk of default by the Relativity group

The Relativity group owns 50% of the Relativity EuropaCorp Distribution (RED) distribution platform, while EuropaCorp owns the other 50%. Each partner must fund 50% of RED's general and administrative expenses. In the event of default by Relativity, EuropaCorp would have to pay all of RED's general and administrative expenses, but would take over full control.

As stated in point 5.2.1 of the Registration document, there is a specific mechanism in place relating to the joint venture's budget to avoid any deadlock situations. The budget must be approved by both of RED's co-CEOs (one appointed by EuropaCorp, the other by Relativity). Each year, a new budget for general expenses is analyzed and set by both co-CEOs.

The Relativity group has not contributed to the general expenses of the RED joint distribution platform since the third quarter of 2016. On December 14, 2016, EuropaCorp therefore took over full control of the operational budget for the RED joint distribution platform, which is now known as EuropaCorp Distribution LLC. The operational budget was cut considerably as part of the reorganization of US distribution operations that took place in December 2016.

As a result, Relativity may no longer use the services of this platform for new films, leaving EuropaCorp the freedom to use 100% of the platform's capacity for its own films (with the sole exception of the obligations relating to the first cycle of exploitation for Relativity's two existing films) until Relativity has paid all amounts owed (including the outstanding general expenses along with interest).

4.3.4 Risks due to the impact of acquisitions or investments

- *External growth operations*

The Group has initiated three major external growth operations or investments in the past (excluding films): i) the acquisition, on February 28, 2008 of 100% of the capital of Roissy Films; ii) the acquisition on April 15, 2010 of a 75% stake in the audiovisual content production company Cipango, now EuropaCorp Television, for which EuropaCorp exercised on July 30, 2014 its purchase option on the remaining 25%, with it now holding 100% of the capital of that company; and iii) the capital increase by contributions in kind on February 28, 2013, through which the Group acquired 100% of the shares of Blue Advertainment, which in turn has a 100% stake in the company Digital Factory and a 95% stake in Blue Event.

The Group has also taken a minority stake in the companies set up to build and operate the studios located on the La Cité du Cinéma site in Saint-Denis (see Sections 5.2 and 19.1 of the Registration document).

Furthermore, the Group may decide to carry out other external growth operations in future (purchase of film catalogs, acquisition of companies in the film industry with complementary or similar activities to those of the Group, etc.).

On February 21, 2014, the Group announced that it had set up a distribution joint venture in the United States in association with Relativity Media. Each company owns 50% of the joint venture Relativity EuropaCorp Distribution (RED), allowing each one to exclusively use the services of this venture to distribute its films directly on American soil, with the possible exception of one film per year.

On December 14, 2016, as the Relativity group had defaulted on the payment of its share of the general expenses for the shared distribution platform, EuropaCorp took over total control of the operating budget for the RED joint distribution platform, which is now called EuropaCorp Distribution LLC. Relativity is no longer able to use the services of this platform for its new films. EuropaCorp restructured EuropaCorp Distribution LLC by drastically cutting the operating budget. It also entered into a new multi-year agreement with STX Motion Pictures Group for theater distribution in the United States.

These investments and acquisitions inherently carry risks.

The Group could experience difficulties in integrating the companies or business units acquired (due to different cultures, incompatible systems, etc.), could fail to achieve the expected synergies or, in the case of the acquisition of a film catalog, could be unable to exploit its full potential. The Group could also be unable to secure a return on these investments or acquisitions. In addition, without attractive funding, the Group could be forced to fund such investments or acquisitions using cash potentially set aside for its continuing operations, such as film production. External growth projects generally involve key resources, which requires the company's management to establish an organization that maintains the focus and resources necessary for the company's ongoing day-to-day management.

- *Investments relating to the Cité du Cinéma*

Concerning the Group's investment in the Cité du Cinéma studios, delivery of the latter took place in April 2012. The studios began operating during the 2012/2013 financial year.

The medium-term success of this project is to a certain extent linked to the involvement of all of the Group's partners: Front Line, Quinta Communications and Euro Media Group. The latter operates movie shooting sets.

The overall profitability of the Société d'exploitation des Studios de Paris, depends on its ability to attract both French and foreign film productions. On this latter point, the enhanced tax credit scheme for foreign productions as well as fluctuations in the euro-dollar exchange rate are important factors in competitiveness.

In addition, the Group's relocation to La Cité du Cinéma has required internal renovations, resulting in additional investments other than the commercial lease, the terms of which are described in Section 10.2 of this Registration document.

On May 18, 2009, the Group signed an off-plan commercial lease with EuropaCorp Studios for an office complex on the La Cité du Cinéma site, paying annual rent of €6.4 million for 12 years (see Chapter 19 of this Registration document). The Group's decision to lease this office complex was made in view of Front Line's commitment to rent, under the same terms as those enjoyed by EuropaCorp, a significant portion of its unused space, with the onus on EuropaCorp to sublet its unoccupied premises, so that the Group's rental costs remain substantially equivalent to those incurred for its former premises, which were smaller. Therefore, the cost neutrality of this transaction for the Group depends on Front Line's ability to pay rent over the entire term of the lease for the premises it sublets to the Group.

EuropaCorp decided to terminate the sublease agreement concluded with Front Line. However, Front Line continues to represent EuropaCorp vis-à-vis its own tenants, as most of the premises leased by Front Line are now rented. The termination was approved by the Board of Directors on May 23, 2017. The sublease agreement between EuropaCorp and Front Line was terminated on September 29, 2017. At the same time, the sublease agreements that Front Line had entered into with third parties are taken over by EuropaCorp.

Further, in the event of the early termination of the lease through the fault of the Group, the security deposit of three months' rent as well as the three months' rent paid in advance would be retained by the lessor and the maximum compensation that the Group would owe the lessor would be limited to 18 months' rent, which would be refunded if the premises were re-let within 18 months, in proportion to the duration of occupancy of the new tenant.

EuropaCorp and Front Line both have the option of subletting the entire premises. Overall, the maximum risk borne by the Group in the event of termination of the lease through its fault, particularly if Front Line should default on a rental payment, is 24 months' rent, or around €13.8 million.

All these risks, inherent in any investment or acquisition, could adversely affect the Group's business, financial position and earnings.

4.3.5 Risks relating to repurchase commitments with shareholders of Sofica EuropaCorp

Upon the formation of the company Sofica EuropaCorp and each of its six successive capital increases, EuropaCorp issued a commitment to repurchase shares from subscribers of Sofica shares. The guaranteed selling price for one Sofica share is €850, or 85% of the issue price. Each repurchase commitment may be implemented for a period of six months after the shares have been held for eight years. The amount of share repurchase commitments issued by the Company between 2003 and 2008 totaled €16,399,900.

After the first five periods allowing subscribers to implement the repurchase commitment, which lasted from January 1 to June 30 each year from 2012 to 2016, 16,985 shares had been repurchased by EuropaCorp at a total cost of €14,437,250.

The sixth and last period allowed for subscribers to implement the repurchase commitment began on January 1, 2017 and ended on June 30, 2017. It involved 2,100 shares. As of June 30, 2017, 2,078 shares were purchased by EuropaCorp, for a total amount of €1,766,300 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2008.

On March 31, 2018, the repurchase commitment expired.

4.4 Legal risks

The film industry is exposed to specific risks of a legal nature, including, without limitation, disputes over intellectual property rights (such as copyright and ownership of original works), film distribution rights, personal injury or any other damage that could occur on film sets, or even rights relating to the sharing of film revenue. The French film industry is highly fragmented. The Group regularly works with small, under-capitalized companies which are potentially fragile. These external service providers, who are particularly important in animated film production, expose the Group to a financial counterparty risk.

In recent years, there has been a tendency in the French film industry for these various types of disputes to increase.

More generally, any disputes or court decisions, whether in the Group's or its officers' favor or otherwise, could result in significant costs, undermine the efforts of the Group's management or distract them from their day-to-day tasks, and lead to negative publicity surrounding the Group or its management.

Owing to the inherent uncertainty of litigation, the Group cannot guarantee that the final outcome

of any lawsuit filed against the Group or its officers will not result in an order to pay damages or any other sanctions imposed on the Group or its management.

A provision for risks is recognized when the Group has a present obligation towards a third party and it is probable that an outflow of resources will be required to settle the obligation without at least equivalent compensation, and the amount of the obligation can be measured reliably.

For a description of the main litigation cases pending, see Section 20.6 of this Registration document.

4.5 Industrial and environmental risks

Due to the nature of its business, the Group does not believe that it is subject to industrial or environmental risks.

For further information on the Group's environmental actions, see Chapter 17 of this Registration Document.

4.6 Liquidity risk

The liquidity risk to which the Group is exposed is inherently part of the film production and distribution business. There is usually a period of several months between the time investments are made to produce and promote a film and the time the broadcasting revenue is actually collected. This gap can mean that it is necessary to take out a bank loan. Although the Group seeks to limit its financial exposure as early on as possible in the process through a policy of pre-selling international distribution and television broadcasting rights for the films it produces, the Group cannot guarantee that it will always be able to implement such a policy, nor that it will completely shield it from liquidity risk.

EuropaCorp's previous credit line, for a maximum of €105 million, was fully repaid on October 22, 2014 and all sureties granted by EuropaCorp for this previous credit line were lifted at the same time as the debt was repaid.

To cover the period between investment and collection of the film receipts, the Group has had, since October 22, 2014 (i) a revolving principal credit line enabling it to raise finance against contracts for up to \$400 million, made up of a line of around €178 million and a line of \$160 million, which has an accordion clause for \$150 million and (ii) a secondary credit line for \$50 million. These credit lines have been partially renegotiated as described below.

The principal credit line was arranged by J.P. Morgan as Agent and Lead Bookkeeper, and SunTrust Bank and OneWest Bank as secondary Bookkeepers and co-arrangers. This credit line has been syndicated with leading banks, notably French banks Natixis, Banque Palatine, Arkea Banque Entreprises et Institutionnels, and BRED Banque Populaire.

This facility is used to finance EuropaCorp's production of new English-language films, as well as the marketing and distribution costs associated with these productions.

The principal credit line must be repaid after a period of five years, i.e. by October 21, 2019. The secondary credit line must be repaid after a period of five years and six months, i.e. by April 21, 2020.

The principal credit line bears interest, for loans granted in euros, based on the one month Euribor rate, plus a bank margin of 3.25% and, for loans granted in dollars, based either on the Libor rate, plus a bank margin of 3.25% or the Alternate Base Rate, plus a bank margin of 2.25%.

The secondary credit line bears interest at the rate of 13%, of which 6% is payable quarterly, with the balance being capitalized and payable on the maturity date of the credit.

As security for these credit lines, EuropaCorp and some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted first-lien and second-lien guarantees on all of their assets, and notably a pledge of financed assets, as specified in the Notes to the consolidated financial statements (Appendix 1), to the exclusion of any other guarantee.

On September 30, 2016, the Group renegotiated the terms of those agreements as follows:

- (i) The Senior credit line, whose initial amount was \$400 million, was reduced to the amount of \$250 million, the accordion clause of an additional \$150 million remaining unchanged. These new amounts allow a significant decrease in the unutilized fees, the amount of the currently available collaterals being insufficient for drawing more than this amount against this line;
- (ii) The secondary credit line was extended from an initial amount of \$50 million to \$80 million (excluding capitalized interest), making it possible to draw an extra amount of \$30 million. This upsize of the second lien credit facility also benefits from the guarantee of the Group companies, like previously.

The second lien credit facility henceforth bears an annual interest rate of 15% for the whole lien, among which 6% are payable quarterly and 9% capitalized and payable on due date of the credit. This line can be paid up at any time without penalty;

On September 8, 2017, the amount of the main credit line facility was reduced by \$30 million, making it possible to reduce the unutilized fees.

At March 31, 2018, €137.5 million had been drawn down against this Senior credit line. The secondary credit line has been fully drawn down.

Consolidated net debt stood at €235,929 thousand at March 31, 2018, compared with €267,498 thousand at March 31, 2017 and €190,377 thousand at March 31, 2016. For a complete and costed description of the Group's financial debt at March 31, 2018 and March 31, 2017, and of its net cash position on the same dates, see Chapter 10 and Appendix 1 of this Registration document. Sections 10.2.3 and 10.2.4 of the Registration document contain a more detailed description of possible early repayment scenarios that the Group could encounter.

The Group, which has conducted a special review of its liquidity risk, considers that it is able to meet its future payments. However, if the Group were unable to obtain the necessary funding for its business under acceptable conditions, the Group's operations, development prospects, financial position and income could be materially affected.

4.7 Credit risk

The more significant debts concern the International Sales and TV Sales France businesses.

The credit risk for TV Sales France is deemed low taking into account the size of the broadcasters and the history and good relationships with them.

For international sales, the Group's policy is to choose, in each country where its films are distributed, preferred partners with whom it has worked on several occasions in the past, while still seeking to diversify its potential partners, particularly through regular contact with various foreign players at film markets such as Cannes (*Marché du Film*), Los Angeles (American Film Market) or Berlin (European Film Market).

Given that the credit risk is considered low, the EuropaCorp Group has not considered it necessary so far to arrange credit insurance.

4.8 Market risks (interest rate, foreign exchange, equity)

4.8.1 Interest rate risk

The Group's exposure to interest rate risk mainly concerns the amount drawn down from revolving credit lines.

The principal credit line bears interest, for loans granted in euros, based on the one month Euribor rate, plus a bank margin of 3.25% and, for loans granted in dollars, based either on the Libor rate, plus a bank margin of 3.25% or the Alternate Base Rate, plus a bank margin of 2.25%.

The secondary credit line now bears interest at a rate of 15% for the whole line; 6% of it is payable quarterly, and 9% of it is capitalized and payable on the loan maturity date.

Maturity schedule of the Group's financial assets and liabilities excluding trade receivables and payables under IFRS at March 31, 2018 (in thousands of euros)

<i>(in thousands of euros)</i>	03/31/2018	<i>Maturities</i>		
		< 1 year	1 - 5 years	> 5 years
Fixed rate financial assets	-			
Floating-rate financial assets	33,112	33,112		
Financial assets not exposed	8,291	731	7,010	550
Financial assets	41,403	33,843	7,010	550
Fixed rate financial liabilities	-			
Floating-rate financial assets	268,314	267,939	375	
Financial liabilities not exposed	727		727	
Financial liabilities	269,041	267,939	1,102	-

Based on the net position due for renewal within one year (after hedging) at March 31, 2018, the Group estimates that a 0.5% rise in interest rates would result in a negative impact on net income of €1,176 thousand, before capitalization of financial expenses in the cost of the films.

In the event of a 0.5% rise in interest rates on the Group's outstanding borrowings, some of the additional financial expenses would be spread over the films and recouped from the financial costs of the productions in which these borrowings are used. This would increase the costs of making the films, to be written down according to the depreciation rules adopted by the company.

The Group's Finance Department regularly monitors changes in the variable rates on which the Group's outstanding borrowings are based. This allows it to establish the appropriate hedges, wherever possible and competitive given the repayment dates. Note that the use of credit lines is mainly short-term (6-18 months), considering the maturity of the receivables used as collateral. Therefore, if the company's exposure to interest rate risk should increase, financial hedging instruments could be used depending on the expected changes in market rates and based on the opinion of the Finance Department.

For more details, see Section 3.13 of Appendix 1 of the Registration document on interest rate risk.

4.8.2 Foreign exchange risk

The Group is temporarily exposed to foreign exchange risk during filming where certain expenses

are in U.S. dollars (or other currencies), or where minimum guarantee amounts from international pre-sales are expected to be paid in U.S. dollars. The Group therefore examines on a case-by-case basis the need to establish a hedge to cover these foreign exchange risks. This assessment is carried out in view of the amounts and maturities involved, the hedging costs and the obligations attached to finance it is able to raise against contracts.

When EuropaCorp raises finance against contracts in U.S. dollars under its principal credit line, it is effectively obliged to establish a currency hedge, which requires EuropaCorp to use the appropriate hedging facilities. If the hedging facility available from banks is reduced, the ability to raise finance against contracts in U.S. dollars would also be reduced, as would its ability to finance the films concerned.

At March 31, 2018, 22 currency hedges were in place.

During the year ended March 31, 2018, revenue billed in a currency other than the euro² amounted to €148,904 thousand, representing 65.7% of consolidated revenue.

The Group's net foreign currency positions at March 31, 2018 are summarized below:

At 03/31/2018

<i>(In thousands of euros)</i>	U.S. dollars
Assets	34,091
Liabilities	-164,806
Net equity before hedging	-130,715
Off-balance sheet position	33,410
Net equity after hedging	-97,305

The following table shows the impact on the EuropaCorp Group's income of a 10% change (increase or decrease) in the U.S. dollar (USD):

<i>At March 31, 2018</i>	<i>In thousands of dollars</i>	<i>€/USD rate</i>	<i>In thousands of euros</i>	<i>Impact on EuropaCorp income</i>
Net position in USD	-119,889	1.2321	-97,305	<i>(in thousands of euros)</i>
Impact of a 10% decrease in USD	-119,889	1.35531	-88,459	8,846
Impact of a 10% increase in USD	-119,889	1.10889	-108,116	-10,812

For more details, see Section 3.13 of Appendix 1 of the Registration document on currency exchange risk.

4.8.3 Equity risk

The company generally invests its available cash in money market products in euros or secure products (certificates of deposit, commercial paper, term accounts, etc.). It therefore believes that it has no equity risk exposure at the end of financial year 2017/2018.

For more details, see Section 3.13 of Appendix 1 of the Registration document on equity risk.

² Revenue from outside the Eurozone corresponds to revenue from international sales made outside the 18 euro-zone countries, namely Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

4.9 Insurance and risk coverage

At the filing date of the Registration document, the main insurance policies covering the Group and its activities were as follows:

- A “civil liability” policy taken out by EuropaCorp whose purpose is to insure Group companies against the financial consequences of civil liability it could face due to losses caused to third parties and imputable to film and television activities. This mainly includes losses that could result from the management of recording studios, film production in all its forms and trailer production.

Operating civil liability, for all personal injury and material and immaterial losses, is insured for €10 million per claim.

After-sales civil liability and professional civil liability, for all personal injury and material and immaterial losses, are insured for €3 million per claim and per insurance year. The deductibles paid by the company or its subsidiaries may not exceed €10 thousand. The policy specifically excludes recourse between co-insured for any immaterial losses or damage but does not exclude personal injury or material losses.

- Several “comprehensive production” policies are taken out by EuropaCorp prior to shooting, whose purpose is to insure Group companies against the financial consequences of losses that could arise during the different stages of production of each film the Group produces. For each film, consequential financial losses during the pre-production and production stages, due to unavailability, impediment through injury, illness or death of named persons essential to the production of the film are covered. Damage to the negative, video tape or any recording medium of each film is also covered.

Damage to sets and props as well as damage to filming equipment and any other technical equipment are also insured. In case of damage to property or facilities required for film production, the financial consequences resulting from the additional costs incurred due to the interruption, postponement or cancellation of production are also covered.

Moreover, the comprehensive movie policy covers losses and damage caused to office furniture and motorized vehicles used for production. The amount of the insurance premium for each film depends on the film’s production budget, business plan, aggravating risks and filming location.

Television productions are also covered by the Group policy referred to above. An additional comprehensive policy for audiovisual production was taken out by EuropaCorp Television along the same lines as before, with terms and limits appropriate to each audiovisual production (TV film or TV series).

- A “material comprehensive” policy taken out by EuropaCorp to insure the use of property in Paris and Normandy owned by Luc Besson’s companies. The policy covers each property subject to its rebuild cost and the total sum insured. The total value of Group assets insured was approximately €8.9 million at March 31, 2018.

- A “comprehensive professional” policy taken out by EuropaCorp as tenant of the premises located at 20 rue Ampère in Saint-Denis, for the benefit of Group companies using these premises, covering the assets necessary for office activities, soundtrack mixing and film projection against all material damage and consequential losses, subject to certain exclusions. The total insured amount is approximately €19.9 million. Under the lease, which includes a reciprocal waiver of recourse, the buildings are covered by the lessor, or the company La Nef Lumière.

- A “comprehensive buildings” policy was taken out by the Group and covers all auditoriums owned by Digital Factory at the Trinité des Lettiers site in Normandy. The insured amount as of March 31, 2018 was approximately €4.4 million.

In addition, the principal risk linked to the company’s film production activities which is not covered by an insurance policy and which is thus “self-insured” is the risk of budget overruns. EuropaCorp does not in principle arrange “completion bond” insurance – which allows the production company to be reimbursed for budget overruns – in view of the legal difficulties of implementation. If a claim were made under this type of policy, the insurer would be entitled to take “control” of the film, which is not compatible with the artistic control required by EuropaCorp.

- A “Directors’ and officers’ liability” policy taken out by EuropaCorp whose purpose is to reimburse the insured (i.e. EuropaCorp) or to assume in their place and stead the settlement of the financial consequences of claims (and the related civil or criminal defense costs) resulting from any complaint brought against them and citing their individual or joint civil liability and attributable to any actual or alleged malpractice committed by the insured. The annual coverage limit is €10 million.

For the year ended March 31, 2018, the total amount of insurance premiums that the Group paid directly to its own insurance companies amounted to €826,000, including €343,000 in insurance premiums for the “comprehensive production” policy.

5. INFORMATION ABOUT THE COMPANY

5.1 History and development of the Company

5.1.1 Legal name

The company's name is EuropaCorp.

5.1.2 Trade and Company Register

The company is registered with the Trade and Company Register of Bobigny, company registration number 384 824 041. The company's SIRET business identification number is 384 824 041 00071 and its APE code is 5911 C (motion picture production).

5.1.3 Date of incorporation and duration of the company

The company was originally incorporated on January 15, 1992 and was incorporated on March 26, 1992. The company will cease trading on March 26, 2042, unless this period is extended or the company is dissolved prior to that.

5.1.4 Registered office, legal form and applicable legislation

At the filing date of the Registration document, the company's registered office was located at 20 rue Ampère, 93200 Saint-Denis, France. The main telephone number of the Company's headquarters is +33 1 55 99 50 00.

The company emerged following the conversion of the limited liability company EuropaCorp SARL which, in accordance with Article L.223-43 of the French Commercial Code, took the form of a public limited company (*société anonyme*) following the extraordinary resolution of its members on December 28, 2000.

The company, which had had a Management Board and Supervisory Board since March 5, 2007, adopted the administration and management model of a public limited company with a Board of Directors following a resolution of its General Meeting of Shareholders on September 16, 2008.

The company is notably governed by ordinary law on commercial enterprises, and in particular Book II of the French Commercial Code with its regulatory part on commercial enterprises, as well as certain provisions of the French Film Industry Code.

5.1.5 Company history and major events in the development of the company and Group

Created by Luc Besson in 1992 under the name Leeloo Productions, the Company really began producing and co-producing feature films in 1999, with the release the following year of *Taxi 2* and *The Dancer*.

Alongside its production business, the company began selling television broadcasting rights and international rights. In 2001 it set up several subsidiaries enabling it to extend its involvement during the various stages of exploitation of the films it produces, from theatrical distribution in France (EuropaCorp Distribution) to video publishing and distribution, also in France (EuropaCorp Home Entertainment and EIG Fox Pathé Europa, an economic interest group of which the Group is a member).

In 2002, EuropaCorp bought the companies Intervista and Dog Productions from Front Line,

specializing in the publishing of film-related books and trailer production respectively.

In April 2002, the company also acquired a 35% stake in EuropaCorp Japan, the Japanese distribution company created in partnership with the country's leading media corporations, which holds exclusive distribution rights in Japan to films produced by EuropaCorp. EuropaCorp increased its stake in EuropaCorp Japan from 35% to 45% in 2007/2008, buying the shares at face value for around €65,000. On April 1, 2010, EuropaCorp bought the 55% stake still held by its partners for the price of JPY 1 per share, or JPY 1,100 (€10). This company was dissolved on February 29, 2012.

As part of its film production business, EuropaCorp has developed an important music publishing business to accompany the films it produces, which has gradually become an independent activity in its own right. Therefore, in 2005, to increase the profitability of this activity, the company transferred its music publishing and exploitation of musical works to a new subsidiary, EuropaCorp Music Publishing, specially created for this purpose. The catalog included around 1,500 original works, exploited by collecting societies all over the world (SACEM in France, and in partnership with Universal Music for the rest of the world). In June 2017, EuropaCorp Group sold its catalog of music copyrights to Sony/ATV Group, the world number one music publishing company, and signed an agreement for Sony/ATV to administer its music royalties for future film and television titles.

In December 2006, the Group released its first animated film, *Arthur & the Invisibles*, which sold more than 6.3 million tickets at French theaters. *Arthur & the Invisibles* was also an opportunity for the Group to develop multiple partnerships and to license related merchandise to maximize the film's receipts, including a partnership with BNP Paribas for nearly three years and with Orange with the exploitation of mini-sessions of the film on the mobile phones of Orange customers. The Group has since released the second and third installments of the franchise, *Arthur and the Revenge of Maltazard* and *Arthur and the War of the Two Worlds*, which sold 3.9 and 3.1 million tickets at French theaters respectively, although international sales significantly underperformed.

On May 16, 2007, the company completed the acquisition of all shares comprising the share capital of the company Ydéo, which specializes in consulting and creative marketing and with which EuropaCorp had enjoyed a close business relationship for several years. The company paid €676,000 for 100% of the capital of Ydéo, corresponding to its net book value at March 31, 2007. As a result, the Group now has the expertise of a skilled and experienced player in the film marketing industry.

On July 6, 2007, EuropaCorp shares were admitted to trading on the regulated market of Euronext Paris Compartment B. During the IPO, 4,910,828 new company shares were issued and subscribed by the public and institutional investors for a total amount of €76,117,834. Following this capital increase, the total number of shares comprising the share capital of EuropaCorp amounted to 20,310,828 shares, the free float representing 22.91% of the capital. Since January 21, 2009, following the new system introduced by Euronext Paris, EuropaCorp's shares have been traded on Compartment C of the Euronext Paris market, owned by NYSE Euronext.

On February 26, 2013, EuropaCorp announced the success of the capital increase with preferential subscription rights for shareholders launched on February 4, 2013. The capital increase, for an initial amount of €20.2 million and a final amount of €23.2 million following the exercise of the extension clause, was fully subscribed. The total demand for this capital increase amounted to around €28.8 million (including the *Caisse des Dépôts et Consignations* subscription), equivalent to a subscription rate of around 143%.

Alongside this capital increase in cash, in February 2013 EuropaCorp performed a capital increase

by contribution in kind, designed to group together within EuropaCorp the Group's synergistic activities, i.e. brand entertainment and post-production activities carried out by Blue Advertainment and Digital Factory respectively. The capital increase in kind covered 100% of the shares of Blue Advertainment, which had previously received all post-production activities of Digital Factory as a contribution from Front Line.

On February 28, 2008, EuropaCorp completed the acquisition of the company Roissy Films. This acquisition involved 100% of the capital and voting rights for a price of €27.22 million plus the amount of net cash of the company at December 31, 2007. Roissy Films manages a catalog of around 500 titles as owner or agent, including 80 award-winning films.

On January 30, 2009, the film *Taken* by Pierre Morel, produced and co-written by Luc Besson, was released in theaters in the United States and topped the American box office. Generating \$227 million in revenue worldwide, including \$145 million in the United States, *Taken* became the second-highest grossing international French film after *The Fifth Element*, directed by Luc Besson (\$264 million in worldwide takings). *Taken 2*, the second film in the franchise, released in October 2012, made international box office receipts of \$376 million, helping to make 2012 a record year in tickets sold for French films abroad and making EuropaCorp France's leading exporter. *Taken 3*, also produced and co-written by Luc Besson, was released in theaters in January 2015, and brought in almost \$326 million in international receipts. Worldwide box office receipts from the three installments of the franchise total \$928 million to date.

Source: www.boxofficemojo.com

In June 2009, EuropaCorp confirmed its participation in the La Cité du Cinéma project in Saint-Denis, a Paris suburb. Since August 2009, EuropaCorp has partnered with Euro Media Group, Quinta Communications and Front Line in the property investment company SCI Les Studios de Paris, through a property lease signed with a pool of leasing companies for a group of nine movie shooting sets at the La Cité du Cinéma site ranging in size from 600 to 2,200 square meters each, sold by EuropaCorp Studios.

EuropaCorp is a 40% shareholder of SCI Les Studios de Paris, whose studios were constructed at a cost of €30.2 million excluding tax. In addition to investments in the company's share capital, current account funds were provided, in particular to finance the construction of the studios. As of March 31, 2018, capital investments and contributions to associates' current accounts totaled €10.1 million.

In addition, EuropaCorp has joined forces with the same partners – Euro Media Group, Quinta Communications and Front Line – in the Société d'exploitation des Studios de Paris, managed by Euro Media Group, to run the studios following their delivery in spring 2012. EuropaCorp has a minority stake of 40% in this company, which has share capital of €10,000 (see Sections 7.2 and 19.1 of the Registration document for further information). On May 17, 2017, a decision was made to transfer all of the assets of the company to SCI Les Studios de Paris through a dissolution and merger. That transaction was finalized on June 30, 2017 and its effect is retroactive to January 1, 2017.

EuropaCorp has also signed a lease with La Nef Lumière, owner of the business park where the La Cité du Cinéma offices are located and funded by the Caisse des Dépôts et Consignations and Vinci Immobilier, as part of the relocation of its registered office. By signing this lease, the company now has offices that are twice as large as 137 rue du Faubourg Saint-Honoré, for a substantially equivalent rent, given that Front Line has given the company a firm commitment to rent part of the premises leased by the company. EuropaCorp can now bring together in one place all its permanent staff as well as the film crew assembled for each film.

In August 2012, the Group moved from 137 rue du Faubourg Saint-Honoré in Paris to La Cité du Cinéma at 20 rue Ampère in Saint-Denis.

On April 15, 2010, EuropaCorp acquired, in cash, 75% of the capital of audiovisual drama producer Cipango, with a commitment to buy the remaining 25%, exercisable within a maximum of four years. On June 27, 2014, in accordance with the “*Cipango sale and acquisition of shares agreement*” signed on April 15, 2010, EuropaCorp confirmed to minority shareholders its desire to exercise its purchase option to acquire the 25% of EuropaCorp Television that it did not yet own. To this end, EuropaCorp acquired these shares on July 30, 2014. This company is now wholly owned by EuropaCorp.

On January 1, 2011, Cipango changed its name to EuropaCorp Television. EuropaCorp Television produces television dramas for the French and international markets.

On January 15, 2018, EuropaCorp sold business assets related to French television production activity for €11 million. Because the sale does not involve American television production, the Group will continue to produce and distribute English-language TV series with strong international potential, such as *Taken*.

On July 26, 2011, the Group signed an off-plan lease for the development and management of a multiplex cinema within the Aéroville shopping mall near Roissy airport, which opened on October 16, 2013. Management of the 12-theater multiplex, with almost 2,400 seats, began on November 15, 2013. On December 14, 2016, the Company sold its multiplex activity, which consists of the Aéroville multiplex in Tremblay-en-France and the La Joliette multiplex project in Marseille, to Cinémas Gaumont-Pathé at a price of approximately €21 million.

On February 20, 2014, Relativity Media and EuropaCorp set up a distribution joint venture in the United States, 50% owned by each partner. This platform gives EuropaCorp and Relativity Media optimized access to the U.S. distribution networks that is best suited to their respective production businesses.

On December 14, 2016, as the Relativity group had defaulted on the payment of its share of the general expenses for the shared distribution platform, EuropaCorp took over total control of the operating budget for the RED joint distribution platform, which is now called EuropaCorp Distribution LLC. Relativity is no longer able to use the services of this platform for its new films.

On May 16, 2014, EuropaCorp signed a commitment letter with J.P. Morgan, SunTrust Bank and OneWest Bank, pursuant to which each establishment in question confirmed to the Company its commitment to participate in a new five-year credit line for \$450 million to take the place of existing loans. Pursuant to this commitment letter, on October 22, 2014, the following were concluded: (i) a revolving principal credit line enabling it to raise finance against contracts, for up to \$400 million, made up of a line of around €178 million and a line of \$160 million, which comes with an accordion clause for \$150 million; and (ii) a secondary credit line for \$50 million.

The principal credit line was arranged by J.P. Morgan as Agent and Lead Bookkeeper, and SunTrust Bank and OneWest Bank as secondary Bookkeepers and co-arrangers. The principal credit line has been syndicated with major banks, notably the French banks Natixis, Banque Palatine, Arkea Banque Entreprises et Institutionnels, and BRED Banque Populaire.

This facility is used to finance EuropaCorp’s production of new English-language films, as well as the marketing and distribution costs associated with these productions, particularly following the set-up of the RED services platform, via which EuropaCorp Films USA Inc., a wholly owned subsidiary of EuropaCorp, distributes the films in the United States.

The principal credit line must be repaid after a period of five years, i.e. by October 21, 2019. The secondary credit line must be repaid after a period of five years and six months, i.e. by April 21, 2020.

As security for these credit lines, EuropaCorp and some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted first-lien and second-lien guarantees on all of their assets, and notably the pledge of financed assets, as specified in the Notes to the consolidated

financial statements (Appendix 1), to the exclusion of any other guarantee.

In summer 2014, the film *Lucy*, directed by Luc Besson, produced by EuropaCorp and distributed worldwide (excluding France, China and Belgium) by Universal, generated almost \$463 million in box office receipts worldwide, making it French cinema's biggest international success story.

On December 31, 2014, EuropaCorp, EuropaCorp Films USA Inc., and Vine Investment Advisors LP, acting as an Agent for various investors, entered into a contract entitled Amended and Restated Secured Participation Agreement under which EuropaCorp grants a participation interest of 15% in the revenue generated by the films distributed by EuropaCorp Films USA Inc. with the support of Relativity EuropaCorp Distribution LLC (RED) services in the United States, up to the maximum participation amount of \$100 million (see Section 5.2 below for further details).

On May 20, 2015, EuropaCorp announced a five-year extension to its ongoing production agreement with Fundamental Films. Therefore, the leading Chinese company in film production and distribution will continue to distribute EuropaCorp's films on the Chinese market, in addition to co-producing a certain number of future films. This agreement came with the confirmation that Fundamental Films would invest around \$50 million in the adaptation of the *Valerian* comics. Fundamental Films will co-finance this project and be responsible for its distribution in China. The two groups began their partnership in 2012, with an exclusive three-year production agreement, which in recent years has enabled the films *Brick Mansions*, *Lucy*, and *Taken 3* to be launched in China.

Shooting for *Valerian and the City of a Thousand Planets* took place from January to June 2016 at La Cité du Cinéma.

On November 21, 2016, FF Motion Invest Co., Ltd, a wholly owned subsidiary of the Fundamental Films group, subscribed for new shares issued by EuropaCorp SA as part of the reserved capital increase in the amount of €60 million.

The overall aim of this capital increase, carried out with a market premium of some 38.5% compared to the average stock market price over the 20 trading days prior to the protocol being signed, was to increase the Group's equity under conditions favorable to EuropaCorp shareholders, particularly minority shareholders.

This reserved capital increase is the main component of an overall strategy to increase the Group's funding capacity by a total of around €108 million. This operation has three facets:

- a €60 million capital increase;
- sale of the Multiplexes activity (Aéroville multiplex and La Joliette multiplex project in Marseille) to Cinémas Gaumont-Pathé for a total of around €21 million; and
- extension to the subordinate credit facility of around \$30 million (around €27 million, see Section 10.2.2).

In the summer of 2017, the film *Valerian and the City of a Thousand Planets*, directed by Luc Besson, was released in cinemas around the world and generated a total of \$226 million in box office receipts worldwide. The film has become the fifth most successful French film abroad (*Lucy*, *Taken 2* and *Taken 3*, also produced by the Group, are in the top three spots in the ranking).

Sources: *Box Office Mojo; Unifrance – May 2018*

5.2 Investment

5.2.1 Major investments made by the Group during the last three years and up to the filing date of the Registration document

- *Film and audiovisual production*

The Group's investments consist primarily of its investments in films and television series. The amount of investment in the production, coproduction and acquisition of feature films and TV dramas therefore totaled, respectively, €90,161 thousand, €133,699 thousand, and €175,996 thousand for the financial years ended March 31, 2018, 2017, and 2016.

For more information on the investments made in previous years, please refer to Section 6.3 of the Registration document.

- *Jointly owned company Relativity EuropaCorp Distribution (RED)*

On February 20, 2014, Relativity Media and EuropaCorp established a jointly owned distribution company in the United States named Relativity EuropaCorp Distribution LLC (RED), held at 50% by each partner. This structure gives EuropaCorp and Relativity Media optimized access to the U.S. distribution networks that are best suited to their respective production businesses. On February 20, 2014, the EuropaCorp Group paid an initial contribution to the joint venture of \$30 million.

Moreover, EuropaCorp will pay Relativity Media an additional amount equal to 15% of the revenue generated by the films it distributes in the United States through RED's services. This amount is capped at \$100 million. If EuropaCorp fails to pay this additional amount of up to \$100 million by March 2020, it may decide to pay the balance as a lump sum. Failing this, Relativity Media will have the right to buy back 100% of EuropaCorp's stake in the joint venture for \$30 million. In addition, Relativity Media has the option to purchase EuropaCorp's stake in RED at a price equal to the sum of all payments received from EuropaCorp plus \$10 million. Relativity Media may exercise this option until the latest of the following dates: i) payment by EuropaCorp of an additional \$50 million, or ii) March 2017. If it exercises this option, Relativity Media must provide film distribution services in the United States to EuropaCorp for three years against payment of a 7.5% commission.

RED has hired the specialized teams previously working at Relativity Media and EuropaCorp has entered into distribution agreements for the United States under similar terms as those negotiated by Relativity Media. Both companies only use RED's services for the direct distribution of their films in the United States, with a granted exemption of one film per year. Each of the partners is solely responsible for decisions relating to the distribution of its films. Common management decisions will be made jointly by the 2 co-CEOs (one appointed by EuropaCorp and the other by Relativity Media). Each partner will contribute its share to the operating budget of this entity. The budget must be approved by both of RED's co-CEOs (one appointed by EuropaCorp, the other by Relativity). Each year, a new budget for general expenses is analyzed and set by both co-CEOs.

On December 14, 2016, as the Relativity Media group had defaulted on the payment of its share of the general expenses for the shared distribution platform, EuropaCorp took over total control of the operating budget for the RED joint distribution platform, which is now called EuropaCorp Distribution LLC. Relativity Media is no longer able to use the services of this platform for its new films.

EuropaCorp restructured EuropaCorp Distribution LLC and entered into a new multi-year agreement with STX Motion Pictures Group to distribute its films in US theaters.

On December 31, 2014, EuropaCorp, Europacorp Films USA Inc. and Vine Investment Advisors LP, acting as agent for various investors, entered into an agreement entitled the Amended and Restated Secured Participation Agreement, under the terms of which EuropaCorp grants a 15% participation interest in the income generated by the films distributed by EuropaCorp Films USA Inc. with the

support of Relativity EuropaCorp Distribution LLC (RED) in the United States, subject to a Maximum Participation Amount of \$100 million.

The proceeds of this sale (\$55 million) allowed EuropaCorp to pay Relativity Media the balance of the amounts due to it for creating the RED (Relativity EuropaCorp Distribution LLC) shared services platform earlier than planned. EuropaCorp Films USA Inc. will use this platform to distribute films in the United States. This services platform is owned 50% by each partner. EuropaCorp has therefore definitively settled all amounts due to Relativity Media for the creation of RED. Relativity Media no longer has a purchase option over EuropaCorp's stake in RED, which has enabled EuropaCorp to extend this investment with no additional cost.

5.2.2 Main Group investments in progress

In the coming months, most of the Group's investments will focus on pursuing its French- and English-language film and television drama projects.

As such, the Group will embark on promotional campaigns linked with the release of the films it distributes in theaters in France and the United States. For details of the films in the 2018/2019 lineup, see Chapter 12 of this Registration document.

As of the filing date of this Registration document, there was no Group commitment relating to acquisitions.

5.2.3 Main investments to be made in the future

Over the coming years, the vast majority of the Group's investments, and more specifically those of the Company, will remain concentrated in the production, distribution and co-production of films and television dramas.

6. BUSINESS OVERVIEW

6.1 General presentation and strategy of EuropaCorp

6.1.1 The EuropaCorp model: a vertically integrated, independent studio

EuropaCorp is mainly involved in the production and distribution of films. Since late 1999, the company has developed a business model by seeking to manage all stages of the film production and exploitation chain. In doing so, EuropaCorp is able to apply its professionalism, creative methods and quality standards during each stage of the film's conception and marketing. Today EuropaCorp is one of Europe's few vertically integrated, independent studios.

With this business model, EuropaCorp and its subsidiaries can, thanks to a highly responsive structure, adopt a vertical integration strategy in the film production and exploitation chain, and optimize the return on capital invested in ambitious and varied projects while reducing the associated financial risks.

Since 2010, the Group has had a cross-cutting organization consisting of business units structured around the film's life cycle (finance and production, sales, marketing, operations, licenses and live entertainment). This organization gives it control over the entire production and distribution chain.

Within EuropaCorp, the artistic and financial management of the film are carried out jointly as soon as the decision is made to go into production. This approach distinguishes EuropaCorp both from traditional independent production companies, forced by their size to rely on larger groups to finance and distribute their films, and large, integrated media groups which are less conducive to the creative process.

The vertical integration of all aspects of the film production and distribution chain allows EuropaCorp to increase its share of receipts generated by its films. In parallel, EuropaCorp has a policy aimed at partially covering its financial risks as executive producer or co-producer through the pre-sale of rights ahead of the theatrical release of its films (see Section 4.3.2 of the Registration document).

Moreover, EuropaCorp has developed complementary activities to the production and distribution of feature films, such as music publishing dedicated to film trailers, merchandise, licensing and partnerships.

The Group has diversified into television drama production, notably with the acquisition of Cipango in April 2010, which changed its name to EuropaCorp Television in January 2011.

The business assets related to French television production activity were sold in January 2018. Because the sale does not involve American television production, the Group will continue to produce and distribute English-language TV series with strong international potential, such as *Taken*.

During financial year 2012/2013, EuropaCorp consolidated the Group's complementary businesses via a capital increase in kind that covered 100% of the shares of Blue Advertainment (a company formerly owned by Front Line and Lambert Capital BV), which is involved in brand entertainment and which owns the entire post-production business of Digital Factory.

Finally, in February 2014 EuropaCorp and Relativity Media announced their new joint venture, Relativity EuropaCorp Distribution, now known as EuropaCorp Distribution LLC, an American company incorporated under the laws of the State of California, whose purpose is the distribution and marketing of films in North America. This entity gives EuropaCorp optimized access to the

distribution networks in the United States that are best suited to its production business. See Section 5.2 of this Registration document for more details.

6.1.2 EuropaCorp's strengths and assets

- *A leading player in Europe*

EuropaCorp is now one of Europe's foremost independent studios. Since its inception, the Group has succeeded in creating a brand that is now widely recognized in the global film industry. At March 31, 2018, EuropaCorp had produced and distributed 120 films, distributed 160 films, plus a catalog of around 500 films (owned or under management), and had a significant track record in terms of its international success. The Group is known for its ambitious productions and global positioning. The Group has a proven ability to deliver ambitious projects that bring together leading international talent and technical resources able to maximize the success of its films. For example, 12 EuropaCorp films have featured among the world's 20 highest-grossing French films since January 1, 2000 (*source: Unifrance – May 2018*). These international blockbusters showcase the Group's talent in producing world-class English-language films that potentially represent increased revenue and profitability.

- *A creative powerhouse backed by an experienced management team*

The Group's creativity, which has been consistent for 15 years, is still a key factor in EuropaCorp's success. EuropaCorp benefits from the artistic talent and solid experience of Luc Besson who, as writer, director or producer, has been behind a slew of hits in the French and global film industry. While a significant number of the films produced by EuropaCorp are based on ideas and screenplays developed in-house, the Group has a real ability to attract external projects through a variety of channels, which then undergo a rigorous selection process. The Group's reputation also allows it to attract talent for its projects in both France and abroad. EuropaCorp is linked with several young directors whose success and reputation are today recognized (such as Xavier Gens, Louis Leterrier, Pierre Morel and Olivier Megaton). In addition, EuropaCorp regularly attracts leading French and international talent such as Robert De Niro, Tommy Lee Jones, Kevin Spacey, Scarlett Johansson, Forest Whitaker, Kevin Costner, Liam Neeson, Jim Carrey, Morgan Freeman, Michelle Pfeiffer, Helen Mirren and Colin Firth, not to mention Guillaume Canet and Jean Dujardin, who have been involved in many EuropaCorp productions.

- *Unique expertise in the production of English-language content*

Based on its ability to produce films that meet the expectations of different markets (video, television, international), EuropaCorp has succeeded in building a widely recognized brand which is highly regarded by the industry. Since its inception, EuropaCorp has made a name for itself through its ability to produce films with considerable international potential. Each year it is responsible for a significant percentage of French cinema exports to the rest of the world. International sales structurally represent the Group's primary revenue stream, accounting on average for almost 35% of revenue over the last three years. The performance of EuropaCorp's English-language films is particularly strong in the North American market. Consequently, strengthening the line-up in terms of English-language films is a key part of EuropaCorp's strategy.

- *A carefully managed film production process*

EuropaCorp routinely adopts a rigorous and disciplined approach to production based on artistic and financial control over each stage of the film-making process. The Group attaches enormous importance to controlling production costs, and has developed real expertise in this area by introducing strict auditing and reporting requirements throughout the film-making process. By

controlling the production process, the Group has shown that it is able to produce films on budget. In terms of financing its productions, EuropaCorp has always adopted a cautious approach, seeking maximum coverage of its financial commitments as producer as early on in the process as possible. As part of this policy, from the film's conception the Group plans its international distribution and the sale of rights to French television channels, estimating the film's economic potential in terms of pre-sales as accurately as possible.

As a general rule, the Group's policy is to launch the film's production only if, based on the expressions of interest or firm commitments received and on its past experience, it believes that a significant part of the film-making cost will be covered on the theater release date mainly by pre-sales (sale of international exploitation rights and television broadcasting rights) and financial contributions such as those made by co-producers. This coverage rate is around 70% to 80%.

- *Proven expertise in marketing and distribution in France*

In France, the Group has succeeded in establishing a reputation for excellence when it comes to marketing and distribution.

EuropaCorp Distribution is regularly ranked among the leading distributors in France as regards the average number of admissions per film, in 3rd place in 2015, 14th place in 2016 and 7th place in 2015. *Source: Le Film Français*

- *An integrated model*

Since its inception, EuropaCorp has adopted a business model based on a vertically integrated studio in a bid to capture the lion's share of the film revenue. By controlling distribution in France, the Group is able to access revenue from the films produced across all distribution channels (theaters, video, sale of TV rights, VOD, SVOD, etc.) throughout a film's lifecycle. By removing external service providers (theater distributors, video distributors) in France, vertical integration also optimizes margins linked to distribution costs and fees, while allowing a significant share to be retained of the exploitation rights to the films produced. Finally, because of its integrated model, EuropaCorp is able to capture value creation linked to new types of film exploitation (licensing, partnerships, theme parks, etc.) and broadcasting.

To perfect its model, EuropaCorp has decided to invest in movie shooting sets (see Section 8.2) and, thanks to a capital increase via a contribution in kind, has acquired 100% of Digital Factory's post-production business.

Furthermore, with the creation in February 2014 of the joint enterprise EuropaCorp Distribution LLC (formerly Relativity EuropaCorp Distribution), EuropaCorp now has the means to control its distribution in the United States and maximize the viewing of its films abroad.

- *Significant long-term investment capacity*

EuropaCorp boasts unique know-how in France and Europe with its ability to produce big-budget films with strong international potential, which can compete with Hollywood blockbusters in certain territories. The Group has put in place the financing tools necessary for its expansion, and has considerable investment capacity, mainly through significant credit lines (see Section 4.6 of the Registration document).

6.1.3 Strategy and development focus areas

Having strengthened its governance and introduced rigorous pre-financing rules, the Group now plans on continuing its expansion and reinforcing its position among the top tier of European producers and distributors in the following main strategic areas, in line with the management rules established within the Group.

As previously announced, the Company's strategy is primarily to refocus on its core business: production of English-language feature films of up to two to three films per year, production of French-language feature films of two films per year, production of English-language TV series, distribution of films and international sales. These are the fundamentals which have made EuropaCorp's success.

- *Keeping on the development of content more closely aligned with the Group's historic successes*

Since 2000, EuropaCorp has produced 12 of the top 20 French films with the highest box office revenue abroad, with *Lucy*, *Taken 2* and *Taken 3* in the top three spots. The Group has already begun to realign its content strategy with the genres of these historic successes, with the release of *Taxi 5* in April 2018, and the upcoming release of *Anna*, Luc Besson's new film, scheduled for January 2019.

The Group is thus reaffirming its priorities in terms of content:

- Production of action/sci-fi films directly supervised by Luc Besson as the writer and/or producer;
- Development of existing and/or new franchises (sequels and/or prequels, as well as adaptations for TV of EuropaCorp's film successes).

- *Continuing to develop international business*

Global demand for films has risen in recent years, and sustained growth is expected across all distribution segments for the coming years. Global box office takings are expected to grow every year to reach \$49 billion in 2020 compared with \$40.6 billion in 2017 (growth of 6.5% per year), in particular thanks to strong growth in China, where box office revenue is set to increase by approximately 20% per year.

The SVOD market is also growing exponentially; it is expected to reach \$32.2 billion in 2021 (compared with \$17.5 billion in 2016).

Sources: MPAA *Theatrical market statistics 2017 – Global entertainment & media outlook 2016-2020 PWC (June 2016)* – *Digital TV Research Global SVOD Forecasts report (January 2017)*

The Group, with its longstanding expertise in international films and its unique, world-renowned brand, intends to harness the growth of an expanding global market. In this context, EuropaCorp has put in place a priority action plan to boost the international share of its business, underscoring its commitment to developing English-language film productions with an international outlook.

This is especially true in China, which has represented fertile ground for the growing distribution of French and international films over the past few years. EuropaCorp films have been particularly successful in China: nine out of the ten most successful French films in China since January 1, 2000 were produced by EuropaCorp (*source: Unifrance – May 2018*).

In addition to the agreements signed in places including the Gulf States, Germany, China, and the Benelux region, securing the international distribution and financing of its films, on March 18, 2013 EuropaCorp set up a new subsidiary, EuropaCorp Films USA Inc., to ensure optimal deployment of its film projects involving North American talent. This structure allows the closest possible positioning of the Group to developments, thus giving it direct and immediate access without any intermediary to the best projects circulating in the United States. Finally, the EuropaCorp Distribution LLC (formerly known as Relativity EuropaCorp Distribution) joint venture, which is responsible for local distribution and marketing, gives the Group optimized access to the distribution networks in the United States that are best suited to its production activity.

- *Focus on the development of English-language TV series with strong international potential*

In the global drama market, demand among broadcasters for new and exclusive content is on the rise, especially for English-language series with an international outlook.

Large-scale international coproductions intended for international distribution are currently in development, while the North American market has recently opened up to European productions. The acquisition of EuropaCorp Television in 2010 marked a milestone in the Group's plans to expand its television production business. In January 2018, the Group completed the sale of the French television production business, and will focus on the development of English-language series with strong international potential, such as the series *Taken*, co-produced with Universal. EuropaCorp has several development projects under way, in particular the series *American Flag*, based on the comics created by Howard Chaykin in the 1980s. EuropaCorp hereby intends to take advantage of today's popularity of dystopian fiction.

6.2 Presentation of the industry and competitive environment

6.2.1 Film entertainment market

The overall trend in the rapidly changing global cinema market is influenced by a combination of several factors. Of these, the democratization of certain leisure pursuits and products (TV, video, internet), as well as the development of distribution media such as pay-TV and satellite television, VOD and SVOD, the spread of digital technology and the increase in film merchandise have largely contributed to the growth in revenue generated by the film industry.

Revenue generated by global movie theater attendance increased for the tenth consecutive year, reaching a record high in 2017 of \$40.6 billion, up 5% compared with 2016.

In 2017, Asia Pacific was the most important region in terms of box office revenue (\$16.0 billion) for the fifth consecutive year, with an increase of 6% compared with 2016. After having flatlined in 2016, box office revenue in China bounced back by 13% in 2017 when compared with 2016, to \$8.8 billion (55.9 billion yuan), coasting on a big boost from the success of the action film *Wolf Warrior 2*. Box office revenue in North America decreased by 2% compared with 2016, down to \$11.1 billion. In Latin America, revenue was up by 22% compared with 2016, mostly caused by exchange rate effects.

The Europe, Middle East and Africa region was up slightly by 4% compared with 2016.

Source: MPAA 2016, U.S. Theatrical Market Statistics; *Le Film Français*

In 2017, China continued to hold the number one spot in ticket sales with 1.62 billion tickets sold (+18.2%).

In the United States, ticket sales were down to 1.24 billion in 2017.

Admissions to European Union theaters were down slightly (-0.7%), for a total of 985 million admissions. Attendance increased in the United Kingdom (+1.4%), Germany (+1.0%), and especially in Russia (+10.0%) where the market exceeded 200 million admissions for the first time, while it fell in Italy (-12.9%), Spain (-1.6%) and France (-1.8%). Moreover, with 212.2 million tickets sold, Russia became the leading European market, ahead of France with its 209.4 million tickets sold in 2017. In France, box office revenue was down slightly (-0.6%) in 2017 at €1,380.6 billion compared with €1,388.6 billion in 2016. This result can primarily be explained by the increase in average revenue per admission (€6.59 including tax in 2017, or +1.2% compared to €6.51 including tax in 2016), given that attendance is slightly lower.

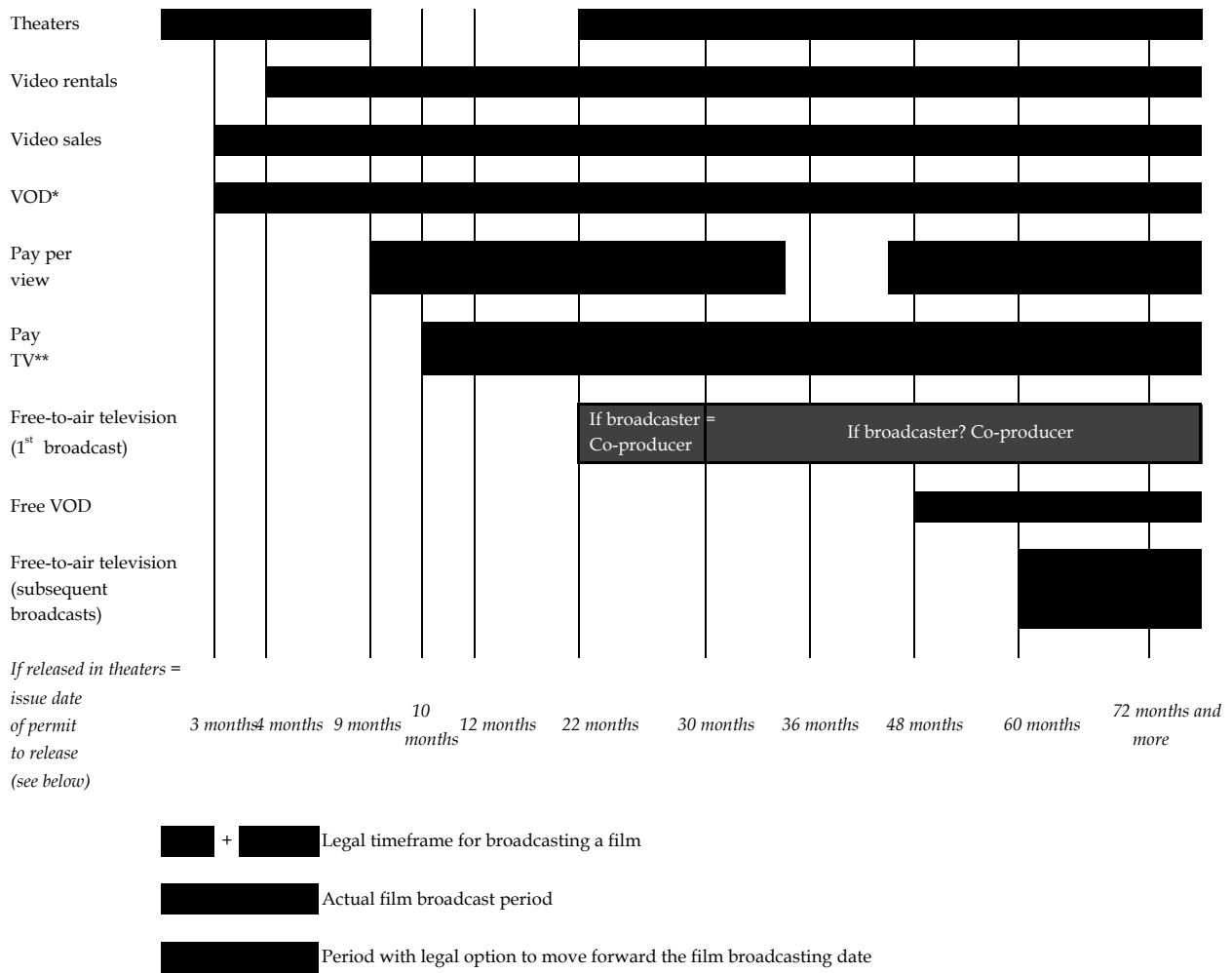
Source: CNC - 2017 Report

Under the impetus of the European Directive of June 30, 1997 on the timing of media releases, and with the proliferation of film distribution methods (cinema, television, internet, video, etc.), many countries have seen public authorities and professionals in the sector gradually setting up a mixed system of private agreements and public regulation designed to organize the order in which a film is broadcast on each type of medium, reserving exclusive windows for each of them that make it possible to optimize the profitability of a film. These regimes remain in a state of flux subsequent to

the success of SVOD platforms: Premium SVOD has been authorized in the United Kingdom and there is likely to be an overhaul of the system for timing releases in France. In fact, on April 18, 2018, the French Minister of Culture, Françoise Nyssen, announced that negotiations between industry professionals had resumed.

Since June 2009, the official release windows in France have been as follows:

Release schedule of a film in France



* The possibility of access to some films by VOD may be restricted by agreements with television channels, which in some cases impose suspension periods to guarantee exclusive film broadcasting rights for the channel for a length of time that can vary depending on the televised broadcast date of the films in question.

** Films are only available on catch-up TV once they have been broadcast on TV, since the two forms of exploitation are linked. However, the catch-up period must be limited so that it does not affect other forms of exploitation.

6.2.2 Film production in France and worldwide

In France, production increased slightly (+6.0% or 17 films more than in 2016) with 300 approved films, and thus remains high.

Source: CNC - 2017 Report

In North America, 777 films were released in theaters in 2017, a rise compared with 718 in 2016. 44 3D films were released in theaters in the United States in 2017, i.e. 8 films less than in the previous year, with 7 of these films being ranked in the box office top 10.

Source: MPAA 2017 U.S - Theatrical Market Statistics

Number of films approved by the CNC - France

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
French films (1)	196	182	203	206	209	208	203	234	221	222
<i>of which 100% French films</i>	145	137	143	151	150	153	152	158	159	177
<i>of which coproduction films</i>	51	45	60	55	59	55	51	76	62	45
Predominantly foreign films (2)	44	48	58	65	70	61	55	66	62	78
Total approved films (1) + (2)	240	230	261	271	279	269	258	300	283	300

Source: CNC - 2017 Report

In France, 300 feature-length films were approved by the CNC in 2017, i.e. 17 more than in 2016 and the same number as in 2015. The increase is almost exclusively in films that are predominantly foreign (+16 films to 78 films in 2017).

In 2017, the average budget for French films was €4.90 million, compared with €5.47 million in 2016, i.e. a decrease of 10%. This decrease can be explained by the presence of *Valerian and the City of a Thousand Planets* and *Renegades*, two EuropaCorp films. In ten years, average budgets fell by 23% (in constant euros).

Source: CNC - 2017 Report

Growth of investment in films approved³ by the CNC

Total investments (€ million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
French films	1,259.2	927.5	1,112.1	1,127.6	1,065.6	1,019.2	799.2	1,023.8	1,208.8	1,088.9
Predominantly foreign films	231.3	171.2	326.9	260.8	276.7	234.7	195.0	200.4	179.7	239.0
Total	1,490.5	1,098.7	1,439.0	1,388.4	1,342.3	1,254.9	994.1	1,224.2	1,388.5	1,327.9

Source: CNC - 2017 Report

In 2017, investments in approved films decreased slightly by 4.4% to €1,327.9 million. In 2017, investments in French-initiative films totaled €1,088.9 million, a decrease of 9.9% compared to 2016. This decrease is mainly due to the presence in 2016 of *Valerian and the City of a Thousand Planets* and *Renegades*, both high-budget productions. Between 2008 and 2017, total investments in French films fell by 1.4% per year on average.

The French production sector remains very fragmented: the CNC reports that 194 different companies produced the 222 French films approved in 2017, which included 65 coproductions.

Among EuropaCorp's main competitors, which produced five films in 2017, Curiosa Films was the most active in 2017 with 11 French-initiated films produced (including four co-produced by associate producers) with an average budget of €7.74 million. It was followed by Gaumont with six films (including five films co-produced by associate producers) with an average budget of €12.26 million and Pathé Films with five films (average budget: €12.98 million). Next in line were Chi-Fou-Mi Productions, Ecce Films, Moana Films and Nord-Ouest Films, each with four films. Twelve companies produced three films and 38 companies produced two films in 2017. Finally, 137 companies produced one film each in 2017.

Source: CNC - 2017 Report

³Films that received investment or production approval from the CNC for that year.

6.2.3 International film sales market

International box office receipts from French films

Global box office (excluding France) of the 20 best French films from January 1, 2000 to May 24, 2018

Rank	Film	Cumulative receipts	Cumulative admissions
1	Lucy*	€314,117,671	56,071,700
2	Taken 2*	€272,927,705	47,684,982
3	Taken 3*	€263,272,540	43,981,143
4	The Intouchables	€220,061,420	31,865,494
5	Valerian and the City of a Thousand Planets*	€169,904,040	30,560,645
6	Taken*	€164,097,784	30,157,011
7	Amélie	€138,903,687	23,139,709
8	The Pianist	€99,210,482	17,869,280
9	March of the Penguins	€96,632,536	19,964,375
10	The Artist	€86,128,577	13,467,281
11	Transporter 3*	€81,086,920	16,772,977
12	Le Petit Prince	€79,702,855	18,227,720
13	Kiss of the Dragon*	€71,491,516	12,183,035
14	Serial (Bad) Weddings	€68,404,761	9,848,058
15	Transporter Refueled*	€65,827,323	12,896,651
16	Transporter 2*	€62,747,061	12,714,103
17	Malavita* (The Family)	€56,399,270	10,437,166
18	Colombiana*	€51,022,438	9,560,925
19	Arthur & the Invisibles*	€49,842,635	10,201,981
20	Asterix & Obelix: Mission Cleopatra	€47,643,778	10,212,943

* EuropaCorp productions

Source: Unifrance – May 2018

In France, the film export industry is relatively concentrated. Two main types of operator can be identified: subsidiaries of integrated media groups with a large catalog of French or foreign films, either produced or acquired, on the one hand; and independent distribution companies with a limited number of titles, on the other hand. EuropaCorp, which holds the exploitation rights to the films it produces, sells international exploitation rights directly to local distributors without going through a specialized distribution company.

In 2017, five years after the record theater attendance numbers of 2012 (144.1 million admissions), there were 80.5 million admissions to theaters abroad for French films (+97.8% compared with 2016), while the corresponding box office receipts amounted to €468.0 million (+81.7%). After barely exceeding 40 million admissions in 2016, French films abroad have really bounced back. This improved performance in 2017 can mainly be put down to the success of *Valerian and the City of a Thousand Planets*, a EuropaCorp production that saw more than 30 million admissions worldwide. The average for the last ten years is 83.22 million admissions.

In 2017, Western Europe remains the leading export region for French films. With 24.7 million admissions, the region represents almost a third of admissions (30.7%). With 13.4 million admissions and a market share of 17%, Asia once again became the second most important export region for French films, thanks to *Valerian and the City of a Thousand Planets*, a EuropaCorp production, which captured 75% of admissions for French films in the region (11 million admissions). Central and Eastern Europe remained in third position with a 16% market share, the best showing since 2007. For its part, North America fell to fourth place with a 13.5% market share while Latin America was close behind with a 13% market share. Source: CNC – 2017 Report

6.2.4 Theatrical distribution market

6.2.4.1 International theatrical distribution market

In 2017, China continued to hold the number one spot in ticket sales with 1.62 billion tickets sold (+18.2%). In the United States (and Canada), the number of admissions was down to 1.24 billion (-5.9%). Attendance is down very slightly in European Union movie theaters (-0.7%) for a total of 985 million admissions.

However, in terms of receipts generated, the United States is still the largest global market, worth \$11.1 billion compared with \$8.59 billion in China (+28.59%).

Source: CNC – 2017 Report

On a global scale, theater receipts rose by 5% to reach a new record of \$40.6 billion, driven in particular by the strong box office performance in Asia (+6.0% to \$16.0 billion). For its part, North America decreased (-2% to \$11.1 billion), whereas the Europe-Middle East-Africa region bounced back after several years of declining revenue (+4% to \$10.1 billion).

Source: MPAA 2017, U.S. Theatrical Market Statistics

Number of annual movie admissions (in millions, comparative data)

Year	North America	China	France	UK	Germany	Italy	Spain	Japan	Russia
2008	1,340	210	190	164	129	112	108	161	124
2009	1,420	264	202	174	146	111	110	169	132
2010	1,340	290	207	169	127	121	102	174	156
2011	1,280	370	217	172	130	101	98	145	160
2012	1,360	470	204	173	135	100	94	155	157
2013	1,340	631	194	166	130	107	79	156	177
2014	1,270	830	209	158	122	98	88	161	176
2015	1,320	1,260	205	172	139	107	95	167	174
2016	1,320	1,370	213	168	121	113	102	180	195
2017	1,240	1,620	209	171	122	99	100	175	212

Source: CNC – 2017 Report

In the European Union (EU) in 2017, gross box office revenues decreased slightly (-0.3%) to €7.02 billion. Given the stability of the average ticket price across Europe at €7.10, this can be explained by a slight decline in cinema attendance, with admissions decreasing by 0.8% to a total of 984 million (-7.6 million tickets sold), which nevertheless remains the third highest level in the EU since 2004.

This trend is due to decreases in cinema attendance recorded in Italy (-11.9%), Denmark (-3.6%) and, to a lesser extent, Austria (-1.9%).

Source: European Audiovisual Observatory – Press release of May 3, 2018

Outside of the European Union, the Russian Federation has become the largest European market, ahead of France with a strong increase in attendance to 212.2 million admissions in 2017 (+10.0%). At the same time, box office receipts were up 9.5% to 53.3 billion rubles (€808 million). Based on a strong 22.1% increase in admissions (71.2 million admissions compared to 58.3 million in 2016), gross cinema revenues continued to increase in Turkey to reach their highest level in recent decades, +25.9% to 871.0 million Turkish pounds (€211.4 million) Source: CNC – 2017 Report

According to the results released by the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT), admissions in Chinese theaters increased by 18.2% to \$1.62 billion, compared with \$1.37 billion in 2016. At the same time, receipts rose 22.3% to 55.9 billion yuan, even increasing by 30.3% in US dollars to \$8.59 billion. In terms of receipts, the market share of national films (China and Hong Kong) was 53.8% in 2017 compared with 58.3% in 2016. First place at the

Chinese box office is held by domestic production *Wolf Warrior II*, which became the greatest Chinese film success of all time with \$870 million in revenue.

According to figures provided by the Motion Picture Producers Association of Japan (MPPAJ), attendance fell by 3.2% in 2017 to 174.5 million admissions, after reaching a particularly high level in 2016 (180.2 million admissions).

At the same time, cinema revenues fell by 2.9% to JPY228.6 billion (€1.8 billion) in 2017.

Sources: CNC – 2017 Report, MPPAJ 2017

6.2.4.2 The French theatrical distribution market

With 209.4 million tickets sold in 2017, ticket sales in theaters decreased by 1.8% compared with 2016. For the fourth consecutive year, the threshold of 200 million admissions was exceeded. In addition, attendance levels in 2017 were above the average for the last ten years (205.1 million admissions).

In 2017, box office receipts in cinemas amounted to €1,380.6 billion (-0.6%).

Receipts before taxes (VAT and the special tax on ticket prices) amounted to €1,156.7 million in 2017, compared with €1,165.7 million in 2016 (-0.01%).

The decrease in receipts is less than the decrease in number of tickets sold in 2017. As a consequence, the average receipt per admission (ARA) on paid tickets increased by 1.2% compared with 2016 to €6.59 including taxes in 2017. The ARA excluding taxes (VAT and the special tax on ticket prices) was €5.52 in 2017, compared with €5.46 in 2016 (+1.2%).

Admissions and box office receipts in France*

	Admissions (in millions)	Box office receipts (in millions of euros)	Average receipt per admission (in euros)
2008	190.3	1,142.9	6.01
2009	201.6	1,237.2	6.14
2010	207.1	1,309.9	6.33
2011	217.2	1,374.7	6.33
2012	203.6	1,306.5	6.42
2013	193.7	1,250.9	6.46
2014	209.1	1,333.3	6.38
2015	205.4	1,331.7	6.48
2016	213.2	1,388.6	6.51
2017**	209.4	1,380.6	6.59

* To provide a more detailed analysis of theater attendance, three different film categories were used for the first time in 2013: feature-length films, short films and non-film (recordings of live events and audiovisual programs); all data has been updated since 2004 according to this new distinction

** Provisional data

There was a small increase in the number of viewers in 2017 compared with 2016. 42.6 million people (over two-thirds of French people) aged three and over went to the cinema at least once during the year (42.5 million in 2016). Each viewer went to the cinema 4.9 times on average (5.0 times in 2016). “Regulars” (regular and frequent attendees) still make up the majority of admissions, although this segment is decreasing. They accounted for 67.0% of total admissions during the year (62.7% in 2016), i.e. 140.3 million admissions. Compared with 2016, there were fewer frequent cinema attendees (-0.18 million people) but more regular viewers (+0.12 million people) and slightly more occasional viewers (+200,000 people).

Source: CNC – 2017 Report

In 2017, the key players in the theater distribution market in France were as follows (*Source: Le Film Français – January 2018, 2017 distributor ranking*):

2017 ranking of the top 20 theater distributors by average number of admissions per film

Rank	Distributor	Average admissions per film	Total admissions in 2017	Number of films released in 2017	Admissions to films released in 2017	Market share
1	The Walt Disney Company France	2,533,652	28,815,533	9	22,802,871	12.80%
2	Universal Pictures International France	1,244,638	25,400,082	20	24,892,750	12.10%
3	Warner Bros. Entertainment France	1,076,798	16,100,733	14	15,075,174	7.70%
4	SND	822,769	10,725,123	13	10,695,996	5.10%
5	20th Century Fox	811,847	16,604,647	19	15,425,099	7.90%
6	Gaumont Distribution	807,658	11,545,182	14	11,307,211	5.50%
7	EuropaCorp Distribution	786,550	6,328,729	8	6,292,403	3.00%
8	Studiocanal	718,956	15,206,233	21	15,098,083	7.20%
9	Sony Pictures Releasing France	707,389	11,318,218	16	11,318,218	5.40%
10	Paramount Pictures France	606,679	6,835,250	11	6,673,466	3.30%
11	Pathé Distribution	570,831	11,255,198	19	10,845,795	5.40%
12	UGC Distribution	386,846	4,222,070	10	3,868,462	2.00%
13	Memento Films Distribution	294,672	2,117,261	7	2,062,706	1.00%
14	Mars Distribution	263,496	7,075,436	21	5,533,425	3.40%
15	Diaphana Distribution	208,825	3,151,285	11	2,297,071	1.50%
16	Metropolitan Filmexport	193,390	5,003,182	25	4,834,750	2.40%
17	Bac Films	180,482	1,277,087	7	1,263,377	0.60%
18	Wild Bunch Distribution	170,389	2,791,427	13	2,215,053	1.30%
19	La Belle Company	158,448	1,201,909	6	950,687	0.60%
20	Océan Films Distribution Intl	146,454	880,610	5	732,268	0.40%

6.2.5 The exploitation market

6.2.5.1 Exploitation in France

In 2017, there were 5,913 active theater screens within 2,046 establishments. There were more screens in 2017 (71 additional screens, +1.2% compared with 2016). 66.2% of the new screens are in multiplexes (theaters with over eight screens), and 14.8% of them are in movie theaters with between four and seven screens. The remaining 19.0% are located in theaters that have between one and three screens.

Given the change in attendance in 2017 (-1.8% compared with 2016), the average number of admissions per theater decreased to 102,346, down 1.9% compared with 2016. The average number of admissions per screen is down even further to 35,413 (-3.0%). On average, each multiplex recorded 574,562 admissions in 2017, versus 608,935 in 2016 (-5.6%).

In 2017, there were 219 multiplexes in France. 10.7% of French theaters are multiplexes and 60.1% of admissions are to multiplexes. Multiplex attendance was down by 1.1% compared with 2016, compared with -1.8% for all cinemas. 1,221 theaters have 3D digital projection systems in France, i.e. 59.7% of all cinemas.

Source: CNC – 2017 Report

6.2.5.2 *International exploitation*

In Europe, the number of screens remained relatively stable in 2017. For the first time in 12 years, Spain has seen an overall increase in the number of screens to 3,625 screens (compared with 3,557 in 2016). For the third year in a row, the number of theaters increased in Germany to 4,803 screens in 2017 (compared with 4,739 screens in 2016). It also rose in France, with 71 new screens in 2017 for a total of 5,913 screens. Russia has 4,786 screens, or 8.8% more than in 2016.

In the United States, the number of screens has stalled at around 40,400. In Brazil and Mexico, the number of screens continued to grow in 2017, with 52 new screens in Brazil and 438 in Mexico (for a total of 3,220 screens and 6,633 screens respectively).

China has almost 50,800 screens, including approximately 9,600 that were inaugurated in 2017. China thus confirms its position as the country with the most movie theaters and screens in the world, leaving the United States far behind. The number of screens in Japan rose 1.5% from 3,472 to 3,525 in 2016 to 3 in 2017.

Source: CNC – 2017 Report; Russia Beyond; Capital

6.2.6 **The market for sales of television rights**

6.2.6.1 *TV broadcasting in France*

In November 2011, mainland France completed its transition to digital through digital terrestrial television, satellite, and digital, ADSL and fiber optic cable.

In 2017, the French spent an average of 3 hours 42 minutes per day watching television, a decrease of one minute. At the end of 2017, 31 national channels were available to private digital terrestrial TV (DTT) viewers (27 of them in HD). Twenty-six of these are free-to-air channels and five are pay-TV channels.

Between 2008 and 2017, the aggregate audience share of “older” channels ceded 18.4 points to the new free channels. The DTT channels launched in 2005 attracted a rising number of viewers, with 22% audience share in 2012, although the figure has remained stable at between 21% and 22%. In their fifth year, the six new free HD channels, launched in late 2012, together accounted for a 9.1% audience share. The audience share of pay-TV and local channels, which has decreased slightly since 2007, remained stable between 2015 and 2017, at around 10%. *Source: CSA – Le guide 2018 des chaînes numériques (CSA 2018 guide to digital channels)*

6.2.6.2 *Broadcasting of films on television*

Television represents a significant share of the receipts generated by a film. French film producers enjoy a favorable regulatory environment, since French television channels are subject to minimum investment obligations before the first day of shooting on European and original French-language films, as well as minimum broadcasting quotas for these types of films.

In 2016, 2,426 different films were shown on television (national free channels and Canal+), 54 titles fewer than in 2016 (i.e. a decrease of 2.2%). In all, 85.4% of these films were scheduled by free French channels broadcasting 2,072 films, i.e. 35 (1.7%) fewer than in 2016.

In total, 29.1% of the films shown on television (free French channels and Canal+) were new (31.0% in 2016), i.e. scheduled for the first time on free-to-air TV. The share of new films increased to 34.0% (+1.8 percentage points compared to 2016) on national public channels. Only 12.0% of the films broadcast by private free French channels were new (146 films in 2017). This reduced portion is due to the scheduling policy of the free private DTT channels which mostly show catalog films (91.9% film repeats on private DTT channels). On these channels, films were being scheduled on free-to-air TV on average for the eighth time in 2017 (as in 2016). Canal+ scheduled 259 film premieres in 2017, representing 72.5% of its offering (versus 77.0% in 2016).

6.2.6.3 Broadcasting of TV series

Dramas are the leading genre of TV shows in terms of offerings and viewing figures. In 2017, the drama offering on the traditional national channels (TF1, France 2, France 3, Canal+, M6 and Arte) fell by 27 evenings compared with 2015, standing at 821 evenings. 52-minute dramas make up 69.5% of drama evenings. In 2017, the drama offering on the traditional national channels fell compared with 2016 by ten evenings for the 52-minute format and by three evenings for the 90-minute format. It is stable for the short format and has increased by six evenings for the 26-minute format.

In 2017, the drama offering on the traditional national channels fell by 31 evenings compared with 2016 for series (695 evenings) while it increased by 24 evenings for single productions (126 evenings). The offering of single productions was at its lowest level. In 2017, TV series made up 84.7% of the evenings dedicated to dramas on the national traditional channels (87.7% in 2016).

French drama is now doing much better compared with American drama in terms of audience and number of evenings spent. In 2017, French drama accounted for 88 of the 100 best drama audiences, and occupied 44.5% of evenings dedicated to drama compared with 55.5% for foreign drama, of which 34.6% is for American drama, 16.4% for non-French European drama and 4.5% for foreign drama from other countries.

In 2017, the traditional French channels offered 821 evenings of drama, seven evenings fewer than in 2016 (-8.5%). TF1 remains the largest broadcaster of drama in the early evening.

Source: CNC – 2017 Report

6.2.7 The market for film distribution on video

Until 2004, the global market for physical video media recorded strong growth across the board as a result of DVD sales. After three consecutive years of decline in 2005, 2006 and 2007, the emergence of Blu-ray in 2008 helped to stabilize the French market between 2008 and 2010.

However, there has been a new decrease in revenue since 2011, as shown in the table below:

**Changes in revenue from physical video by content in France
(excl. VAT in millions of euros)**

	2010	2011	2012	2013	2014	2015	2016	2017	Δ17/16
Films	849.6	753.6	691.9	560.1	479.4	420.8	351.8	339.7	-3.5%
Non-film	495.0	429.3	380.7	328.4	290.3	250.0	214.3	172.9	-19.3%
Promotions	40.8	40.1	43.4	40.3	37.3	36.7	29.0	24.0	-17.4%
Total	1,385.4	1,222.9	1,116.0	929.1	807.0	707.5	595.1	536.6	-9.8%

There are three possible reasons for this slump in the market: changes in the way people watch videos (catch-up TV, video on demand), a decrease in the prices charged, particularly for new releases, and piracy. The limited number of Blu-ray players in French homes and the relative lack of awareness of people about this equipment, as well as a reduction in the amount of shelf space dedicated to it in big department stores, are also contributing to this phenomenon.

In 2017, DVD and Blu-ray sales fell 9.8% to €536.6 million. Household spending on physical video formats fell for the seventh consecutive year. DVD remains the favorite format, with 73.4% of the market in 2017 compared with 75.0% in 2016. Blu-ray receipts fell for the fifth consecutive year by 3.6% between 2016 and 2017. They amounted to €143.0 million. Sales are also down (12.2 million discs sold, or -5.6%). In 2016, Blu-ray accounted for 26.6% of the physical video market, or +1.6 points in one year.

Source: CNC – 2017 Report

6.2.8 The VOD market and new distribution channels

There was a 32.3% rise in video on demand (VOD) revenue compared with 2016; it amounted to €485.1 million. This is part of a rising trend in the number of subscription video on demand platforms (SVOD - subscription formula) which continues to grow, and the ever-richer variety of programs available. In 2017 for the first time, the market for SVOD was greater than the pay-per-view market and represented more than half of total sales (51.3%).

In addition, the value of the market share for pay-per-view cinema stood at 80.1% in 2017 (compared with 5.8% for audiovisual programs and 14.2% for programs for adults).

Currently, there are four main VOD business models:

- temporary downloads (digital rental): rental is now the main driver of VOD in the French market. It is fueled by the growth in ADSL and fiber optic television services, as well as “triple play” services (i.e. Internet, television and telephone) offered by internet service providers;
- permanent downloads (digital sales): digital sales represent the most attractive model in terms of the return for publishers and their rights holders. The absence of publishing costs compared with the publishing and distribution of physical DVDs (DVD mastering, duplication, logistics and commercial distribution) allows a real transfer of revenue, mainly to the rights holders;
- subscription: subscription selling is the preferred model of telecom operators and internet service providers, since they already have a broad customer base enabling them to reach critical mass quickly, as well as the marketing resources to accelerate recruitment and penetration;
- Free ad-supported viewing (free VOD): film viewing is fully funded by advertising. Popular in the United States after being pioneered by Disney and Warner Bros., it is only starting to develop in France. This model also gives the film a second lease of life on a free portal after being sold on pay sites.

The French Act of June 12, 2009 promoting the dissemination and protection of creative content on the internet, known as the “Hadopi Act”, has resulted in a comprehensive overhaul of film release schedules: the exploitation period of films on VOD has for example been reduced from 33 weeks to 16 weeks after their release in French theaters. This makes the legal supply of films on VOD more attractive and contributes to the development of these new services.

14,734 films were active during 2017, an increase of 7.3% compared with 2016. In 2016, French films represented 31.8% of the total (versus 30.1% in 2016), U.S. films 42.5% (versus 43.6% in 2016), and films from other countries 25.7% (versus 26.4% in 2016).

Source: CNC – 2017 Report

6.3 Presentation of the Group's businesses

The Group's core business consists of film production and distribution. In its production business, EuropaCorp usually acts as executive producer (or co-executive producer) and has artistic and financial responsibility for a film's production. EuropaCorp may also act as co-producer. Through its subsidiaries EuropaCorp Distribution and EuropaCorp Home Entertainment, the Group is responsible for the theatrical release in France of the films it produces and their video release and sales in France. EuropaCorp is directly responsible for international sales of the distribution rights to the films it produces, sales of television broadcasting rights, sales of broadcasting rights to its films on video-on-demand platforms in France, and the complementary exploitation of its films in the form of related merchandise, licensing and partnerships.

To integrate and control the various activities during a film's life cycle, the Group relies on the skills and talents of its management team and employees. By seeking to control the production and distribution chain, the Group can apply its professionalism, methods and quality standards during each stage of the film's conception and marketing, while creating a production “label” through the

use of sophisticated techniques and talented writers, directors and crew.

Because of the way it operates, the Group can use its streamlined and responsive structure to implement its vertical integration strategy effectively throughout the film production chain.

In addition, during its 15 years of existence, the Group has endeavored to build a catalog of high-quality films, largely helped by the Roissy Films acquisition in 2008. Exploiting this catalog of some 500 films provides a significant revenue base for the Group.

Finally, through its various legal entities and shareholdings, the Group has developed repeat business in complementary areas: particularly in TV production (EuropaCorp Television), publishing of musical works linked to films (EuropaCorp Music Publishing), events (Blue Event) and post-production (Digital Factory).

In addition, with the creation in February 2014 of the joint venture Relativity EuropaCorp Distribution LLC, now known as EuropaCorp Distribution LLC, EuropaCorp now has the means to control its distribution in the United States and thus maximize the international visibility of its films.

For more information, see the diagram in Section 17.1.1.1, which depicts relations between EuropaCorp and its key partners in the film production and distribution business.

6.3.1 Production: conception and creation of content with real commercial potential

The conception and production of films represent EuropaCorp's core business. During financial year 2017/2018, the Group's investments in film and TV production or coproduction totaled €90,161 million, compared with €133.699 million in financial year 2016/2017.

When selecting films, the Group strives for an increasingly international line-up.

6.3.1.1 Attracting new talent

In recent years, EuropaCorp has demonstrated its ability to seek out and engage new talent for its projects. For example, the Group has discovered and endorsed the talent and expertise of new directors like Pierre Morel and Olivier Megaton.

EuropaCorp frequently attracts world-famous actors such as Robert de Niro (*Malavita*), Tommy Lee Jones (*The Three Burials of Melquiades Estrada*, *Malavita*, *The Homesman*), Michelle Pfeiffer (*Malavita*), Kevin Costner (*3 Days to Kill*), Scarlett Johansson and Morgan Freeman (*Lucy*), Michelle Yeoh (*The Lady*), Liam Neeson (the *Taken* saga), Cara Delevingne and Dane DeHaan (*Valerian and the City of a Thousand Planets*), Helen Mirren and Cillian Murphy (*Anna*). The Group also exerts a pull on many French and foreign independent producers, drawn by the professionalism and experience of its management (as evidenced by its role as co-producer on *Little White Lies*, written and directed by Guillaume Canet, *Möbius*, written and directed by Eric Rochant and *Saint Laurent* by Bertrand Bonello), as well as with established French actors such as Jean Dujardin, Marion Cotillard, François Cluzet, Jean Reno, Catherine Deneuve, Gaspard Ulliel, Léa Seydoux and Gilles Lellouche.

6.3.1.2 A consistently thorough project conception and approval process

6.3.1.2.1 Selection and development: building the potential for success

When selecting the projects pitched to it and the screenplay ideas developed in-house, the Group is committed to maintaining a diverse editorial line, keen to produce ambitious, high-quality work appealing to a wide audience whatever the film genre (comedy, action, genre movie, etc.).

Once a project has been selected, the Group goes to work on building the film's earning potential, which involves most of the Group's operational departments (sales of television rights, international sales, theater distribution and video release). Initial contact is made with television channels (pay TV and free-to-air) to gauge their interest in the film and estimate the amount of pre-sales likely to be made.

The Group also analyzes the project's international potential while it is still in development. Although most French film producers nowadays tend to focus on the domestic market, only branching out into foreign distribution if the film is a commercial success, EuropaCorp, like the major studios, plans the film's international distribution from its initial conception. As a result, EuropaCorp is currently one of the few independent French producers to make films in English (e.g. the *Transporter* and *Taken* franchises, *Valerian and the City of a Thousand Planets*, *Anna*, *Lucy*, *Malavita* (The Family), *From Paris with Love*, *3 Days To Kill*, *I Love You Philip Morris*, *Colombiana*, etc.), thereby maximizing their potential for international distribution.

In addition, as soon as the film goes into production, EuropaCorp assesses the film's video distribution potential, increasing this by producing content specially designed for this format (e.g. "making-of" documentaries, bonus features, etc.).

6.3.1.2.2 Project approval criteria

Like the development phase, when the artistic and economic aspects are studied jointly, the decision to greenlight a film results from the dual artistic and economic approval of the project by Senior Management. Artistic approval is based primarily on an assessment of the intrinsic qualities of the final screenplay (after rewrites), the suitability of the project for EuropaCorp's editorial line and the availability of the chosen talent (director, cast and crew).

Economic and financial approval is based on the estimated coverage, essentially calculated based on coproduction contributions, initial feedback from television channels (pay TV and free-to-air) on the proposed pre-sale of television rights, estimated pre-sales to foreign distributors according to the film's international potential, assumptions regarding the exploitation of the film on various platforms (French theaters, French DVD, etc.) and any tax credits likely to be generated by the project. The project is only greenlit if the projected financial coverage is deemed satisfactory, or, as a rule, if the Group has received expressions of interest indicating that at least 70-80% of the film's production costs will be covered by firm commitments (including coproduction and pre-sales) on the theatrical release date.

The project is also considered from the point of view of the Group's funding capacity, taking into account its other projects in the pipeline. A cash flow forecast is then prepared for the film based on the Group's provisional cash flow forecast, mainly to assess what impact it might have on the Group's debt situation.

Lastly, the final criterion that could result in the project being greenlit is the project's future "catalog value", i.e. its value generally after the first three years of exploitation of the film.

Until the film is greenlit, only preliminary expenses are incurred. These costs essentially consist of authors' and screenwriters' fees, and the costs of securing the film adaptation rights. They are reported separately and reviewed project by project at each period end. Preliminary costs that do not lead to a decision to shoot within five years from their first recognition are depreciated. However, this principle does not apply to projects having been recognized for more than five years, if there are specific production engagements or genuine expressions of interest, or when the company believes that the development timeframe does not call into question the start of shooting in the long term.

6.3.1.3 Hedging policy for financial risk

6.3.1.3.1 The nature of financial risk

EuropaCorp usually acts as executive producer in film production. As such, it guarantees the successful completion of the film and is responsible for most of the costs, management, making of the film, budgeting, shooting and editing of the film. Conversely, when it acts as financial co-producer, EuropaCorp only has an investor role, and assumes no further liability beyond the amounts invested. In both cases, EuropaCorp owns shares in the film in return for a share of the production cost and is entitled to a share of the receipts, which means that it receives a percentage of the producer's share of the net profit (which is not necessarily proportional to its share in the film, since this is contractually agreed in line with standard industry practice).

Production costs, also called "negative costs", mainly include the salaries of talent (cast and directors) and other participants (crew), studio and location hire, the cost of production equipment, obtaining the copyright to the screenplay, photography and post-production. Around 20-30% of these costs are incurred during the pre-production phase, 50-60% during shooting and the remainder during post-production.

The Group also acquires rights to receipts (distribution in theaters, TV and video broadcasting, etc.) of films produced by third parties, often foreign, on which no loss share is acquired. In this case, the Group acts as a film distributor for certain territories and exploitation formats, and not as producer or co-producer. Accordingly, the Group's costs are limited to the cost of acquiring the distribution rights (including the minimum guaranteed amounts usually paid in this regard), and expenses incurred in connection with the film's distribution in theaters and on video.

6.3.1.3.2 Hedging financial risk

The film production and marketing process requires large amounts of capital. The Group has therefore introduced a policy to cover a significant portion of its investment in each film as early on as possible.

When it acts as executive producer, the financial risk is reduced mainly through pre-sales and coproduction contributions. The Group's policy, albeit one which is not systematically applied, is not to commence production on a film unless a significant portion of the production cost (around 70-80%) is, based on the expressions of interest received, potentially covered by firm commitments on the theatrical release date (pre-sales and/or contributions from co-producers), plus any tax credits.

Hedging is effectively provided by the various financial contributions (from co-producers, for example), the sale, before the film's release, of television broadcasting rights, foreign distribution rights and, where appropriate, other derivative rights and any tax credits attached to the film. Buyers of international distribution rights are generally willing to pay a fixed amount or "minimum guarantee" and, where appropriate, additional revenue depending on the film's success.

When it acts as financial co-producer, the Group's policy is to obtain, in addition to a share in the film and receipt rights in return for its investment (contractually agreed), distribution rights both in France and abroad. When implemented successfully, this policy enables the Group, even as co-producer, to claim certain rights in some cases, such as distribution rights in foreign territories or television broadcasting rights, which will cover its financial risk as co-producer.

To maintain an opportunistic approach so that it can tailor this policy to the specific characteristics of each film, the level of risk coverage and timing of this coverage can vary from one film to

another. However, EuropaCorp monitors the financial risk resulting from all its commitments, and strives to ensure that in a given financial year, the total amount of its production investments is approximately 70-80% covered before the theatrical release of the films concerned.

In financial year 2016/2017, the overall coverage rate of the films produced or co-produced amounted to 70% on the theatrical release date for a total investment of €71.3 million. In financial year 2017/2018, the overall coverage rate of the films produced or co-produced amounted to 85% on the theatrical release date for a total investment of €235.2 million.

A- International partners

As part of its financial strategy for the pre-sale of films, EuropaCorp attaches considerable importance to the special relationships it has with numerous international distributors, from whom it receives minimum guaranteed amounts for the sale of rights abroad. The network of relationships that EuropaCorp has built up allows it to retain its streamlined, responsive structure, since EuropaCorp prefers to sell its films to distributors rather than developing local distribution subsidiaries – this allows it to implement its risk hedging strategy and maintain optimum size.

Informally, EuropaCorp has a special relationship with 20th Century Fox in the United States, as well as with most of the other major U.S. studios or their subsidiaries, such as Universal, Sony Pictures Entertainment, Lionsgate and Focus Films.

In the majority of countries where its films are distributed, EuropaCorp has a special relationship with several distributors it considers highly qualified for that country. Although the Group had a longstanding policy of signing international rights agreements, usually on a film-by-film basis, it has since diversified its strategy by introducing a policy of output deals for certain territories *in* 2010/2011. Thus, EuropaCorp signed several major framework agreements with the German studio Universum in September 2010 (agreement renewed in March 2014 and currently under negotiation for renewal in 2018), the Chinese studio Fundamental Films in July 2012, renewed in 2015 for five years, Belga Film for Benelux since October 2012, the Taiwanese studio Deepjoy in February 2016 (currently in negotiations for a renewal in 2018), Jil in September 2015 for Romania and Hungary, the Polish studio Kino Świat in November 2015, AQS in February 2016 for the distribution of films in the Czech Republic and Slovakia, and the Indian studio PVR in March 2016. The Group also signed agreements with Gulf Film in the Middle East (initially signed in 2009, renewed in 2013 and 2016), Blitz in the former Yugoslavia, and Forum Film in Israel. Maintaining this policy will enable the Group to further optimize the distribution of its films in strategic territories.

In general, standard practice is for the distributor to pay the first part of the minimum guarantee on signing the contract (often around 20%), more rarely a second payment is made during shooting and the balance (up to 80%) paid on delivery of the film. EuropaCorp generally sells international distribution rights to a film in all traditional formats (cinema, television, video and VOD) for a country or group of countries, for a share of the future receipts received by the distributor subject to a minimum guarantee amount.

B- The sale of television broadcasting rights

The right to sell television broadcasting rights to French television channels is traditionally held by one of the executive producers of the film.

The Group is accustomed to working with all broadcasters in the sector, particularly TF1, Canal+, M6, CinéCinéma, W9, France 2 and France 3.

TF1 (France's leading channel by audience) regularly acts as co-producer and/or buys the rights to broadcast films for which EuropaCorp was executive producer. Of the 86 films released in theaters as of March 31, 2018 and for which EuropaCorp acted as executive producer or co-executive

producer, 48 were sold to TF1.

Canal+ is EuropaCorp's preferred partner for the pre-sale of television broadcasting rights. Canal+ bought exclusive rights to premiere in France on pay television 80 of the 86 films released in theaters as of March 31, 2018 and for which EuropaCorp acted as producer or co-executive producer.

Agreements between EuropaCorp and television channels are negotiated on a film-by-film basis. In general, the channel pays a fixed minimum amount for the exclusive rights to screen the first or first two broadcasts in France on a free-to-air channel plus, in some cases, an additional amount based on theater admissions, the overall price being capped. The film may be broadcast at the earliest 22 months after its theatrical release date, on television channels with coproduction commitments of at least 3.2% of their revenue, or at the earliest 30 months after its release for other channels.

6.3.1.4 *Managing film production and promotion costs*

The Group makes every effort to control the costs of its productions in an environment where film production costs, both in France and abroad, are steadily increasing, partly because of the higher salaries commanded by directors, cast, screenwriters and other artists, and partly due to the cost of special effects and other elements essential to the film's success. When acting as executive producer, EuropaCorp routinely appoints an experienced producer to supervise and manage the budget. The producer's job is to monitor, on behalf of EuropaCorp as executive producer, production alongside the production manager and film administrator, essentially by monitoring the production budget, spending commitments and filming and editing schedules.

For each production, a line producer, who may be independent or an employee of EuropaCorp, is also responsible for day-to-day supervision of the work. For example, shooting costs are managed by allocating a budget for each scene; the line producer is responsible for ensuring that this is followed to avoid going over budget. The Group is committed to having flexible, responsive teams that can act swiftly to minimize the financial impact of unforeseen events during shooting (adverse weather, technical failure, screenplay adaptation, etc.). A comprehensive progress report for each film (expenditure statement, estimated cost at completion) is also submitted each month to the company's management team by the central film administration unit. As a result of this rigorous cost control since its creation, EuropaCorp has virtually never exceeded the initial production budget of the films it has produced, with the exception of six films including two animated films of which the overruns were due to failures of service providers hired by EuropaCorp to handle the production of animated pictures. At present, the Company does not intend to launch any new animated film projects.

Where EuropaCorp is co-producer on a film - and therefore essentially an investor - it has a coproduction minority interest while being consulted on every major decision concerning the film's content. Because its contribution is then strictly limited to the amount originally paid for its coproduction interest, EuropaCorp does not bear the risks associated with any budget overruns and is not bound by a completion guarantee for the film. In general, to protect its investment if the film goes over budget, EuropaCorp's policy is to contract with producers and other co-producers that any additional contributions from other producers cannot reduce the share of the film initially assigned to EuropaCorp, and that such additional contributions can only be covered after repayment in full of EuropaCorp's investment.

Furthermore, to protect itself against many of the unforeseen events that can have a major impact on its productions, the Group takes out insurance for each production for which it acts as executive producer. The insurance covers all co-producers of the film (see Section 4.9 of the Registration document).

In terms of distribution costs, the Group has small, responsive teams, employing experienced professionals both for theatrical distribution and video publishing, and for international rights sales.

This streamlines the workforce and is more cost-effective. For video distribution, the economic interest group Fox Pathé Europa, of which the Group is a member, gives EuropaCorp Home Entertainment access to a vast marketing network in return for a share of the costs proportionate to its use (see Section 6.3.2 of the Registration document). During the 2016/2017 financial year, the Group also signed a new multi-year contract with Lionsgate for physical videos in the United States, enabling it to pay lower yearly expenses and enjoy more favorable terms on advances.

Finally, EuropaCorp's Finance Department monitors and audits the budgeting process and cash flow for each film as well as for the Group as a whole (see Section 16.II.3 of the Registration document).

6.3.1.5 TV production

For financial year 2017/2018, the Group's investment in television drama production totaled €36.8 million⁴.

The strategy and economics of television production are different to film production. The Group relies on the experience of the EuropaCorp Television USA team to develop projects that meet the demand from international broadcasters. As such, several EuropaCorp Television dramas have been broadcast or will soon be broadcast on HBO, TNT and NBC.

For EuropaCorp, television production is an opportunity to invest in less risky activities than film production, since projects are generally pre-financed to a greater extent than in film production. As producer, EuropaCorp Television effectively initiates and develops most of its television series with one or more television channels, which, as broadcasters, will cover a large part of the funding. Given the commercial potential of these series internationally, the funding plan for the series is often complemented by pre-sales or international funding once the development phase has passed. This makes it possible to have larger budgets for epic series such as *Taken*.

EuropaCorp Television, as producer, ensures throughout the production process that the artistic content and budget initially agreed with the broadcaster are met. Controlling production costs is in fact the key to profitability when producing a TV series. EuropaCorp Television USA has proven expertise in its ability as producer to produce quality works systematically within budget.

6.3.2 Distribution: managing vertical and multimedia film exploitation

Owing to its vertically integrated structure, the Group is active in France at each stage of a film's distribution. Traditionally, the distribution life cycle is split into two parts: the first part is from the film's theater release until the second or third television screening on a free-to-air channel, while the second part covers the period after this (see Section 6.2.1 of the Registration document).

⁴ Amount of EuropaCorp Television investments for financial year 2017/2018

Films that premiered in theaters in France during financial year 2017/2018

Film	Premiere in France		Role of the Group	Main distribution mandates held by the Group
<i>Room(h)ates</i>	04/19/2017	Theaters	Executive producer	All rights
<i>Bad Buzz</i>	06/21/2017	Theaters	Financial co-producer	All rights
<i>Valerian and the City of a Thousand Planets</i>	07/26/2017	Theaters	Executive producer ⁵	All rights
<i>Coexist</i>	10/11/2017	Theaters	Executive producer	All rights
<i>Carbon</i>	11/01/2017	Theaters	Financial co-producer	All rights
<i>Sparring</i>	01/31/2018	Theaters	Financial co-producer	All rights
<i>Eva</i>	03/07/2018	Theaters	Financial co-producer	All rights

6.3.2.1 Film exploitation

Thanks to its subsidiaries EuropaCorp Home Entertainment and EuropaCorp Distribution, partnerships established for the VOD distribution of its films, and relationships with various television channels, the Group has optimal control over first runs of films on French territory, and it has maximized the receipts generated by such films during second runs, whether the film was produced by EuropaCorp or produced outside the Group and its distribution rights were acquired.

Furthermore, in February 2014, EuropaCorp and Relativity Media announced the creation of a joint distribution company in the North American market (RED), now called EuropaCorp Distribution LLC, comprising a U.S. distribution network more suited to their respective businesses.

On January 3, 2017, the Group announced that it had entered into a multi-year agreement with STX for the theater distribution of its films in the United States.

6.3.2.1.1 Film distribution in theaters

The role of a distributor is to guarantee, through a distribution agreement, that a film is distributed to as many movie theaters as possible. EuropaCorp Distribution and EuropaCorp Films USA Inc., wholly owned subsidiaries of EuropaCorp, conduct this business for theaters located in France and the United States respectively. To do this, EuropaCorp Distribution and EuropaCorp Films USA Inc. have signed a distribution agreement with EuropaCorp for each film produced or each film whose distribution rights have been acquired by EuropaCorp, which grants the subsidiary the right to distribute those films in exchange for remuneration.

The subsidiary defines and develops a marketing strategy and distribution budget within budgetary limits set by EuropaCorp and takes care of publishing costs (marketing and copies). The distributor's remuneration corresponds to a commission on box office receipts paid by the theaters that screen the film. Distribution agreements provide for all receipts paid by theaters to be held by the distributor until its commission, the publishing costs incurred, and the amount of the minimum guarantee costs that it contributed to production are recovered.

The distribution of a film in theaters constitutes the first run of a film, which is a major step because the exploitation of the film over this period will determine its reputation and thus its commercial potential in future screenings. Thanks to their integration within the Group, EuropaCorp Distribution and EuropaCorp Films USA Inc. evaluate the film's potential in advance and develop a targeted marketing strategy for each production by using all possible media to promote the film: posters, trailers, promotion and visibility of the film at festivals prior to its release, and any other

⁵ Through the wholly owned subsidiary Valerian SAS

appropriate promotional material. The choice of the film’s release date in theaters, which is based on expected releases by competitors or the dates of school holidays, also constitutes an important factor in the success of a film in theaters and is usually approved with the main programmers (which can represent a national circuit of theaters or a grouping of private theaters). Downstream, based on trade negotiations several weeks before the release of a film, the Group defines the copy rental policy regarding the film’s programmers and movie theater operators.

The marketing strategy for each film is determined and implemented within EuropaCorp. For each film, the Group develops the advertising design and space purchasing strategy.

Receipts are shared between the distributor and the movie theater operator under a rental agreement, which is actually rarely signed, as has become the custom in the industry. This contract generally provides for a sharing of receipts excluding tax based on 50% for each of the contracting parties, and distribution can then change after several weeks of exploitation, by mutual agreement between the parties, to a level of 30% of receipts for the distributor and 70% for the theater, depending on the success of the film in theaters and negotiations on how long the film will be shown. It is worth noting that in France, the French National Center for Cinema (CNC) limits the share of receipts that distributors can receive to 50%.

Breakdown of the price of a movie ticket in France

VAT		5.27%
TSA (special tax on ticket prices)		10.72%
SACEM		1.27%
Theater’s share		50% of receipts excl. tax (increased as the case may be to 70% a few weeks after a theater release)
Distributor’s share	Distributor’s commission	50% of receipts excl. tax (decreased as the case may be to 30% a few weeks after a theatrical release)
	Publishing costs (copies + promotion)	
	Producer payment	

EuropaCorp Distribution and EuropaCorp Films USA Inc. have a team of flexible, creative, and responsive people who have built close relationships with theater operators. Their integration within the Group also makes it possible to create synergies and improve consistency between marketing strategies for theater releases of films and other Group businesses, such as DVD/Blu-ray printing, VOD, licensing, and partnerships, etc.).

For financial year 2017/2018, theater distribution in France and the United States accounted for 17.5% of total Group revenue.

EuropaCorp Distribution had managed the release in French theaters of seven films at March 31, 2018, accumulating close to 6.4 million admissions at the end of the financial year.

Over the last three financial years, EuropaCorp achieved an average of 674,571 admissions per film, placing it 8th in the ranking of French distributors with the most admissions per film.

Source: *Le Film français – January 2018*; *Le Film français – January 2017*; *Le Film français – January 2016*

In the course of the year, the Group continued with its distribution business in the United States, with the release in theaters of *Valerian and the City of a Thousand Planets*, *Their Finest* and *The Circle*, which between the three had garnered box office earnings of \$65.3 million in North America by March 31, 2018.

Source: *Box Office Mojo*

6.3.2.1.2 Distribution of films on video

EuropaCorp Home Entertainment, a wholly owned subsidiary of EuropaCorp, specializes in publishing and distribution of films and programming in video format in France. Through its membership in the Economic Interest Group (EIG) Fox Pathé Europa, EuropaCorp Home Entertainment enjoys the benefits of the EIG's infrastructures and sales force. The pricing policy of EuropaCorp Home Entertainment and the EIG is determined based on video market practices. When a film is released on video, the EIG presents and recommends to retailers the films that will be marketed. Films have three main life/pricing periods (full price, middle price, and budget price). These prices and pricing operations vary over the period the product (films or other) is marketed. During negotiations with retailers, the distributor's DVD and Blu-ray sale prices are generally lowered after four and six months. Accordingly, the director of operations of EuropaCorp, who is also in charge of distribution, relies on a group of about 60 employees of the Fox Pathé Europa EIG who specialize in the distribution of videos (DVD, Blu-ray, digital copy, etc.) from the three studios. In the process of marketing of a film in video format, the EIG's teams are active between four and six months before the scheduled launch date.

Moreover, the Group, via its subsidiary EuropaCorp Films USA Inc., had a video publishing and distribution agreement in place with Fox for its films in the United States, which was replaced as of July 2017 by an agreement with Lionsgate.

Although distribution to big-box stores and specialty stores is entrusted to the Fox Pathé Europa EIG in France, or to Fox and Lionsgate in the United States, DVD publishing and the definition of sales targets and marketing strategy are carried out entirely by employees of the Group, who are involved long before the release of the film on video. About six months before the film's release in theaters, EuropaCorp employees work to define a marketing strategy that is consistent and complementary with the one in place for the theater release. This strategy takes into account the seasonal variations in the market, such as the high activity period around Christmas, and the fact that the vast majority of sales occur during the first weeks following the rollout of the video version of the film.

In addition, from the time the film is produced and filmed, teams at EuropaCorp Home Entertainment and EuropaCorp Films USA Inc. define, with EuropaCorp, the additional (or bonus) sequences that will be added to the DVDs (such as the "making of", interviews, and games, etc.).

The Group also has an active policy of exploiting its films that have already been released on video, promoting certain titles by lowering the retail price and creating box-sets and special editions (such as *the Taken*, *Transporter* and *Arthur* franchises). The acquisition of Roissy Films in February 2008, with its catalog of more than 500 films, has naturally increased this revenue, which is linked to the video catalog, significantly. As the video licenses sold by Roissy Films to other video distributors expire, the Group is able to market its films on video through special offers (such as boxed sets) via the Fox Pathé Europa EIG. According to existing conditions within the EIG, general and administrative expenses and revenue are shared proportionately among members based on the revenue generated by their respective videos.

Thanks to a range of titles specially customized for the video market and EuropaCorp's expertise (added value created by involving video teams early on in the film production process and an active marketing policy), the Group achieves sales volumes and conversion rates above the market average.

6.3.2.1.3 Digital film distribution: VOD & SVOD

For the 2017/2018 financial year, the revenue earned by the Company through online availability of

films for which it owns exploitation rights, either as producer or distributor, is rising, totaling €30,137 thousand (compared to €17,032 thousand in 2016/2017), boosted by revenue earned from the exploitation of VOD and SVOD in the United States.

In 2017, the VOD market in France was worth around €485.1 million, up 32.3% on the previous year. Its potential continues to grow, particularly via subscription video on demand (SVOD), for which the market was estimated in 2017 to be worth €249.0 million (+89.5%). The market is still an emerging market in which the economic model is clearly evolving and on which many new distributors (new platforms) have made their entrance in recent years. More and more, instant pay VOD is being replaced by subscription video on demand as the preferred mode of consumption. In 2017, the market for SVOD was greater than the market for instant pay VOD for the first time.

Source: CNC – 2017 Report

Various outlook studies in this area still project rapid growth in this business in the coming years (see Section 1.3 of the Registration document). These projections fit more broadly into a technological movement in which distribution channels (mobile phones, Internet, etc.) are multiplying, while download capacities and speeds increase, fueling user demand for cinematographic and audiovisual content.

Accordingly, EuropaCorp, as editor of attractive content, holds a favorable position and seeks to exploit these potential growth relays.

Currently, EuropaCorp films are still exploited in France by all VOD suppliers (Internet access providers and other major operators such as CanalPlay and Netflix). However, in order to maximize the value of its programs, the Group is studying the economic opportunity of redirecting its strategy towards exclusive collaborations with a reduced number of partners.

In November 2015, the Group signed a framework agreement with Amazon for the SVOD exploitation of EuropaCorp films in the United States. This raises the profile of the Group's films within a growing consumption model.

6.3.2.1.4 Sale of television broadcasting rights

Television is an important distribution channel for all films produced by EuropaCorp and represents a significant component of its financial strategy for pre-financing its productions. The broadcasting rights for each film produced are sold to one or more French television channels (usually one or two pay channels and one free channel) for a pre-determined number of viewings, in principle at the production stage of the film, sometimes after its release in theaters. As part of its pre-financing strategy, EuropaCorp strives to sell its productions at the film's production stage. It is therefore the Group's practice to initiate contacts with the television channels starting with the development phase of the film and take into account the response of the channels to the project as part of its process to decide whether to shoot the film. For example, in financial year 2017/2018, the three films for which EuropaCorp was an executive producer (or co-executive producer) were sold in advance to television channels. Channels that have acquired television broadcasting rights during the pre-sale period are generally associated with the promotion of the film during its theatrical release.

Television channels generally negotiate the acquisition of rights for each film individually. Sale agreements for television broadcasting rights generally provide for a right of priority and/or preemption for subsequent sales of television broadcasting rights.

TF1 is the largest purchaser of first broadcast rights on a non-pay channel for films produced by EuropaCorp (48 out of the 86 films for which EuropaCorp was the executive producer or co-executive producer that were released in theaters in France before March 31, 2018 were sold in advance to TF1 after negotiations for each film individually). EuropaCorp is also developing its relations with other free television channels (France 2, France 3, M6, Arte, etc.) for the acquisition of

the television broadcasting rights to its films.

With regard to pay television, EuropaCorp has a privileged relationship with Canal+, which acquired exclusive first broadcast rights in France for almost all films released in theaters on March 31, 2018 (80 films acquired out of 86) for which EuropaCorp was the executive producer or co-executive producer.

The price of pre-sale television broadcasting rights is negotiated on the basis of the specific features of each project: budget, director and cast, genre and commercial potential of the project, etc. An additional price may be charged based on the film's success, based on box office figures. The success of a film's first unencrypted broadcast also determines the potential of its second run (see Section 6.3.2.5 of the Registration document) for rebroadcasts on television channels, with which the EuropaCorp catalog tries to leverage this success. The sale price for second broadcast rights is most often negotiated based on the purchase price of first broadcast rights and the audience detected during the premiere broadcast.

6.3.2.2 *International rights sales*

International sales rights for films consist of sales to foreign distributors of all distribution and broadcast rights for one or more films, on an exclusive basis, with delimited territories for a fixed period. The owner of the rights in a territory may usually exploit all channels (theaters, video, TV channels, etc.) for a period ranging from a few years to over 12 years. EuropaCorp directly manages the sale of exploitation rights abroad for the films it produces.

The international film sales market covers nearly 50 areas (some of which may contain several countries). In each of them, a few independent distributors co-exist and share the market with the subsidiaries of major American studios, which distribute their own productions almost exclusively. If in some countries the market does not justify the establishment of subsidiaries of those major studios, independent distributors that are leaders in their market take over film distribution for the major studios based on exclusive distribution agreements. Historically, in most countries, the Group has maintained privileged relationships with several distributors where it is not bound by any exclusive relationship. However, in the past few years the Group leads a policy aimed at securing the pre-financing of its upcoming productions by the signing of framework agreements for certain territories with a powerful and independent local distributor. Thanks to the high level of expertise in international markets of EuropaCorp's sales teams, depending on the film, the Group selects the distributors it will target based on their interest in the type of film in question and seeks, where possible, to take advantage of the competition between local distributors in order to maximize the revenue that will result from the sale of distribution rights for each film. EuropaCorp productions generate strong interest from independent distributors because in most countries, they do not have access to the major American studio productions that are distributed by their local subsidiaries.

As early as the pre-production phase, EuropaCorp international sales teams establish a sales matrix that lists potential distributors in the 50 or so areas that are active in the rights acquisition market. EuropaCorp's ambition is to distribute its films in as many countries as possible. In accordance with the practices of the profession, a large share of sales to foreign distributors are carried out during the international film markets, the most important of which are, in chronological order, the European Film Market in Berlin (mid-February), the Cannes International Film Market (mid-May) and the American Film Market in Los Angeles (early November).

The following table shows the distribution percentages by country for international sales of EuropaCorp films for financial years 2015/2016, 2016/2017 and 2017/2018.

**EuropaCorp worldwide export distribution table
for 2015/2016, 2016/2017 and 2017/2018**

Territory	2017/2018	2016/2017	2015/2016
North America ⁶	12.1%	35.9%	26.9%
Western Europe	40.2%	35.6%	28.1%
<i>of which</i>			
<i>Spain and Italy</i>	6.7%	3.7%	2.3%
<i>Germany</i>	13.5%	15.9%	10.1%
<i>Switzerland, Belgium</i>	4.0%	5.7%	3.7%
<i>United Kingdom</i>	12.5%	8.4%	6.9%
Central and Eastern Europe	8.7%	4.5%	14.0%
Asia	19.8%	9.4%	19.6%
Rest of the world	19.2%	14.5%	11.3%
Total	100%	100%	100%

Sales of rights internationally, in accordance with market practices, are governed by contracts that define the types of rights granted and for how long and the territories concerned. They also provide and govern the use of any promotional materials. EuropaCorp makes available to foreign distributors the main components of the film’s marketing strategy and ensures that the promotional campaigns conducted as well as the costs attached to the film’s promotion conform to contractual commitments. Most of these contracts, which are based on models that already exist in the industry, are governed by French law.

In the vast majority of cases, remuneration by EuropaCorp consists of a minimum guarantee that constitutes an advance from the distributor on the share of receipts attributed to EuropaCorp, after amortization of publishing and advertising expenses usually paid by the distributor. When a film has generated sufficient receipts in the territory in question to amortize these publishing and advertising expenses and cover the amount of the minimum guarantee received by EuropaCorp, any additional receipts are shared between EuropaCorp and the distributor and are distributed in a way which varies from contract to contract, and within the same contract depending on the distribution format (theaters, television sales, video, and VOD).

For sales of rights internationally, EuropaCorp internally monitors the tracking of receipts generated by each of the films in each of the territories to ensure the return to the Group of the negotiated percentage of receipts.

6.3.2.3 Additional exploitation of films in the form of associated products, licenses and partnerships

Partnership agreements and the exploitation of associated rights can currently represent effective means of promotion for films (and, more recently, television series) but more importantly, they are significant revenue sources for producers.

Over the past few years, EuropaCorp has entered into various types of partnerships, notably with regard to the animated film series *Arthur*, the animated film *A Monster in Paris*, the film *Home* and *Valerian and the City of a Thousand Planets*.

6.3.2.3.1 Agreements for associated products

In March 2016, a contract was signed with Striker, to set up and develop the global marketing of products associated with the film *Valerian and the City of a Thousand Planets*.

⁶ Canadian and American royalties

6.3.2.3.2 Licensing agreements

Licenses are contracts whereby the owner of a trademark awards the right of use to a company. Since the first film in the *Arthur* saga, over 50 licensing agreements have been signed with various partners.

However, licenses and associated products can only be exploited for the appropriate types of films. The associated products market is very competitive and is reserved for television programs and films with a high reputation potential that is likely to generate purchasing behaviors for sufficiently large consumer segment. Animated films are particularly well suited for associated product marketing due to their young target audience and the absence of problems related to the image rights of the main characters.

- Promotional licensing

Promotional licenses are agreements with brands that support both the promotion of the film and use its image to sell more products. This includes, for example, adding images from films to the packaging of food products (Lesieur, Nestlé) or even the promotional licensing agreement signed with the Ludendo Group (La Grande Récré), a specialist in the distribution of toys with over 300 points of sale. In this scenario, the sale of products covered by the license coincides with the theatrical release period of the film. In general, these contracts result in the payment of a fixed fee for use for a specified period.

- Event licensing

This type of license responds to a new kind of consumer expectation, creating memorable experiences with popular characters from a film or cartoon and its universe of characters. These contracts are negotiated two to three years in advance and include a fixed fee for a number of years and a minimum operational budget for the creation of the attraction. As a result, the Futuroscope was chosen by EuropaCorp as the location for the 4D Invisibles attraction, which opened on December 19, 2009. More recently, Europa Park, the European leader in amusement parks, and EuropaCorp agreed on the creation of a new attraction with the theme of *Valerian and the City of a Thousand Planets*. This virtual reality feature, to be launched in September 2018, follows in the footsteps of the feature called “Arthur in the Kingdom of the Invisibles”, the first collaborative venture between the two companies, which was inaugurated in September 2014. Throughout 2017, Europa Park welcomed more than 5.6 million visitors, confirming the growing success of this inaugural collaborative venture.

- Book publishing

Historically, through its Intervista subsidiary, EuropaCorp exploited a catalog of literary rights, some of which related to films. Since Intervista’s business is now limited to the management of the catalog of previously acquired rights, the Group retains the option to use certain brands to publish books under license.

6.3.2.3.3 Partnership agreements

- Global partnerships for a EuropaCorp film

EuropaCorp has developed an original partnership offer with major brands to enable them to associate their name with the film industry, appropriate the content of a film for its own marketing campaigns, and participate in the launching of films.

Beyond the financial contribution of the partner to the financing of a film, the signing of this type of partnership enables EuropaCorp to give more visibility to a film. Accordingly, BNP Paribas and

EuropaCorp signed a partnership agreement for the first part of the *Arthur* trilogy in 2005, which was renewed for the second part of the saga in 2009. A similar agreement was signed in 2015 for the film *Valerian and the City of a Thousand Planets*, enabling BNP Paribas to use the film's theme for advertising and commercial purposes, as Orange Studio and Toyota Motor Corporation have done for Lexus. The PPR group, since renamed Kering, teamed up with EuropaCorp for the *Home* project (film released in 2009). In return for a large share of the financing of the film, PPR became the official sponsor for the project, with exclusive exploitation rights to the image of the film.

- Framework partnerships with EuropaCorp not specific to a film

Some brands or industries share strong synergies with the world of film. Based on a long-term commitment, this type of partnership between a brand and EuropaCorp makes it possible to develop a close relationship, constantly identify communication opportunities for a brand and its business (by product placement in particular), and ensure a recurring financial contribution to EuropaCorp by a flat-rate annual income paid by each partner.

Accordingly, in late 2006, EuropaCorp signed a three-year partnership agreement with Volkswagen France Group for the automotive industry that allowed both groups to collaborate on the film *Taken*, *Transporter 3*, and *22 Bullets*. Similarly, in 2008, Honda France chose to partner with EuropaCorp on the motorized two-wheelers segment for a period of three years; then Yamaha Motor France in 2013 for one year. Finally, in March 2015, EuropaCorp signed a three-year partnership contract with Toyota Motor Corporation for the Lexus brand.

- Technological partnerships with EuropaCorp

EuropaCorp is also extremely interested in innovation and cooperates with world leaders in new technologies to push the boundaries of entertainment, offer new experiences to the public, and discover powerful new communication relays.

As a result, the releases of the films in the *Arthur* saga and of *The Extraordinary Adventures of Adèle Blanc-Sec* resulted in a partnership with Dassault Systèmes, which contributed its technological expertise and enhanced the promotional campaign for the films. The Group intends to continue this policy of entering into partnerships and developing licenses to diversify its sources of funding while it finds new ways to promote its films.

6.3.2.4 Acquisition of distribution rights and their exploitation

In order to generate additional revenue, EuropaCorp may acquire distribution rights for French territory or other French-speaking countries for films produced outside the Group. In other cases, the company may also be entrusted with all exploitation rights for a film internationally, excluding certain geographical areas. In different scenarios, in contrast to the films it produces and for which EuropaCorp has exploitation rights for the duration of the copyright, the films that the company acquires may only be exploited for a contractually determined period on a case-by-case basis. During this period of exclusivity and within the determined territory, the company generally has all the exploitation rights for the film: distribution in theaters, video distribution, sale of TV broadcasting rights, etc. Under the distribution mandates and, generally, in exchange for the payment of a minimum guarantee amount, EuropaCorp earns commission on the gross receipts generated by the exploitation of the film.

Because the work of the various teams is cyclical and where bargaining power for both theatrical distributors and video publishers depends in part on the number of films distributed, it is important for EuropaCorp to make these acquisitions in order to supplement its own annual production. As such, EuropaCorp purchased and distributed two films in theaters in the United States in 2017/2018: *Their Finest* and *The Circle*.

This activity supplements EuropaCorp's production activity and distribution of films produced by the Group, thus allowing it to leverage its expertise as a distributor.

6.3.2.5 Exploitation of films' second runs

As EuropaCorp produces films, it creates a film catalog that it can exploit in such a way that it generates recurring revenue in the future and whose size should be commensurate with the success experienced during the first run of films.

In addition, on February 28, 2008, EuropaCorp acquired Roissy Films, whose catalog included nearly 500 feature films on the date of its acquisition. The exploitation of the Roissy Films catalog can generate recurring additional revenue for the Group and helps to make activity more even from one year to the next while it positions itself in a very large market. The majority of the Roissy Films catalog is broadcast on satellite and cable channels regularly. The films in the Roissy Films catalog include such films as *The Under-Gifted* by Claude Zidi and *Quest for Fire* by Jean-Jacques Annaud.

Potential receipts from a film during its second run (beginning after the second or third unencrypted television broadcast) depend on its success in theaters and video sales, as well as its viewer share for its first television broadcast. The revenue generated by these films during their second run, while they are, as a general rule, fully amortized, are represented mainly by the sale of television broadcasting rights, as well as by DVD or VOD sales and the sale of the exploitation rights for the films abroad, once the exclusivity period previously granted to the foreign distributor has expired.

6.3.2.6 TV series distribution rights

Following the acquisition of Cipango (which is now EuropaCorp Television) in April 2010, EuropaCorp has diversified its sources of revenue with the sale of TV series to French and international broadcasters. Now, the Group has focused on the production of English-language series and the sale of their rights mainly to foreign distributors, especially American ones.

English-language series can be sold in different regions, either by the Group or by a designated representative.

After their TV broadcast, the television series developed by the Group may be exploited in video format, which will potentially generate additional receipts.

During financial year 2017/2018, the sale of television series broadcast rights generated revenue of €24.6 million, representing 10.9% of total Group revenue, compared to €23.6 million, or 15.5% of revenue, in financial year 2016/2017.

6.3.3 Complementary activities to film production and distribution

In addition to its main operations, the Group has a certain number of other activities, including recurring operations which streamline the Group's revenue.

6.3.3.1 Music publishing

EuropaCorp manages the production of the original soundtracks for its films. Furthermore, the Group can sometimes also exploit these recordings as "O.S." albums (original soundtracks) by granting licenses to production companies in the recording business. The work done in cooperation with the recording industry has made it possible for the original soundtracks for *Little White Lies* and *The Concert* to become gold albums. Similarly, the music video for "La Seine", performed by Vanessa Paradis and Matthieu Chedid from the film *A Monster in Paris* received the Victoires de la Musique award in 2012.

In addition, through its subsidiaries, EuropaCorp Music Publishing and Orchestra, the Group publishes original musical works composed for its films. Through this publishing activity, EuropaCorp Music Publishing and Orchestra, as publishers of original musical works, is a member of the SACEM (French Society of Authors, Composers, and Music Publishers, which manages music rights in France). EuropaCorp Music Publishing is represented worldwide (excluding France) by Universal Music Publishing. Orchestra is represented worldwide by EMI Music Publishing France. These two Group companies can therefore receive the proportional compensation owed when their musical works are exploited.

These publishing receipts are generated naturally whenever a film is shown, such as for theatrical screenings, video, television broadcasts, online exploitation, etc., and paid for by film exploiters to the collective management companies (which then pay the third parties, including music publishers), thus allowing EuropaCorp, through its subsidiary, EuropaCorp Music Publishing, to collect additional receipts related to the exploitation of its films.

EuropaCorp sold its music publishing rights business to Sony/ATV in June 2017 and concluded a management and sub-publishing contract for future works.

6.3.3.2 Line production

The job of line producer consists of seeing to it that a film is produced on behalf of a production company. A line producer assigns teams and brings together all technical means necessary for filming in accordance with a projected budget and precise deadlines. He or she therefore acts as a service provider on behalf of a production company and invests no money in the project.

EuropaCorp once acted as a line producer during financial year 2007/2008, for the film *Hitman* produced by 20th Century Fox, for which EuropaCorp received €16,987 thousand.

The reform of the international tax credit in January 2016 aimed at encouraging foreign producers to choose France and French technical and artistic expertise to produce their films and the exploitation of Studios de Paris – one of the best-equipped film sets in Europe – could encourage the development of this activity in the future.

EuropaCorp was also line producer for the film *Kursk* for which shooting began in April 2017.

6.4 Film industry sector regulations

The film industry sector is subject to specific European and French regulations.

In France, the National Center of Cinema and the Moving Image (CNC), a public administrative establishment placed under the authority of the Ministry of Culture and Communication, has powers of regulation and control over the activities of the industry. It issues licenses to companies belonging to one of the branches of the film industry so that they can exercise their profession and controls operating receipts from works screened in theaters or in video format. The CNC also manages programs of assistance to the film industry.

6.4.1 Cinema – Television relations

- *Contribution to the development of the production of cinematographic works*

French law requires television stations to contribute to the development of the production of cinematographic works. To do this, they must devote a percentage of their revenue or resources (which vary depending on the type of services published) to the acquisition of broadcasting rights

or investment in production for the financing of European or French cinematographic works.

All channels, regardless of their linear format (terrestrial, DTT, cable, or satellite) whose primary purpose is not the distribution of cinematographic works that broadcast at least 52 feature-length cinematographic works a year must invest a minimum of 3.2% of their net revenue for the previous year in European films, of which 2.5% must be earmarked for original French-language films. The expenses taken into account to meet this obligation are advance purchases of broadcasting rights, investments in producer's shares, and the budget set aside for theater distribution. Further, three-quarters of these expenses must be earmarked for independent production, according to specific criteria that include the ways in which the work is to be exploited and the equity holding relations between the channel and the production company.

For its part, Canal+ must invest a portion of its total annual resources for the current year in film acquisitions, of which 12% goes to European films and 9% to original French-language films. The channel must also comply with a diversity clause, which reserves a portion of its investment for low-budget films.

With regard to cable, satellite, and DTT movie channels, their purchases of broadcasting rights must represent the following proportions of their annual total funds for the current financial year: 21% for European works (26% for a first-run movie service) and 17% for original French-language works (22% for a first-run movie service). Like Canal+, their agreement must contain a diversity clause. A large part of this investment (75% for cinematography) must also benefit productions made by independent producers.

Through the Orange Cinéma Séries entity, Orange signed an agreement with professional film organizations (APC, API, SPI and UPF) on July 17, 2015. Under the terms of this agreement, respectively 27% and 22% of total Orange Cinéma Séries funds must be devoted to the acquisition of feature-length European and original French-language cinematographic works.

- *Broadcasting obligations for cinematographic works*

Television publishers are also in principle required, even during prime-time hours, to set aside at least 60% of the annual total number of broadcasts and rebroadcasts of feature-length cinematographic works for the broadcasting of European works, of which at least 40% must be original French-language works.

These mechanisms explain the essential role played by television channels in the financing of French films. In 2017, television channels were responsible for 31.9% of French film production budgets for French-initiative films (pre-purchases and co-production), a significant increase (+13.3%) to €347 million.

Source: CNC - 2017 Report

6.4.2 French subsidy mechanisms for the film industry

6.4.2.1 CNC subsidy mechanisms

In France, film industry aid is regulated largely by Decree No. 99-130 of February 24, 1999. The CNC is responsible for the allocation of these various types of aid, which are part of the French audiovisual subsidies levies.

- *Automatic subsidies for film production*

Automatic subsidies for film production is an aid mechanism managed by the CNC that aims to encourage the production of feature-length films, both French or international coproductions.

Access to automatic financial subsidies depends mostly on the presence, among the producers of the work, of a European producer established in France and of compliance with the criteria required for European qualification of the work. If these two conditions are met, the producer may apply for an approval on the basis of which the work will be granted the benefit of automatic financial subsidies.

Any approved work has access to automatic financial subsidies, both to generate the financial subsidies registered in the producers' account for the work and to allow the investment in that same work from the subsidies generated by the exploitation of earlier works. At the approval stage, however, the film only has potential automatic financial subsidies: this will be generated in proportion to how well the film is received by the public. The financial subsidies granted by the CNC is proportional to the receipts from the film produced by the production company. It is only granted once the film is already being exploited.

Accordingly, in practice, an approved film can benefit from automatic subsidies that go to the company for earlier works and moreover increase the rights of the company to benefit from subsidies for approved future works.

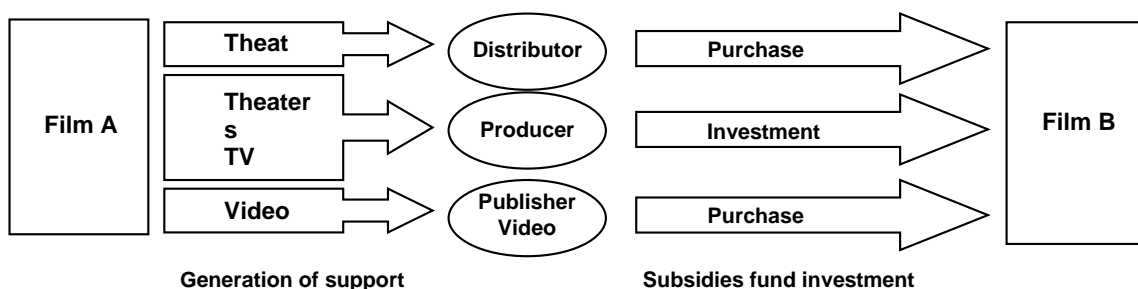
Then, once approval is obtained, the film generates financial subsidies on the basis of the results not only of its cinema release, but also of its television broadcasting and video performance.

The amounts due for automatic financial subsidies are deposited in the account opened with the CNC in the name of the recipient production companies. They can be mobilized by the producers for the production of new feature-length films that have received approval for investment by the CNC, within a period of five years from January 1 of the year following the one in which they were calculated.

- *Other automatic subsidies*

Other automatic subsidy mechanisms are granted to theater operators, distributors, and video publishers. EuropaCorp Home Entertainment and EuropaCorp Distribution benefit within this framework of this automatic subsidies.

Summary diagram



Films A and B must have been approved by the CNC

During the financial years ended March 31, 2016, 2017 and 2018, the Group recorded as revenue the amounts of the automatic subsidies funds generated (excluding COSIP) for respectively €2.3 million, €2.8 million, and €4.3 million.

6.4.2.2 *Tax support mechanisms*

There are two main tax incentive mechanisms for film production: a tax credit mechanism subject to certain conditions and the creation of companies for the financing of the film and audiovisual industries (Sofica), which allow advantageous financing to be obtained.

- *The film tax credit*

The tax credit mechanism benefits production companies that assume the functions of delegated production companies and are subject to corporate tax and for feature-length cinematographic films, documentaries and animation that meet various conditions, such as it has to (i) be made primarily in the French language, (ii) have received the approval of investments and production, (iii) be primarily produced on French territory and (iv) contribute to the development of French and European cinematographic creation and its diversity. The opening of rights to the tax credit is also subject to an approval procedure before the CNC.

The tax credit covers 30% of “eligible” expenses and cannot be more than 80% of the production budget. Since January 1, 2016, this amount has been capped at €30 million. Over the financial year ending March 31, 2018, the film tax credit received by the company was €9,815 thousand. At March 31, 2018, €7,625 thousand was recorded in the consolidated financial statements as a deduction from cost of sales and on a prorata basis of the economic amortization of the films for which the tax credits were granted.

As developed by the French Federation of Cinema, Audiovisual, and Multimedia Industries (FICAM) and the Commission Nationale du Film France, the project for the creation of a tax credit for international productions was adopted in December 2008 by the French Parliament and approved by the European Commission in July 2009. The implementing decree for the international tax credit was published in the Official Gazette on September 12, 2012. The decree was subsequently amended with effect from January 1, 2016. The tax credit is for a line producer established in France who creates a cinematographic work in France produced by foreign producers and contributes to the production of foreign works not eligible for funding managed by the CNC.

This tax credit whose size depends on the level of spending on French territory gives the claimant a corporate income tax deduction or a refund. The amount of public aid corresponds to 20% (30% from January 1, 2016) of eligible expenditures, which are capped at €20 million (€30 million from January 1, 2016). Eligible expenditures may not exceed 80% of the budget, and public aid may not exceed 50% of the budget.

This tax credit applies to expenses incurred after January 1, 2009, ^{subject} to provisional approval before the initial expenditures followed by final approval within 12 months of the last work on the film performed in France.

- *Soficas*

Soficas are French corporations subject to corporate tax under the conditions of ordinary law whose exclusive activity is the capital financing of cinematographic or audiovisual works approved by the CNC.

The financial commitment of Soficas in cinematographic or audiovisual works approved by the Ministry of Culture may take the form of subscriptions to the capital of companies whose exclusive activity is the creation of cinematographic or audiovisual works or of cash payments made through a partnership agreement with the production.

In the second case, the conditions under which they are associated with the financing of a cinematographic or audiovisual work are restrictive: in exchange for their contribution, they acquire rights to the receipts from the exploitation of a cinematographic or audiovisual work. However, Soficas do not enjoy any exploitation rights for a work and cannot benefit from the French government’s financial subsidies plan for the film and audiovisual industry.

The tax deduction that makes Soficas so attractive guarantees that they will collect funding annually.

- *European tax incentive mechanisms*

Aid mechanisms equivalent to those implemented in France (tax credits) exist in some European countries and are generally subject to certain coproduction and location-related criteria for a portion of the production expenses for the film in the country in question. On a case-by-case basis, the Group may be able to take advantage of these aid mechanisms and has already done so in the past, notably in Belgium and the United Kingdom.

6.4.3 French subsidy mechanisms for the audiovisual industry

- *The COSIP*

In France, the CNC manages the audiovisual programming industry subsidies account (COSIP), which was created in 1986 and is governed by Decree No. 95-110 of February 2, 1995 and Decree No. 95-35 of January 14, 1998 amended. The purpose of these accounts is to promote the production of audiovisual works by production companies established in France that are intended for broadcast on French television channels.

Access to automatic financial subsidies is mainly contingent on the fact that projects must have contributions from French broadcasters at least equal to 25% of the French share of funding and be composed of a cash portion greater than €9,000 per hour. The aid granted by a COSIP is calculated based on the duration of each program. During the financial year ended March 31, 2018, the Group recorded revenue of €109 thousand for its COSIP.

- *The audiovisual tax credit*

As with the film tax credit, the audiovisual tax credit allows a production company to deduct, under certain conditions, 20% of so-called eligible production expenses from its taxes, and it is capped at €1,250 per minute (for a work of fiction). During the 2017/2018 financial year, the audiovisual tax credit received by EuropaCorp Television was €1,469 thousand. At March 31, 2018, €419 thousand were recognized in the consolidated accounts as a deduction from the cost of sales proportionally to the economic amortization of the TV films/series to which these credits are attached.

- *Other assistance mechanisms*

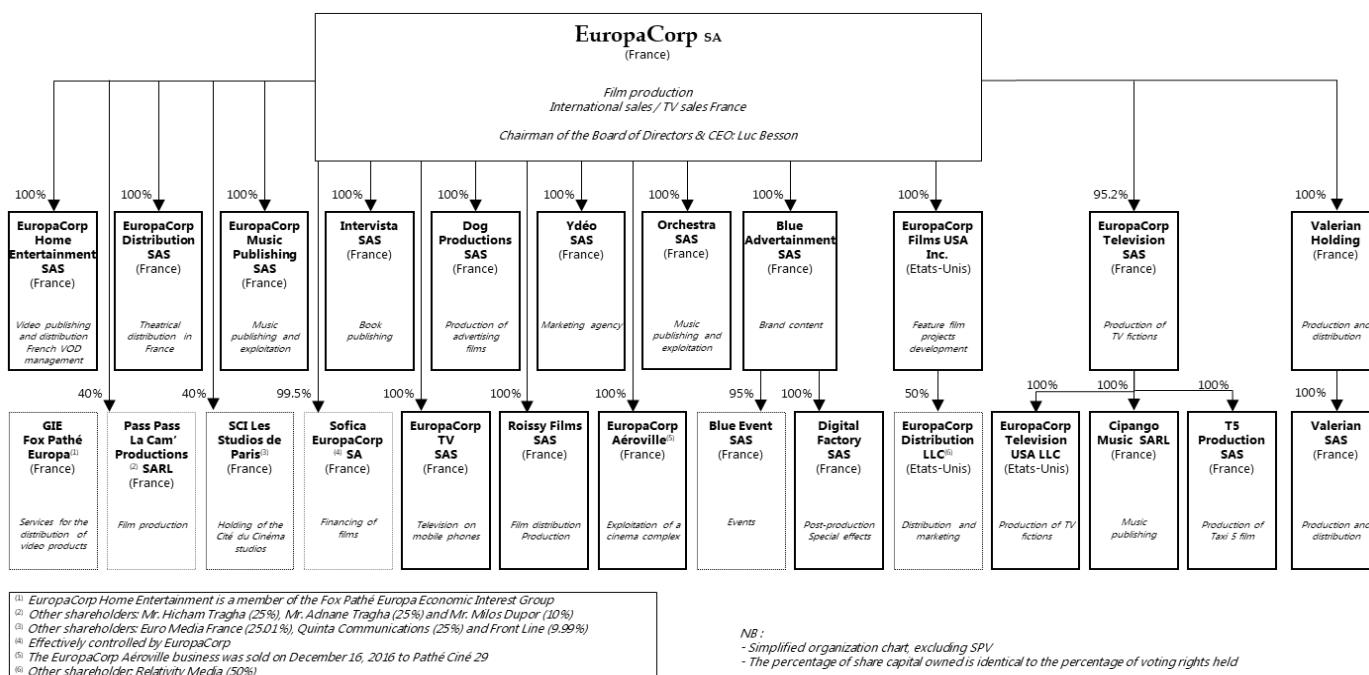
Producers of audiovisual works may also, under certain conditions, benefit from various aid programs at regional and European levels.

- *Obligations of television channels in the broadcasting of audiovisual works*

As for cinematographic works, French television channels are subject to obligations laid down by the French broadcasting regulator, le *Conseil Supérieur de l'Audiovisuel* (CSA), for broadcasting, the purpose of which is to subsidize French programs.

7. ORGANIZATION CHART

7.1 Simplified group structure at June 30, 2018



- (1) EuropaCorp Home Entertainment is a member of the Fox Pathé Europa Economic Interest Group
(2) Other shareholders: Mr. Hicham Tragha (25%), Mr. Adnane Tragha (25%) and Mr. Milos Dupor (10%)
(3) Other shareholders: Euro Media France (25.01%), Quinta Communications (25%) and Front Line (9.99%)
(4) Effectively controlled by EuropaCorp
(5) The EuropaCorp Aéroville business was sold on December 16, 2016 to Pathé Ciné 29
(6) Other shareholder: Relativity Media (50%)

NB:

-Simplified organization chart, excluding SPV

-The percentage of share capital owned is identical to the percentage of voting rights held

7.2 Description of subsidiaries and equity interests

EuropaCorp Home Entertainment

EuropaCorp Home Entertainment is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 438 619 512). The primary activity of EuropaCorp Home Entertainment is video publishing and distribution. EuropaCorp Home Entertainment was incorporated and became a subsidiary of EuropaCorp on June 15, 2001. EuropaCorp Home Entertainment is 100% owned by EuropaCorp, which is also its Chairman.

EuropaCorp. Distribution

EuropaCorp. Distribution (“EuropaCorp Distribution” elsewhere in the Registration document) is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and company Register of Bobigny No. 434 969 861). The primary activity of EuropaCorp Distribution is the distribution of films to theaters in France. EuropaCorp Distribution was incorporated and became a subsidiary of EuropaCorp on February 22, 2001. EuropaCorp Distribution is 100% owned by EuropaCorp, which is also its Chairman.

EuropaCorp Music Publishing

EuropaCorp Music Publishing is a French simplified joint stock company whose registered office is

located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 482 467 859). The primary activity of EuropaCorp Music Publishing is music publishing and the exploitation of musical works. EuropaCorp Music Publishing was incorporated and became a subsidiary of EuropaCorp on March 31, 2005. EuropaCorp Music Publishing is 100% owned by EuropaCorp, which is also its Chairman.

Intervista

Intervista is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 395 246 408). The primary activity of Intervista is book publishing as it relates to the world of film. The company was incorporated in 1994 and became a subsidiary of EuropaCorp on May 28, 2002. Intervista is 100% owned by EuropaCorp, which is also its Chairman.

Dog Productions

Dog Productions is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 422 132 829). The primary activity of Dog Productions is the production and distribution of institutional and advertising films. The company was incorporated in 1999 and became a subsidiary of EuropaCorp on May 28, 2002. Dog Productions, which was formerly owned 95% by EuropaCorp and 5% by Bernard Grenet, became a wholly owned subsidiary on March 2, 2006. EuropaCorp is the Chairman of Dog Productions.

Ydéo

Ydéo is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 434 677 688). The primary activity of Ydéo is advertising consultancy and advertising space purchasing. Incorporated in 2001, Ydéo became a subsidiary of EuropaCorp on May 16, 2007. Ydéo is 100% owned by EuropaCorp, which is also its Chairman.

Roissy Films

Roissy Films is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 388 859 340). The primary activity of Roissy Films, which manages a large catalog of titles, 80 of which have won awards, is the distribution of films. Incorporated in 1992 under the name Bella Vision, it became a subsidiary of EuropaCorp on February 28, 2008. Roissy Films is 100% owned by EuropaCorp, which is also its Chairman.

EuropaCorp TV

EuropaCorp TV is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 502 039 274). The primary activity of EuropaCorp TV is the operation of an audiovisual communication service. EuropaCorp TV was incorporated and became a subsidiary of EuropaCorp on January 14, 2008. EuropaCorp TV is 100% owned by EuropaCorp, which is also its Chairman.

Sofica EuropaCorp

Sofica EuropaCorp is a French corporation whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Paris No. 452 204 381). Sofica EuropaCorp allows the Group to benefit from funding. The purpose of the company is the financing of cinematographic works through cash payments made via partnership agreements that allow for the acquisition of rights to receipts from the exploitation of approved films. Sofica EuropaCorp was created in February 2004 through a public offering, with the assistance of Banque Neuflyze OBC, with initial share capital of €3 million. Since its incorporation, it has conducted six capital increases through public offerings, amounting respectively to €3,000 thousand, €2,950 thousand, €3,504

thousand, €4,300 thousand, €3,440 thousand, and €2,100 thousand.

As of December 31, 2017, Sofica EuropaCorp has made 59 investments for a total amount of approximately €17.37 million, of which 31 were for Group productions or coproductions for a total amount of €11.03 million. Investments by Sofica EuropaCorp also include an equity stake in a production company for a total gross amount of €500,000.

Sofica EuropaCorp has been consolidated for the first time, using the full consolidation method, on March 31, 2005, in accordance with regulations. The EuropaCorp Group participates in the Sofica's Investment Committee and Board of Directors and guarantees each capital increase made for eight years, which gives it de facto control.

The first period allowing subscribers to implement the repurchase commitment began on January 1, 2012 and was for 3,000 shares. As of June 30, 2012, at the end of the first authorized buyback period, 2,970 shares were purchased by EuropaCorp, for a total amount of €2,524,500, relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2003.

The second period allowing subscribers to implement the repurchase commitment began on January 1, 2013 and ended on June 30, 2013. It involved 2,950 shares. As of June 30, 2013, 2,899 shares were purchased by EuropaCorp, for a total amount of €2,464,150 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2004.

The third period allowing subscribers to implement the repurchase commitment began on January 1, 2014 and ended on June 30, 2014. It involved 3,504 shares. As of June 30, 2014, 3,444 shares were purchased by EuropaCorp, for a total amount of €2,927,400 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2005.

The fourth period allowing subscribers to implement the repurchase commitment began on January 1, 2015 and ended on June 30, 2015. It involved 4,300 shares. As of June 30, 2015, 4,256 shares were purchased by EuropaCorp, for a total amount of €3,617,600 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2006.

The fifth period allowing subscribers to implement the purchase commitment began on January 1, 2016 and ended on June 30, 2016. It involved 3,440 shares. As of June 30, 2016, 3,416 shares were purchased by EuropaCorp, for a total amount of €2,903,600 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2007.

The sixth period allowing subscribers to implement the repurchase commitment began on January 1, 2017 and ended on June 30, 2017. It involved 2,100 shares. As of June 30, 2017, 2,078 shares were purchased by EuropaCorp, for a total amount of €1,766,300 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2008.

Since October 2012, Régis Marillas, Chief Operating Officer of EuropaCorp, has been Chairman of the Board of Directors of Sofica EuropaCorp. EuropaCorp is also a member of the Board of Directors of Sofica EuropaCorp, with Vincent Teyssot acting as permanent representative. Sofica EuropaCorp was 99.5% owned by EuropaCorp as of March 31, 2018.

EuropaCorp Television

EuropaCorp Television is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 441 532 801). The primary activity of EuropaCorp Television is the production of television programs. It was incorporated on April 9, 2002 and became a subsidiary of EuropaCorp on April 15, 2010. It was initially 75% owned, and the remaining 25% was subject to promises to buy and sell no later than July 31, 2014. EuropaCorp Television is 95.2% owned by EuropaCorp, which is also its Chairman.

The name of the company, which was originally Cipango, became EuropaCorp Television on January 1, 2011. The business assets related to the French television production activity were sold in January 2018. Because the sale does not involve American television production, the Group will continue to produce and distribute English-language TV series with strong international potential, such as *Taken*.

Cipango Music

Cipango Music is a French single-shareholder limited liability company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 478 952 781). Cipango Music's main business is music publishing. Cipango Music was incorporated and became a subsidiary of EuropaCorp Television on October 11, 2004. Luc Besson is the Manager of the company.

Les Studios de Paris

Les Studios de Paris is a French non-commercial company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 514 118 611). EuropaCorp holds a 40% interest in the structure, alongside Euro Media Group (through Euro Media France at 25.01%), Quinta Communications (25%), and Front Line (9.99%). The company is an investor in a group of nine film sets, built at a cost of €30.2 million and with a surface area of between 600 and 2,200 square meters each, located at La Cité du Cinéma. Les Studios de Paris is managed by Quinta Communications.

Since the company is 40% owned and EuropaCorp does not own control, Les Studios de Paris is consolidated using the equity method in the EuropaCorp consolidated financial statements.

In the financial year that began on January 1, 2017, it was agreed that all assets belonging to Les Studios de Paris SAS (Trade and Company Register of Bobigny No. 514 118 611) would be sold to the Company in a dissolution-merger transaction. The decision to dissolve and merge Les Studios de Paris SAS was taken on May 17, 2017 and the transaction was concluded on June 30, 2017. The transaction was retroactive to January 1, 2017.

Pass Pass La Cam' Productions

Pass Pass La Cam' Productions is a limited liability company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 512 350 828). It is a production company. EuropaCorp holds a 40% stake in Pass Pass La Cam' Productions. The other shareholders of the company are Mr. Hicham Tragma (25%), Mr. Adnane Tragma (25%), and Mr. Milos Dupor (10%). EuropaCorp is the Manager of Pass Pass La Cam' Productions. The company was being liquidated as at June 30, 2018.

EuropaCorp Aéroville

EuropaCorp Aéroville is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 533 700 373). EuropaCorp Aéroville's main business is the operation of the EuropaCorp Cinemas movie complex located in the Aéroville shopping mall, near Roissy airport. EuropaCorp Aéroville was incorporated and became a subsidiary of EuropaCorp on July 19, 2011. EuropaCorp Aéroville is 100% owned by EuropaCorp, which is also its Chairman. The EuropaCorp Aéroville business was sold on December 16, 2016 to Pathé Ciné 29.

Blue Advertainment

Blue Advertainment is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 504 804 911).

Blue Advertainment's main businesses are the consulting services and operational assistance it provides to businesses and other organizations for corporate communications and image (brand entertainment). It became a subsidiary of EuropaCorp on March 1, 2013, as a result of a contribution in kind during which 100% of the shares of Blue Advertainment were awarded to EuropaCorp. EuropaCorp owns 100% of Blue Advertainment and is its Chairman.

The purpose of this contribution in kind was to combine under EuropaCorp the synergistic activities of the Group, namely the brand entertainment and post-production activities carried out respectively by Blue Event and Digital Factory, owned 95% and 100% respectively by Blue Advertainment.

- **Blue Event** is a French simplified joint stock company whose registered office is located at 20 rue

Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 752 828 947). Blue Event's main purpose is the provision of consultancy and technical services for sound, lighting, editing, structures, and image projection, as well as the production, promotion and organization of events inside or outside La Cité du Cinéma. Blue Advertainment owns 95% of this company and is its Chairman.

- **Digital Factory** is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 792 019 002). Digital Factory's main purpose is audiovisual post-production activities including editing, mixing, and visual effects. Blue Advertainment owns 100% of the company and is its Chairman.

EuropaCorp Films USA Inc.

EuropaCorp Films USA Inc. is an American company incorporated on March 18, 2013 in accordance with the laws of the State of California, whose registered office is located at 335-345 North Maple Drive, Beverly Hills (California). The company is wholly owned by EuropaCorp; its purpose is to ensure the development of film projects, as the Group wishes to partner up with North American talent (screen writers, actors, etc.). This structure allows the closest possible positioning of the Group to developments, thus giving it direct and immediate access without any intermediary to the best projects circulating in the United States.

EuropaCorp Television USA LLC

EuropaCorp Television USA, LLC is an American company incorporated on September 23, 2015 in accordance with the laws of the State of California, whose registered office is located at 335-345 North Maple Drive, Beverly Hills (California). The company, which develops series projects for America, is wholly owned by EuropaCorp Television. This structure allows the closest possible positioning of the Group to developments, thus giving it direct and immediate access without any intermediary to the best projects circulating in the United States.

EuropaCorp Distribution LLC (non-consolidated company)

EuropaCorp Distribution LLC (formerly Relativity EuropaCorp Distribution LLC) is an American company constituted on February 20, 2014 under the laws of the State of California, headquartered at Beverly Hills (California). The company is 50% co-owned by EuropaCorp Films USA and Relativity Media and its purpose is the distribution and marketing of films on the North American continent. This structure allows the closest possible positioning of the Group to developments, thus giving it direct and immediate access without any intermediary to the best projects circulating in the United States. The company is supervised by Luc Besson, Chairman and Chief Executive Officer of EuropaCorp.

Valerian Holding

Valerian Holding is a French simplified joint stock company incorporated on November 20, 2015, whose registered office is at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 814 810 982). Valerian Holding is mainly involved in the production and distribution of the film *Valerian and the City of a Thousand Planets*. Valerian Holding is 100% owned by EuropaCorp, which is also its Chairman.

Valerian

Valerian is a French simplified joint stock company incorporated on November 25, 2015, whose registered office is at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 814 899 738). Valerian is mainly involved in the production and distribution of the film *Valerian and the City of a Thousand Planets*. Valerian is 100% owned by Valerian Holding, which is also its Chairman.

Orchestra

Orchestra is a French simplified joint stock company whose registered office is located at 20 rue

Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 830 318 952). The primary activity of Orchestra is music publishing and the exploitation of musical works. It was incorporated and became a subsidiary of EuropaCorp on June 16, 2017. Orchestra is 100% owned by EuropaCorp, which is also its Chairman.

T5 Production

T5 Production is a French simplified joint stock company whose registered office is located at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 830 827 531). T5 Production will produce the fifth full-length feature in the Taxi series, *Taxi 5*.

7.3 Intra-Group relations

7.3.1 Agreements unrelated to film production

Developments below explain in greater detail the existing relationships within the Group. For more information on the relationship between the Company, its subsidiaries and other affiliates, refer to Chapter 19 of the Registration document (“Transactions with affiliates”).

- **Intra-group cash management agreement**

On April 1, 2002, EuropaCorp, EuropaCorp Distribution, EuropaCorp Home Entertainment, Intervista, and Dog Productions signed a cash management agreement entrusting EuropaCorp with the coordination of all needs and the cash surpluses for the companies that are a party to the agreement. To this end, the company is in charge of granting advances to and receiving them from its subsidiary companies, negotiating all short-term banking overdrafts by contracting market financing, and making all investments. Each advance granted by EuropaCorp to one of its subsidiaries accrues interest at a rate equal to the average monthly money market rate (monthly average of the EONIA rate) plus a payment of 1.5%. The agreement is renewed by tacit agreement annually.

On April 1, 2005, an amendment to this agreement was signed for the purpose of including within the scope of the agreement any company in which EuropaCorp were to hold an equity interest greater than or equal to 90% of share capital. EuropaCorp Music Publishing, Ydéo, Roissy Films, EuropaCorp TV and EuropaCorp Aéroville, which are 100% owned by the company, have also signed the cash management agreement.

It should be noted that Blue Advertainment, Blue Event and Digital Factory joined the cash management agreement starting on March 1, 2013.

On April 22, 2016, EuropaCorp SA and Valerian SAS signed a treasury management agreement entrusting EuropaCorp SA with the coordination of all of Valerian SAS’s treasury requirements. This agreement is automatically renewed each year.

- **Occupation of the premises located at 20 rue Ampère in Saint-Denis**

The company’s subsidiaries: EuropaCorp Distribution, EuropaCorp Home Entertainment, Intervista, Dog Productions, EuropaCorp Music Publishing, Ydéo, EuropaCorp Aéroville, EuropaCorp Television, Blue Advertainment, Blue Event, Digital Factory, EuropaCorp TV, Roissy Films, Valerian Holding, Valerian, T5 Production and Orchestra occupy the same premises as the company under leasing agreements or registration commitments signed between EuropaCorp and its subsidiaries.

- **Tax consolidation agreement**

On April 2, 2007, EuropaCorp signed a tax consolidation agreement as part of the creation of a new consolidated group comprising EuropaCorp, Dog Productions, Intervista, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, and Ydéo, for which EuropaCorp is the parent company. The purpose of this agreement is to organize the terms under which these companies intend to govern their relations within the new consolidated group. For a period of five financial years beginning April 1, 2007, EuropaCorp has thus agreed that it alone is liable for paying corporate income tax and the additional contribution described in Article 235 ter ZA of the French General Tax Code (*Code général des impôts*) that is payable by the group formed by itself and its subsidiaries. This agreement is renewable by tacit agreement. Each company pays the corporation tax burden it would have owed on its own profits if it had been taxed separately, the tax savings are received by the group's head company. EuropaCorp TV and Roissy Films have been signatories to this agreement since the financial year ended March 31, 2009. In June 2012, EuropaCorp requested approval for the accession of EuropaCorp Aéroville, which signed the agreement during financial year 2012/2013. The same is true for Blue Advertainment, Blue Event and Digital Factory, which joined the agreement during financial year 2013/2014. EuropaCorp Television SAS signed this tax consolidation agreement in 2015/2016, and Valérian and Valérian Holding have been parties to the agreement since 2017/2018. EuropaCorp has requested Orchestra and T5 Production to adhere to this agreement as of the 2018/2019 financial year.

- **Administrative assistance agreement with Group companies**

In March 2013, the company terminated an administrative management agreement with Front Line under the terms of which Front Line provided services to the company and its subsidiaries. As a result, on March 25, 2014, the Company signed an administrative assistance agreement with the following subsidiaries: Dog Productions, Intervista, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films, EuropaCorp TV, Ydéo, EuropaCorp Aéroville, Blue Advertainment, Digital Factory and Blue Event, on the understanding that this agreement can be extended to any new EuropaCorp Group company.

Under this agreement, the company offers its subsidiaries the benefit of its assistance in administrative, financial, accounting, and legal services, and these benefits are rebilled to each subsidiary based on the share of expenses owed by it directly, on the basis of the cost price excluding VAT of the services provided, increased by a rate of 5%.

The agreement, which came into retroactive effect on April 1, 2013, was entered into for a period of one year from its taking effect and is renewable annually by tacit agreement, unless it is expressly terminated by one of the parties one month before the end of each calendar quarter.

The table below shows the amounts reinvoiced by EuropaCorp to each of its subsidiaries over the 2017/2018 financial year:

<i>(In thousands of euros)</i>	2017/2018
EuropaCorp Distribution	1,022
EuropaCorp Home Entertainment	333
Dog Production	0
EuropaCorp Aéroville	3
Orchestra	6
Intervista	0
EuropaCorp Music Publishing	58
Ydéo	80
EuropaCorp TV	0
Roissy Films	164
Blue Advertainment	0
Blue Event	20
Digital Factory	532
TOTAL	2,219

7.3.2 Agreements concluded during the normal course of film production

The developments below explain the types of agreements that may be entered into between the companies of the Group (or between EuropaCorp and the companies in which it holds an equity stake) during the production or distribution of a film.

A partnership agreement is always entered into between EuropaCorp and Sofica EuropaCorp when Sofica EuropaCorp participates in the financing of a film produced by EuropaCorp. Similarly, as long as the company holds the distribution rights for a film, the exploitation of these rights is guaranteed by EuropaCorp Distribution for distribution rights in theaters and by EuropaCorp Home Entertainment for video distribution rights.

- Partnership agreements between EuropaCorp and Sofica EuropaCorp

When the company acts as the producer of a film, it can offer Sofica EuropaCorp a partnership agreement for the production of the film, in exchange for a financial contribution from Sofica EuropaCorp, which is used exclusively for the settlement of film production expenses.

In return for this contribution, the company transfers to Sofica EuropaCorp a share of the receipt rights from the film. The receipt rights transferred to Sofica EuropaCorp shall apply until they have generated an amount equal to the Sofica's contribution plus an additional fee. After the Sofica has recovered its contribution, plus the additional fee, rights to receipts are usually reduced to a percentage of the share of rights to receipts originally assigned for such duration as stipulated in the agreement (which may correspond to the term of the copyright). EuropaCorp can also have the option to buy all rights to the Sofica's receipts, by paying Sofica EuropaCorp a sum equal to the amount of the initial intake, minus the receipts actually collected on the day of the takeover, plus an additional fee equal to a percentage of the amount of the investment by the Sofica.

As for all the other co-producers and beneficiaries, EuropaCorp guarantees the successful completion of the work and approval for the exploitation of the film before a stated deadline.

- Distribution agreements between EuropaCorp and EuropaCorp Distribution

When the company holds the exploitation rights of a film, the exploitation of the distribution rights

for theaters in France are guaranteed by EuropaCorp Distribution, which results in the signing of a distribution agreements between the company and its subsidiary. This exploitation agreement gives EuropaCorp Distribution, for an initial period of seven years on average from the theatrical release of a film, the exclusive right to represent or to authorize representation of the film in theaters and in other places in France and in so-called “institutional” circuits and to grant such rights of representation to theaters. EuropaCorp Distribution pays the publishing costs (advertising and printing of copies) for the film. It is customary for EuropaCorp Distribution to pay the Company, upon signing the distribution agreement, a fixed amount known as a “minimum guarantee”, as an advance on the receipts generated by the distribution of the film.

In compensation for its authorization, EuropaCorp Distribution receives a commission corresponding to a share of (i) the gross distributor receipts from the exploitation of the film in commercial sector theaters and (ii) gross distributor receipts for exploitation in non-commercial sector theaters.

- *Video license between EuropaCorp and EuropaCorp Home Entertainment*

When the company holds the exploitation for a film, the exploitation of the film on video in France is guaranteed by EuropaCorp Home Entertainment and results in the signing of an exploitation agreement for videograms of the film between the company and its subsidiary. Under this agreement, the company sells to EuropaCorp Home Entertainment on an exclusive basis, and for a fixed period (of several years up to 30 years) from the video release of the film, the exploitation rights to videograms of the film in the original French version, exclusively for rental and sale to the public, and for use in the “family circle”. To this end, EuropaCorp Home Entertainment acquires reproduction rights for videogram formats for the original French version of the film and marketing rights through the sale and/or rental of videograms to the public on French territory.

As consideration for the sale of the video exploitation rights, EuropaCorp Home Entertainment pays the company a fee corresponding to a share of the revenue achieved on the sale of videograms destined for the rental market or the public. It is customary for EuropaCorp Home Entertainment to pay the company, upon signing the distribution agreement, a fixed amount known as a “minimum guarantee”, as an advance on the receipts generated by the exploitation of the video rights sold.

Moreover, on April 1, 2008, EuropaCorp and EuropaCorp Home Entertainment signed an agreement respecting the management of VOD exploitation rights for EuropaCorp films.

- *Framework agreement between EuropaCorp Distribution and Ydéo relating to the development of marketing plans*

On April 1, 2005, EuropaCorp Distribution and Ydéo entered into a framework collaboration agreement under the terms of which EuropaCorp Distribution entrusts Ydéo with the management of the communication budgets of films distributed in France and in French-speaking countries by EuropaCorp Distribution. The services provided by Ydéo include marketing consultancy (evaluation and communication and creation strategy, media planning, rollout of creation and communication campaign strategy). Ydéo may also act on behalf of EuropaCorp Distribution as an agent for purchases of advertising space.

- *Intercompany Services Agreement between EuropaCorp and EuropaCorp Films USA Inc.*

EuropaCorp and EuropaCorp Films USA Inc. entered into a service provision agreement on February 20, 2014 for an initial period of five years under which EuropaCorp Films USA Inc. provides services to EuropaCorp in the United States. These services include distribution of films produced by EuropaCorp and distributed by RED (now “EuropaCorp Distribution LLC”), developing and managing the Group’s business in this territory and administrative, financial and accounting services.

These services are reinvoiced to EuropaCorp on the basis of the cost price excluding VAT of the services provided, increased by a rate of 5%.

On March 30, 2018, an amendment to the agreement was signed, stipulating that general fees related to the development of television series must be reinvoiced to EuropaCorp Television SAS.

- *EuropaCorp Single Picture License Agreement*

EuropaCorp and EuropaCorp Films USA Inc. entered into a license agreement on April 15, 2015 for the film *Transporter Refueled*. Under the terms of this agreement, EuropaCorp grants exclusive rights to EuropaCorp Films USA Inc. for an initial period of seven years, to exploit, screen or authorize the screening of the film *Transporter Refueled* via any medium, distribute, promote, with the option to assign these rights to a third party.

Distribution costs are charged to EuropaCorp Films USA Inc. and the gross exploitation receipts are distributed as follows and in the following order:

- firstly, 20% to EuropaCorp Films USA Inc. as a distribution commission;
- then, 15% to EuropaCorp;
- then, to EuropaCorp Films USA Inc. until the distribution costs it has borne have been reimbursed;
- finally, the balance is paid to EuropaCorp.

The same agreement was signed for the films *Big Game* (April 15, 2015), *Nine Lives* (August 5, 2016), *Shut In* (November 11, 2016) and *Miss Sloane* (November 25, 2016).

- *Rights assignment contract between EuropaCorp and Valerian*

On December 18, 2015, EuropaCorp and Valerian signed a rights assignment contract for the film *Valerian and the City of a Thousand Planets*. Under the terms of this agreement, EuropaCorp grants Valerian the exclusive right to reproduce, represent and adapt the film *Valerian and the City of a Thousand Planets*. EuropaCorp retains prequel, sequel, remake, animated series and spin-off rights.

- *Rights assignment contract between EuropaCorp and T5 Production*

On July 18, 2017, EuropaCorp and T5 Production signed a rights assignment contract for the film *Taxi 5*. According to the terms of the contract, EuropaCorp will grant T5 Production the exclusive exploitation rights previously acquired from the various authors of the film.

8. REAL ESTATE PROPERTIES, PLANT, AND EQUIPMENT

8.1 *Major existing or planned Property, Plant and Equipment*

Since 2013, the Group has held property, plant and equipment through Digital Factory, including a property complex located in Normandy comprised of a high-end housing structure, auditoriums, sound effects and mixing rooms, and laboratories. This real estate complex which is dedicated entirely to its business, has allowed Digital Factory to offer very high-quality services for the past several years.

In addition, to develop an additional offer in a place near the traditional producers located in Paris, since April 2012, the Digital Factory team has been equipped with digital laboratories, auditoriums, and image and sound editing rooms on the Cité du Cinéma site.

In the context of its production business, the company does personally own the equipment and materials it uses during the various stages of the production of a film, but rents them from external providers.

8.2 *Premises occupied by the Company and the Group*

- *Shooting sets*

Since August 2009, EuropaCorp has partnered with Euro Media Group, Quinta Communications and Front Line in the property investment company SCI Les Studios de Paris, through a property lease signed with a pool of leasing companies for a group of nine movie shooting sets at the La Cité du Cinéma site ranging in size from 600 to 2,200 square meters each, sold by EuropaCorp Studios. EuropaCorp is a 40% shareholder of SCI Les Studios de Paris, whose studios were constructed at a cost totaling €30.2 million excluding tax. In addition to investments in the company's share capital, current account funds were provided, in particular to finance the construction of the studios. As such, as of March 31, 2018, capital investments and shareholder current account contributions for the SCI Les Studios de Paris totaled €10.1 million. EuropaCorp has also agreed for the benefit of the pool of lending banks to pledge the 300,000 shares it holds in the capital of the SCI as collateral for the SCI's commitments under the real estate lease in the amount of €18 million. In addition, EuropaCorp has granted an inalienability undertaking to the pool of lending banks under which it undertakes not to sell its shares in SCI Les Studios de Paris during the leasing period without the prior agreement of the pool of lending banks.

EuropaCorp has also teamed up with Euro Media Group, Quinta Communications, and Front Line within the Société d'exploitation des Studios de Paris, a simplified joint stock company managed by Euro Media Group to exploit the sets upon their delivery. EuropaCorp holds 40% of the capital of this entity, with capital of €10,000. On May 17, 2017, a decision was made to transfer all of the assets of the company to SCI Les Studios de Paris through a dissolution and merger. That transaction was finalized on June 30, 2017 and its effect is retroactive to January 1, 2017.

- *Commercial lease for the premises of the La Cité du Cinéma*

On May 18, 2009, the Company signed an off-plan commercial lease agreement with EuropaCorp Studios for office space (also comprising screening and reception areas, service rooms and parking spaces) to be built on the La Cité du Cinéma site in Saint-Denis and delivered in 2012 (the "Lease Agreement"). The Lease Agreement was concluded for a period of 12 years, as from the delivery of the rented premises, for a rent of around €6.4 million per year indexed to 85% of the BT01 (French construction index) until the coming into effect of the lease.

The Lease Agreement was transferred to Nef Lumière, acquirer of the offices as lessor upon their delivery, which took place on April 6, 2012. Including the discount, the annual rent as at April 6,

2018 is €9.3 million, including charges.

Under the terms of the Lease Agreement, the company is expressly authorized to sublet all or part of the premises it is leasing.

- *Subletting agreement concluded with Front Line*

On May 15, 2009, the company entered into an agreement in principle with Front Line that defined the key terms and conditions of a sublease agreement to be concluded, under the terms of which Front Line would agree to sublease, with the possibility of subletting, part of the offices and workshops rented by EuropaCorp under the Lease Agreement, for the duration of the Lease Agreement and for an annual rent of approximately €4 million excluding charges and common areas, calculated according to rates per square meter identical to those paid by EuropaCorp.

The subletting agreement was signed on June 21, 2013 between EuropaCorp and Front Line for a firm period of 12 years, which started on April 6, 2012 and will end on April 5, 2024.

Following the acquisition of Blue Advertainment, Blue Event and Digital Factory (whose rents were paid by Front Line before February 28, 2013), a new lease was signed on December 16, 2013 between EuropaCorp and Front Line in order to modify the surface areas sublet to Front Line. Under this new lease, Front Line will be paying EuropaCorp annual rent of €2.3 million, excluding service charges and common area maintenance fees. It should be noted that an amendment was signed on February 11, 2015 to reflect changes in the occupied space following the relocation of a Front Line employee. The space formerly used by this employee will now be available for EuropaCorp.

EuropaCorp decided to terminate the sublease agreement concluded with Front Line. However, Front Line continues to represent EuropaCorp vis-à-vis its own tenants, as most of the premises leased by Front Line are now rented. The termination was approved by the Board of Directors on May 23, 2017. The sublease agreement between EuropaCorp and Front Line was terminated on September 29, 2017. At the same time, the sublease agreements that Front Line had signed with third parties are being taken over by EuropaCorp and a new sublease agreement for the office currently occupied by Front Line has been signed.

- *Convention on the use of the central nave for events signed with La Nef Lumière*

On November 5, 2012, the company formalized with La Nef Lumière, with Front Line and Blue Event in attendance, an agreement to clarify, in accordance with the Lease Agreement (described above), the conditions for event use of the central nave of La Cité du Cinéma by Blue Event.

It is further noted that pursuant to the sublease agreement between EuropaCorp and Blue Event dated December 16, 2013, EuropaCorp will invoice Blue Event for use of the central hall for an amount of €337,000 annually.

8.3 *Environmental aspects that may affect the use of real estate assets*

Refer to Chapter 17 of this Registration document.

9. REVIEW OF THE FINANCIAL SITUATION AND RESULTS

The comments below should be read with regard to the consolidated financial statements and the notes thereto and the financial information presented in the other chapters of this Registration document. The consolidated financial statements for the financial years ending March 31, 2016, 2017 and 2018 were prepared according to IFRS. The comments below include forward-looking information. These were based on assumptions considered reasonable, but are nevertheless subject to significant risks and uncertainties that may result in events or conditions that differ significantly from those set out below. Please refer to Chapter 4 of the Registration document for more detailed information on the uncertainties, risks, and assumptions relating to forward-looking information. All amounts are expressed in thousands of euros.

9.1 Overview

At March 31, 2018, the Group had produced or co-produced cumulatively 120 films that were distributed in theaters. The following table shows the changes in consolidated revenue, consolidated cost of sales, and consolidated profit (loss) prepared according to IFRS during the last three years, and the number of films produced, co-produced, and released in theaters for each financial year:

<i>(In thousands of euros)</i>	Financial year ending March 31⁷		
	2018	2017	2016
Revenue	226,526	151,699	147,340
Cost of sales	(246,802)	(221,356)	(110,005)
Net income - Group share	(82,826)	(119,888)	(27,700)
Number of films produced and co-produced released in theaters during the FY	7	4	3

The films produced and distributed by EuropaCorp were targeted for both the French market and the international market. Since the launch of the cinematographic activity in 1999 and until March 31, 2018, the Group has overseen the production of 86 films released in theaters in France, as an executive producer or co-executive producer.

In France, the Group directly distributes films to theaters, on video (DVD, Blu-ray, and VOD), and on television. International distribution is handled by local distributors located in various countries. Each distributor is granted the exploitation rights of one or more of Group's films through all distribution channels for the relevant local market, subject to some exceptions in certain countries.

In February 2014, EuropaCorp and Relativity Media announced the first historic agreement between a North American and a European company, sealing a partnership for the creation of a shared platform for distribution and marketing in the territory of the United States.

On January 3, 2017, the Group announced that it had entered into a multi-year agreement with STX for the theater distribution of its films in the United States. This distribution model enables EuropaCorp to manage the distribution of its works in a crucial motion picture market.

EuropaCorp thus developed an economic model that aims to ensure the control of all stages of

⁷ Presentation without IFRS 5 restatement (see Appendix 1 for an IFRS 5 presentation)

production and distribution of a film. This model which allows the Group to apply its expertise, creative methods and its quality standards from the conception of the film to its marketing, makes EuropaCorp one of the few vertically integrated independent European studios. This allows the Group to retain a larger share of added value created during the commercial life cycle of a film than producers who have no distribution and video publishing activity.

In 2010, the Group had begun its diversification into the production of TV programs with the acquisition of Cipango (now EuropaCorp Television) in January 2011.

The business assets related to French television production activity were sold in January 2018. Because the sale does not involve American television production, the Group will continue to produce and distribute English-language TV series with strong international potential, such as *Taken*.

In addition, in February 2013, through a capital increase by a contribution in kind, the Group acquired 100% of the shares that comprise the share capital of Blue Advertainment (Brand content) and Digital Factory (Post-production) and 95% of the shares of Blue Event (Events).

The table below shows the distribution of Group consolidated revenue by distribution channel for financial years 2015/2016, 2016/2017 and 2017/2018, prepared according to IFRS:

<i>(In thousands of euros)</i>	Financial year ending March 31⁸					
	2018	%	2017	%	2016	%
International Sales	76,713	33.9%	48,820	32.2%	55,497	37.7%
Distribution in theaters	39,596	17.5%	13,693	9.0%	9,777	6.6%
Video & VOD	33,227	14.7%	17,389	11.5%	15,155	10.3%
Television & SVOD	40,935	18.1%	29,913	19.7%	23,846	16.2%
TV Series	24,594	10.9%	23,570	15.5%	21,774	14.8%
Subsidies	4,377	1.9%	3,941	2.6%	4,201	2.9%
Other activities	7,086	3.1%	14,372	9.5%	17,090	11.6%
Revenue	226,526	100%	151,699	100%	147,340	100%

9.2 Factors which have an impact on results

The main factors that have had and, in some cases, could continue to have an impact on consolidated results, are presented below.

9.2.1 Sources of Group revenue

- *General*

The Group's revenue mainly comes from the exploitation of its films in France and the United States on various distribution channels, which usually starts with releases in theaters, as well as from the sale of international distribution rights. Production and distribution activity for television programs, co-production receipts, licensing and partnership agreements, music publishing, events and post-production activities are sources of additional revenues.

Through 2017/2018, EuropaCorp has released nine films in theaters in France and the United

⁸ Presentation without IFRS 5 restatement (see Appendix 1 for an IFRS 5 presentation)

States: three were produced by the Company, four were co-produced by the Company and two were purchased for North America alone. In the coming years, EuropaCorp expects to distribute four or five films per year. The Group may also purchase films for distribution in France and possibly internationally, depending on the opportunities detected on the markets.

When the Group acts as executive producer and distributor, it receives all receipts from the film and pays the beneficiaries (co-producers and talent) the share that they are owed, net of distribution commissions, any “minimum guarantee”, and distribution and marketing expenses. With regard to the films for which it acts as a financial co-producer, the Group seeks generally to guarantee distribution in theaters and in video format. It can also handle the sale of international distribution rights. Lastly, for some French or foreign films, such as *The Nice Guys*, released in French theaters in May 2016, or *Big Game*, released in the United States in June 2015, the Group is only involved in distribution on certain channels.

Through 2017/2018, other than the films for which it was the producer or co-producer, the Group distributed two English-language films in the United States alone (*The Circle* and *Their Finest*).

- *International Sales*

International film distribution is handled by local partner distributors, except in the United States, where films are distributed by EuropaCorp Films USA Inc. via RED (now EuropaCorp Distribution LLC). During the year ended March 31, 2018, the sale of international distribution rights represented 33.9% of total revenue.

Generally, a “multi-rights” agreement is signed with each local distributor, under the terms of which it has the option to exploit one or more of the Group’s films through all distribution channels available in its market, with a few exceptions in some countries. In return, the Group receives a non-repayable advance known as the “minimum guarantee”, calculated on the film’s estimated receipts before its theatrical release. The amount of this advance depends on the film’s budget and the size of the relevant market – the larger the budget or market, the higher the minimum guarantee, although this may be capped under the contract. Other forms of remuneration may be envisaged, depending on agreements signed with local distributors on a case-by-case basis.

Any additional receipts earned by the distributor for the exploitation of a film in the various distribution channels in its territory (once the distribution fee, minimum guarantee and distribution expenses have been reimbursed) are divided in accordance with the agreement between the local distributor and EuropaCorp. The amount and type of distribution and marketing expenses can be set by the local distributor, or decided by mutual agreement between the distributor and the Group. These are specified in a “multi-rights” agreement.

The Group has historically maintained close, but not exclusive, relationships with several local distributors. However, for several years EuropaCorp has had a policy of targeted output deals, aimed at securing the pre-financing of its upcoming productions by signing framework agreements in certain territories with a local distributor.

Generally, revenue from the sale of international distribution rights is exposed to fluctuations in exchange rates that may have a negative impact on the result and the Group’s operational cash flows.

- *Distribution in theaters*

With regard to the release of films in theaters in France and the United States, Senior Management and the distribution teams set the date and strategy for the release in theaters during post-production. They then develop a multi-channel marketing strategy, forming partnerships and

purchasing advertising space to promote the film ahead of its release. The next step is to conduct negotiations with movie theater operators, based on the release date and the strategy defined, to determine the number of screens on which the film will be screened upon its release. The Group directly handles the billing and collection of gross fees from operators on the basis of the takings for that week.

- *Video and VOD*

Video media are distributed in France through the Fox Pathé Europa EIG, and through Lionsgate in the United States. The Group supplies the video master and decides on the release date and strategy, while the EIG or Lionsgate handles marketing and logistics. To accompany the release of new titles on video, tailored marketing programs are developed in collaboration with the EIG or Lionsgate. Billing and collection are the responsibility of the EIG or Lionsgate, depending on the territory concerned.

Sales of videos and audiences achieved during television broadcasting on pay and unencrypted channels are not always in line with performance in theaters. As a result, a film that was a moderate success in theaters but is supported by an effective promotional campaign during its theatrical release, and again during its video release, can generate substantial revenue for the latter market and attract a sizable audience when it is broadcast on television. For this reason, the Group dedicates a large budget to the promotion and marketing of films, especially before and during their release in theaters.

For video on demand (VOD) and subscription video on demand (SVOD), broadcast rights are granted to broadcasters in certain windows. A framework agreement was signed with Amazon in November 2015 for SVOD exploitation of EuropaCorp films in the United States.

- *TV and SVOD*

Films are sold directly to television channels in France and the United States under broadcasting agreements signed for each film individually, for broadcast on the pay and unencrypted television channels for specific broadcast windows.

- *TV series production*

Revenue generated by the TV series business derives mainly from the sale of the rights to TV programs produced or co-produced by EuropaCorp Television. These rights are primarily intended to be pre-sold to the local broadcasters with whom the project was developed.

At the end of the first exploitation period, other sales can be made by the producer or an agent and may potentially result in video distribution. English-language series are, however, intended to be sold in various territories, either by the Group or by a designated representative.

- *Events*

The Events business corresponds to events organized by the company Blue Event, outside or within the Cité du Cinéma.

- *Other sources of revenue*

Other sources of revenue are comprised mainly of revenues from receipts from films co-produced by the Group, licensing and partnership agreements, subsidies funds, music publishing, brand content, and post-production. This income is generated in France and abroad, with the exception of

subsidies funds, brand content, and events, which affect France only.

- *Catalog*

As a general rule, the economic life of a film is divided into cycles that correspond to the exploitation period of a film across all distribution channels. The first exploitation cycle is the most important because it corresponds to the period during which most of the revenue is earned and the most costs are incurred and recorded as expenses. From an accounting point of view, the first exploitation cycle usually ends at the end of the window for the third showing of a film on an unencrypted television channel, which corresponds to a period of five to ten years from the release date in theaters.

After this first exploitation cycle, when production costs have been fully depreciated, the film continues to be exploited in the catalog. At March 31, 2018, in addition to EuropaCorp films, the Group owns the Roissy Films catalog.

Receipts from catalog films are broken down by type of receipts and consist primarily of sales of television broadcasting rights for France, international sales in the event of a resale of rights in a territory when the initial contract with the local distributor expires, and video and VOD sales.

9.2.2 Sources of Group expenditures

The main expenses of the Group are linked to its position, either as executive producer of a film or as financial co-producer of a film, and ultimately cover its own operating expenses.

- *Executive producer expenditures*

As an executive producer, the Group mainly incurs expenses related to the development and production of films, the distribution and marketing of its productions, and the remuneration of rights holders (co-producers and talent, including the author, director and actors).

- *Development expenditures (preliminary costs)*

Development expenditures correspond in particular to purchases of film rights for books and original scripts, as well as costs incurred to adapt them to the screen. They also include remuneration paid to people used to write scripts on the basis of creative ideas generated internally. Their amount depends on the size and nature of the project.

- *Production and coproduction expenditures*

Expenses incurred for the production of films include all costs necessary for the production of a cinematographic work, i.e., shooting costs, remuneration of actors, technicians and other professionals, rental of studios, soundtrack and editing, post-production costs, and all other direct costs. The largest item is generally the remuneration of actors, technicians, and other professionals, and related social security contributions. Costs actually incurred are monitored by the Group over the entire period of production. When the Group acts as an executive producer or co-executive producer, it is responsible for the production and completion of the film, as well as its financing. Consequently, if production costs are over budget, the excess amount is paid by the Group unless a co-producer decides to finance its share.

With regard to beneficiaries, the Group pays the talent involved in the film, such as authors, producers, directors, actors, and other persons involved in the production of the film. This remuneration may be fixed or variable, and it is based on the net receipts generated by the film or other parameters such as box office in France, sales of video media and the sale of international

distribution rights. In some cases, it may be a substantial amount.

In some cases, the Group operates as the financial co-producer for a film, investing a set amount with a producer that is intended to finance part of the cost of production. This investment constitutes the full commitment of the Group for the film as a co-producer, except in cases where the decision is made to participate in the financing of any cost overruns. However, when the Group also participates not only as a co-producer but as distributor under a distribution agreement for a film, it assumes the distribution and marketing costs related to that agreement.

Expenditures for the development and production of films and audiovisual programs produced (finished or unfinished), co-produced (or are being co-produced) or acquired by the Group amounted to €90.2 million in financial year 2017/2018, €133.7 million in financial year 2016/2017, and €176.0 million in financial year 2015/2016.

In 2017/2018, these investments were mainly for the following productions: the films *Anna* and *Kursk* and the television series *Taken*.

Plus or minus third parties expenses, the expenditures mentioned above are usually capitalized in the Group's intangible assets. These assets are subsequently subject to depreciation following the rules and accounting principles presented below (see Section 9.3).

- *Distribution and marketing expenditures*

Distribution and marketing expenditures for films correspond mainly to technical costs, promotion costs, and advertising costs. Technical costs include the cost of duplication and copying of films to the format suitable for their projection in theaters and video format publishing costs. Technical costs depend mainly on the number of theaters where the film will be screened. Significant marketing and advertising budgets will be set aside for a film's release, particularly in the United States. They most often cover national and targeted media campaigns, as well as the promotion of the film by the actors. In addition, significant advertising costs are incurred to ensure the promotion of the film during its distribution through other channels, such as the video market.

Distribution and marketing costs vary depending on the strategy chosen to accompany the film's release in theaters and on other distribution channels. As a general rule, the technical and marketing costs related to the exploitation of films in France and the United States are paid by the Group. Technical and marketing expenses related to exploitation in foreign countries are usually borne directly by local distributors.

- *Operating expenditures*

Group operating expenditures, which are primarily overheads, include the salaries and social security contributions of permanent staff, rents for the offices occupied by the Group, professional fees, taxes, and other general and administrative expenses for the Group.

9.3 *Main accounting principles*

The preparation of financial statements requires assessments on the part of the Group management and the use of assumptions and estimates that affect the amounts in the consolidated financial statements and the notes thereto. These assessments, estimates, and assumptions are based on historical data, economic conditions, and the economic situation in the film industry, as well as on various other factors considered reasonable in light of the context. The estimates are reviewed at half-year and year-end closing dates. Actual results may differ from these estimates if other assumptions or conditions are to apply.

9.3.1 Revenue recognition

- *International Sales*

Most “multiple rights” contracts allow the commercial exploitation of a film or TV drama in a specific region through multiple distribution channels, including theaters, the video market, television and, in certain cases, VOD.

Revenues from these right assignment contracts are royalties and are recognized upon physical delivery to the local distributor of the items covered under the contract for the relevant film(s) (or TV series), when exploitation rights for the local distributor are accounted for.

If the one contract with a foreign distributor provides for different deliveries with corresponding benefits and revenues which are measurable (in general, a guaranteed minimum), discrete, separable and vested on EuropaCorp at the time of the deliveries, the proceeds of each delivery are recognized when the following deliveries are made and accepted by the foreign distributor.

In addition, any payable amount in excess of the minimum guarantee is posted under revenue only when finally acquired, i.e. when the amount has been confirmed by the local distributor.

Any contract entered into before delivery entails the recognition of “Deferred income” under liabilities in the statement of financial position (if income has been billed and the corresponding amount due is payable), or under “Off-Statement of financial position commitments received” (if no invoice has been issued or the amount is not due yet), until delivery.

- *Distribution in theaters*

Revenues from the films distribution to theaters in France are recognized when sold to the ticket offices, based on a weekly report submitted by each theater stating revenues for the previous week. Generally, the corresponding revenues are collected during the quarter following the film’s release.

- *Video & VOD distribution*

Proceeds from the exploitation of video rights are accounted for based on monthly sales. At the end of the financial year, a provision is created for estimated returns and rebates granted contractually to clients (notably for large quantities). This provision is deducted from the year’s revenue. Videos are distributed by the Fox Pathé Europa EIG created in conjunction with 20th Century Fox Home Entertainment SA and Pathé Video SA. The Group receives a bill issued by the Fox Pathé Europa EIG at the end of each month, which is paid in 60 days.

Revenues from VOD and pay-per-view film offers are recognized upon receipt of the reports prepared by the operators, generally on a monthly basis. In general, this revenue is equally shared between the Group and the operator. The former, however, receives a minimum amount per view.

- *Television broadcasting rights sales in France*

In accordance with IFRS, revenue from the sale of French TV broadcasting rights to pay and free-to-air French channels are recognized in their entirety after signature of the sale agreements, after acceptance of the broadcasting material and from the time the broadcasting window opens.

- *Subsidies funding generated*

The Group receives subsidies funds from the CNC (*Centre National du Cinéma et de l’image animée*) for the exploitation of the films classified as European works that receive production approval from

the CNC. This funding is then used to finance the production of films satisfying the conditions laid down by the CNC. Revenue is recognized for each share corresponding to stage of the exploitation of the film, which includes distribution in theaters, the sale of television broadcasting rights, and the video market. The subsidies funding received by EuropaCorp Distribution and EuropaCorp Home Entertainment for their distribution and video editing activities is thus recognized in revenue as the receipts from the activities are recorded. The claim against the CNC is listed in the balance sheet under the category "Other receivables". The subsidies funding is not deposited by the Group until it is invested in the production of new films that meet the conditions set by the CNC. Funds not re-invested within a period of five years are prescribed and recognized in the income statement as other operating expenses. For the production of audiovisual dramas, the Group enjoys a comparable subsidies system also managed by the CNC called an audiovisual industry subsidies account (COSIP), which is recorded using the same principles as the subsidies funding. The subsidies funding generated and other similar subsidies amounted to €4,377 thousand and €3,941 thousand respectively for the years ended March 31, 2018 and 2017, or 1.9% and 2.6% respectively of total revenue for those periods.

- *Licensing and partnerships*

Income from licenses and partnership agreements is recognized in accordance with the contractual provisions. Any royalties received above the guaranteed minimums are accounted for under income upon issuance of the invoice, i.e. upon receipt of the report prepared by the licensee.

- *Music publishing*

Income from the sale of soundtrack CDs comprises the guaranteed minimums of licensed distributors and any royalties. It is reported in accordance with contractual provisions. Any royalties received above the guaranteed minimums are accounted for under income upon issuance of the invoice, i.e. upon receipt of the report prepared by the licensee.

Income from international music publishing agreements is recognized at the date royalties are billed. Income from publishing in France is collected by third parties, which send sales report to the Group. The corresponding income is reported when the Group issues the invoice for the amount payable by the third parties.

- *Line production*

Commissions received by EuropaCorp for its services as line producer are recognized under revenue based on the progress of each production at the closing date.

Until all of the conditions for recognition described above have been met, revenue is recognized in deferred income, under the line items "Other non-current liabilities" and "Other current liabilities" in the consolidated financial statement.

- *Events*

The main component of the revenues of this business is service provision fees under contracts whose benefits are recognized in revenue upon realization.

9.3.2 Preliminary expenses

Preliminary expenses recognized under intangible assets in compliance with IAS 38 are essentially the fees paid to acquire existing film rights (option agreements) and adaptation costs in view of securing a script that the Group intends to produce in the mid-term. They are reported separately and reviewed project by project at each period closing. Preliminary costs that do not lead to a

decision to shoot within five years from their first recognition are depreciated. However, this principle does not apply to projects having been recognized for more than five years, if there are specific production commitments or genuine expressions of interest, or when the Company believes that the development timeframe does not call into question the start of shooting in the long term.

9.3.3 Amortization of film production costs and write-downs of work in progress

Film production costs are recorded in the statement of financial position as intangible assets, with the understanding that, where applicable, the variable portion of the remuneration of talent and other beneficiaries is recorded as operating expenses for the cost of sales after release, on the basis of the exploitation of the film. Depreciation of a finished film or television drama starts with the recording of the first revenue associated with its exploitation once the exploitation rights are open. Yearly amortization is posted in the statement of financial position under "Cost of sales".

Films and audiovisual productions are amortized individually using the film forecast method, i.e. by applying to the cost of the film the ratio resulting from the comparison of actual net revenues and total estimated net revenues. Total net revenues include i) net revenues acquired over the period, notably including income and distribution expenses for films on territory of the United States, and ii) projected net revenues over a period of 12 years maximum from the premiere date.

As explained in the same section of the previous Registration document, the time frame used for estimating future revenue is not fixed and may be reviewed if future income from international exploitation or TV France is considered significant and spread over a longer period. To date, given i) the fact that EuropaCorp itself now distributes the great majority of its films in the territory of the United States, and ii) histories of sales of TV rights in France, and lastly, iii) the practices of the main competitors of the Group, the use of a maximum period of 12 years to determine projected net revenue appears justified and compliant with industry practice. The Senior Management regularly reviews and adjusts the expected net revenue, if required, taking into account the performance of film exploitation, of new or expected agreements and the evolution of the audiovisual market at the closing date of the accounts.

If net amortization of the investment as calculated with this method is higher than the net income forecast, additional exceptional depreciation is recorded to cover the shortfall.

Insofar as a significant portion of net revenue from international films is currently generated at the start of exploitation (in particularly thanks to international pre-sales), in general the amortization expense accounts for over half of their gross value in the year they were first exploited. In addition, as generally international films are more expensive, they also generate higher amortization expenses. The review of expected future net revenues may lead to significant fluctuations in the amortization rate applied to the remainder of the production costs to be amortized.

Likewise, an impairment provision may be recorded for ongoing productions at the end of the period, if the initial budget is exceeded by a significant amount. A provision is also created for films exploited between the closing date of the accounts and their approval, if the estimated value of future revenues is lower than the amount invested. The value of depreciation provisions is reviewed at each period end.

9.3.4 Distribution and marketing expenses

Distribution and marketing expenses for films correspond mainly to technical costs, promotion costs, and advertising costs and are recorded as expenses under "Cost of sales" in the financial statements. Technical costs and marketing costs are usually adjustable to 45 days and are not capitalized.

9.3.5 Structure costs

When the Group operates as an executive producer, the share of overheads related to the production of the film is budgeted during the negotiations with the co-producers and activated as part of the cost of production of the film and is subject to the same rules of depreciation (refer to Section 9.3.3 “Amortization of film production costs and write-downs of work in progress”).

9.3.6 Deferred income

Deferred income corresponds to sales billed but not yet recorded as revenue for the financial year. As a general rule, contracts for the sale of the television broadcasting rights for the period of exclusivity are signed prior to the launch of the shooting, while the price is paid by the broadcaster upon the delivery of the film, which usually occurs during the six months that follows the release of the film in theaters. Television broadcasting periods start 12 to 24 months after the release of the film in theaters. The amounts due and charged by the Group in respect of the sale of television broadcasting rights are recorded on the liabilities side of the balance sheet under “Deferred income” until the beginning of the television broadcasting period, when they are included in their entirety in the profit and loss statement as revenue.

The revenues due and charged by the Group for the sale of international distribution rights are recorded on the liabilities side of the balance sheet under “Deferred income” until the date of delivery of the film in question to the local distributor.

At March 31, 2017 and 2018, the deferred income for the sale of television broadcasting rights totaled €11,091 thousand and €27,825 thousand respectively, and those relating to the sale of international distribution rights represented €22,835 thousand and €13,681 thousand respectively.

9.3.7 Off-statement of financial position commitments

Off-statement of financial position commitments received primarily comprise sales agreements for television broadcasting and international distribution rights which have been signed but not yet invoiced, or for which no receivable is due until the delivery concerned takes place. As a general rule, these contracts are entered into before or during the period of production of the film. The off statement of financial position commitments given relate primarily to the leases and the contributions to be paid by the Group on film projects, including in coproduction.

9.4 Changes in consolidated results

Comparison of the financial years ended on March 31, 2017 and March 31, 2018⁹

The table below shows a comparison of the major items in the audited consolidated profit and loss statement for the years 2016/2017 and 2017/2018:

<i>(amounts in thousands of euros)</i>	Financial year ending March 31	
	2018	2017
Turnover	226,526	151,699
Revenue	226,526	151,699
Cost of sales	(246,802)	(221,356)
Operating margin	(20,276)	(69,657)
Overheads	(37,035)	(52,892)
Other operating income and expenses	(11,414)	308
Operating profit (loss)	(68,725)	(122,240)
Income from financial investments/(Cost of financial debt)	(16,275)	(12,760)
Other financial income and expenses	8,216	(5,430)
Financial income	(8,058)	(18,190)
Current income before income tax	(76,783)	(140,431)
Income tax	(4,752)	20,860
Equity in net earnings of associated companies	(984)	(321)
Net income	(82,519)	(119,892)
Of which Net income - Minority share	307	(4)
Of which Net income - Group share	(82,826)	(119,888)

The table below shows the consolidated Group revenue breakdown by distribution channel for financial years 2016/2017 and 2017/2018, prepared according to IFRS:

<i>(In thousands of euros)</i>	Financial year ending March 31			
	2018		2017	
	Revenue	%	Revenue	%
International Sales	76,713	33.9%	48,820	32.2%
Theaters	39,596	17.5%	13,693	9.0%
Video & VOD	33,227	14.7%	17,389	11.5%
Television & SVOD	40,935	18.1%	29,913	19.7%
TV Series	24,594	10.9%	23,570	15.5%
Subsidies	4,377	1.9%	3,941	2.6%
Other income	7,086	3.1%	14,372	9.5%
Revenue	226,526	100%	151,699	100%

⁹ Presentation without IFRS 5 restatement (see Appendix 1 for an IFRS 5 presentation)

- *Revenue*

Revenue totaled €226,526 thousand for financial year 2017/2018 compared to €151,699 thousand for the previous year, i.e. an increase of approximately 49%. This financial year was marked by revenue increases from the exploitation of *Valerian and the City of a Thousand Planets* across all types of media.

International sales represent €76,713 thousand and correspond mainly to the international distribution of the films *Valerian and the City of a Thousand Planets* and *Renegades*, and to the significant royalties received on catalog films (mainly for *Lucy* and *Taken 3*).

Television and SVOD sales were €40,935 thousand as of March 31, 2018 compared to €29,913 thousand for 2016/2017, i.e. an increase of 37%. This growth is fueled by the development of TV sales in the US, and particularly of SVOD sales (*Valerian and the City of a Thousand Planets*, *The Circle* and *Miss Sloane* in particular). In France, the revenue for the period is linked to the opening of broadcasting rights windows for films from the catalog, in particular *Taken 3*, *Room(h)ates* ("*Sous le même toit*"), *Bis*, and *Transporter Refueled*.

Revenue for theater distribution business amounted to €39,596 thousand in financial year 2017/2018, compared to €13,693 thousand for the previous financial year. This strong growth is due to the presence of *Valerian and the City of a Thousand Planets* in the line-up.

Revenue generated by video and VOD reached €33,227 thousand in financial year 2017/2018, compared with €17,389 thousand for the previous financial year, a rise of 91%. This business is mainly bolstered by video and VOD sales in the United States, especially for the films *Valerian and the City of a Thousand Planets*, *The Circle* and *Their Finest*. This revenue also includes sales of films from the catalog such as the US sales of *Miss Sloane* and *Nine Lives*.

Revenue related to TV series production totaled €24,594 thousand, in 2017/2018 compared with €23,570 thousand the previous financial year. This revenue is mainly due to the delivery of 10 episodes from the second season (out of 16 episodes) of the international series *Taken*. The revenue also includes sales linked to the delivery of the last two episodes from the first season of that same series.

Income from subsidies totaled €4,377 thousand, compared with €3,941 thousand at March 31, 2017. The amount of subsidies generated for each financial year is directly related to the operating results recorded in France for films released during the year and to CNC factors for these same films.

Receipts related to other products went from €14,372 thousand for financial year 2016/2017 to €7,086 thousand for 2017/2018. This "Other income" includes in particular revenue generated by post-production activity, events, licensing and partnerships. The decrease can be put down to the presence of the revenue of EuropaCorp Cinémas Aéroville multiplex (€5,180 thousand) in 2016/2017; it was sold in December 2016.

- *Cost of sales*

The cost of sales stands at €246,802 thousand for 2017/2018 (compared with €221,356 thousand in financial year 2016/2017). The amount of amortization and write-downs for lack of receipts in financial year 2017/2018 was €122,249 thousand, versus €93,464 thousand in the previous year.

Distribution and marketing costs totaled €89,551 thousand for the year ended March 31, 2018, compared to €110,440 thousand in 2016/2017. Payments to third parties are down and represented €39,274 thousand during financial year 2017/2018, compared to €19,952 thousand in the previous year. The other costs of sales are mostly attributable to the operating costs of the other entities of the Group.

- *Operating margin*

The operating margin totaled €(20,276) thousand (-9.0% of revenue) for the year ended March 31, 2018, compared to €(69,657) thousand (-45.9% of revenue) for the previous year.

- *Overheads*

General and administrative expenses amounted to €37,035 thousand compared with €52,892 thousand the previous financial year, a decrease of €15,857 thousand. These savings are especially due to the restructuring of distribution in the United States and the reduction in the cost of executive management, as well as the sale of businesses that generated general and administrative expenses.

It should be noted that the cost of the rent on La Cité du Cinéma is presented in the consolidated financial statements of the Group at March 31, 2018, net of the re-invoicing of the share of rent paid by Front Line in order to reflect the net rent charge for which EuropaCorp Group is responsible.

- *Other operating income and expense*

Other operating income is €(11,414) thousand and is mainly made up for 2017/2018 of impairment of the intangible asset relating to the distribution of films in the United States, for an amount of €(13,000) thousand, given the revision of the forecasted net future receipts generated by this activity. In keeping with what was already announced, the number of English-language films to be distributed each year has been lowered (two or three films per year), which automatically means a decrease in future forecasted income.

- *Operating profit (loss)*

After taking into account the above items, the operating loss for financial year 2017/2018 totaled €(68,725) thousand, compared with a loss of €(122,240) thousand for the previous year. "Cash" items of operating profit that generate cash flows include mainly sales, distribution and marketing costs and overheads, while the main item with no cash impact consists of the amortization charge for production costs and asset write-downs.

- *Financial income*

Financial income for the period amounted to €(8,058) thousand versus €(18,190) thousand in the previous financial year. It mainly includes a foreign exchange gain of €12,342 thousand, explained by the evolution of the US dollar against the euro during the year.

Financial income also includes the cost of net financial debt for €(16,275) thousand and €(2,684) thousand as the share of bank fees relating to the arrangement of credit lines, which are spread over the term of these facilities.

- *Consolidated net income*

Net income is €(82,519) thousand for the year ending March 31, 2018 compared with €(119,892) thousand for the previous year.

The net income - Group share is €(82,826) thousand compared with €(119,888) thousand in 2016/2017.

10. CASH AND EQUITY

10.1 *General information and information about the Company's equity*

As of the filing date of the Registration document, the Company's share capital totaled €13,932,353.06 (divided into 40,977,509 ordinary shares with a par value of €0.34 each, all of the same category and fully paid-up).

For a description of the consolidated equity as of March 31, 2018, please refer to the Notes to the consolidated financial statements as of March 31, 2018 in Appendix 1 of the Registration document.

The Group's cash flow needs are covered by its operating cash flow, along with traditional bank loans including (i) a revolving principal line of credit enabling it to settle amounts due under contracts for a maximum original amount of \$400 million, decreased to \$250 million, then to approximately \$238 million, composed at present of a line of €160 million and a line of \$40 million, accompanied by an accordion clause of \$150 million, and (ii) a secondary line of credit of \$80 million as well as bank overdrafts, and specialized production loans. The Group's liquidity is used primarily to finance investments in the production of cinematographic works.

The Group's increasing ability to self-finance (operating cash flow) over the past few years reflects its ability to provide additional funding structurally through its operations, which has enabled the Group to finance the growth of its activities and new investments and honor the repayment of its credit. Apart from annual profit (loss), the restatement of amortization for the year is the other major element in the calculation of operating cash flow. Since the annual amortization is determined according to the ratio "net receipts for the year/estimated total net revenues", operating cash flow increases even more because the share of net revenue from films (and thus the corresponding amortization for the financial year) is high relative to future income assumptions.

Scheduling the release of "big-budget" films during the year can nonetheless influence the change in the working capital requirement at year-end, since the share of uncollected export revenue made from one year to another is even stronger because the release of the latest film internationally is close to the end of the year.

10.2 *Comments on the consolidated cash position and consolidated equity of the Group in IFRS for the years ended March 31, 2017 and March 31, 2018*

10.2.1 **Consolidated cash flows**

The table below shows the consolidated cash flows generated by the Group for the financial years ended March 31, 2018 and March 31, 2017.

Financial year ending March 31¹⁰

(amounts in thousands of euros)

	2018	2017
Operations		
Net income - Group share	(82,826)	(119,888)
Net income - Minority interest	307	(4)
Depreciation and amortization	165,022	96,951
Unrealized gains and losses from changes in fair value	(246)	8,193
Changes in the fair value of securities-related liabilities	(15)	82
Capital gains or losses on asset disposals	(19,467)	(2,390)
Share of income from associates consolidated using the equity method	984	321
Expenses and income linked to share-based and equivalent payments	0	57
Operating cash flow after cost of net debt and taxes	63,759	(16,677)
(Income from financial investments)/Cost of financial debt	16,275	12,760
(Income)/Tax expense	4,752	(20,860)
Operating cash flow before cost of net debt and taxes	84,786	(24,777)
Changes in working capital requirement:		
Inventory	(3,969)	(586)
Trade and other accounts receivable	33,488	7,262
Prepaid expenses	5,406	8,571
Trade and other accounts payable	(18,538)	13,542
Deferred income	5,322	(2,145)
Tax paid	923	518
Net cash flow from operations	107,417	2,385
	Note 5.1	
Investment activities		
Acquisition of intangible assets	(90,161)	(133,699)
Acquisition of other intangible assets	(819)	(45)
Acquisition of property, plant and equipment	(183)	(2,809)
Income on disposals of intangible assets and property, plant and equipment	28,003	17,510
Net change in financial assets	2,849	(1,411)
Change in liabilities on long-term investments	36	(2,816)
Change in minority reserves	0	0
Impact of changes in scope of consolidation	0	(11)
Net cash flow from investment activities	(60,275)	(123,281)
	Note 5.1	
Financing activities		
Dividends paid	0	0
Capital increase	0	60,000
Costs related to increase in capital	0	(667)
Net increase in loans and bank overdrafts	16,044	64,177
Net decrease in loans and bank overdrafts	(117,703)	0
Net change in treasury shares and free shares	67	25
Interest paid	(19,561)	(17,766)
Interest income received and net gain/loss from disposal	(5)	49
Net cash flow from financing activities	(121,158)	105,817
	Note 5.1	
Net change in cash and cash equivalents	(74,016)	(15,079)
Opening cash position	107,128	122,207
Closing cash position	33,112	107,128
broken down into:		
Marketable securities	678	1,684
Cash and cash equivalents	32,434	105,444

¹⁰ Presentation without IFRS 5 restatement (see Note 1 for an IFRS 5 presentation)

- *Cash flows from operations*

During the financial year ended March 31, 2018, the Group generated a net cash flow of €107,417 thousand, an increase of €105,032 thousand compared to March 31, 2017.

The change in working capital requirement during the year ended March 31, 2018 amounted to €21,709 thousand versus €26,644 thousand the previous year. The change in the working capital requirement was primarily due to the significant decrease in receivables, partially offset by the decrease in trade payables.

- *Cash flows from investments*

At March 31, 2018, net investment cash flows stood at €(60,275) thousand versus €(123,281) thousand for the previous year.

The decrease in these cash flows is primarily related to the historically high level of investments in the productions of the previous financial year (notably, *Valerian and the City of a Thousand Planets*).

- *Cash flows from financing*

At March 31, 2018, net cash from financing stood at €(121,158) thousand, versus €105,817 thousand as of March 31, 2017. This amount is primarily the result of the full repayment of the production debt incurred for the film *Valerian and the City of a Thousand Planets* (CIT loan).

10.2.2 Debt, borrowing conditions and financing structure

- *Basic needs and financing resources*

The production of films and television series requires significant investments. The Group has had and will continue to have significant capital requirements to fund:

- production costs for feature films and television series;
- participation in coproductions in the form of the payment of contributions to coproductions and minimum guarantee amounts for distributions;
- acquisition of exploitation rights for films not produced by the Company and, as the case may be, acquisition of film catalogs;
- any acquisitions or investment projects.

In light of its development policy, the Group expects that its capital requirements (excluding potential acquisitions) need to be covered by operating cash flows as well as specialty credits and bank loans.

In addition, on February 4, 2013, EuropaCorp initiated a capital increase with preferential subscription rights for shareholders totaling €23.2 million after the exercise in full of the over-allotment.

Moreover, on November 21, 2016, FF Motion Invest Co., Ltd, a wholly owned subsidiary of the Fundamental Films group, subscribed for new shares issued by EuropaCorp SA as part of the reserved capital increase in the amount of €60 million.

The main purpose of the capital increases was to strengthen the Company's equity to finance its development strategy.

In addition to the financial resources of the Group from operating cash flows, the Group has the financing resources described below.

To facilitate financial flows and streamline cash management between EuropaCorp and its subsidiaries, a cash pooling agreement was signed by EuropaCorp, EuropaCorp Home Entertainment, EuropaCorp Distribution, EuropaCorp Music Publishing, Intervista, Dog Productions, EuropaCorp TV, Ydéo, Blue Advertainment, EuropaCorp Television, Roissy Films, EuropaCorp Aéroville, Blue Event, Digital Factory and Cipango Music.

Under the terms of the agreement, EuropaCorp centrally coordinates cash requirements and

surpluses for its subsidiaries more than 90% owned and is responsible for (i) granting advances to its subsidiaries and receiving advances from them, (ii) negotiating all short-term banking overdrafts and taking out any loans, and (iii) making all investments.

- *Group debt*

The Group's net debt was €235,929 thousand as of March 31, 2018, compared with €267,498 thousand at March 31, 2017. The decrease in net consolidated debt was the result of the repayment of the production debt incurred for Valerian and the City of a Thousand Planets which was partially offset by the new production credit for the film *Taxi 5* and the drop in cash and cash equivalents.

A breakdown of the Group's consolidated net debt at March 31, 2017 and 2018 is given in Section 3.12 of Appendix 1 of the Registration document.

Group debt consists primarily of:

- Revolving credit facility agreement of October 22, 2014

Since October 22, 2014, the Group has had (i) a revolving credit line enabling it to settle amounts due under contracts for a maximum amount of \$400 million, composed of a line of approximately €178 million and a line of \$160 million, accompanied by an accordion clause of \$150 million, and (ii) a secondary credit line for \$50 million.

The credit line was arranged by J.P. Morgan as Agent and Lead Bookkeeper, and SunTrust Bank and OneWest Bank as secondary Bookkeepers and co-arrangers. The principal credit line has been syndicated with major banks, notably the French banks Natixis, Banque Palatine, Arkea Banque Entreprises et Institutionnels, and BRED Banque Populaire.

The principal credit line must be repaid after a period of five years, i.e. by October 21, 2019. The secondary credit line must be repaid after a period of five years and six months, i.e. by April 21, 2020. The principal credit line bears interest, for loans granted in euros, at the Euribor rate plus a bank margin of 3.25% and, for loans granted in dollars, either at the Libor rate plus a bank margin of 3.25%, or the Alternate Base Rate plus a bank margin of 2.25%.

The secondary credit line bears interest at the rate of 13%, of which 6% is payable quarterly, with the balance being capitalized and payable on the maturity date of the credit.

As security for these credit lines, EuropaCorp and some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted first-lien and second-lien guarantees on all of their assets, and notably the pledge of financed assets, as specified in the Notes to the consolidated financial statements (Appendix 1), to the exclusion of any other guarantee.

On September 30, 2016, the Group renegotiated the terms of those agreements as follows:

(i) The main credit line, in the initial amount of \$400 million, was reduced to \$250 million with the accordion clause of an additional \$150 million remaining unchanged. These new amounts allow a significant decrease in the unutilized fees, the amount of the currently available collaterals being insufficient for drawing more than this amount against this line;

(ii) The secondary credit line facility was extended from the initial amount of \$50 million to \$80 million (excluding capitalized interest), making it possible to draw an extra \$30 million. This upsize of the second credit line facility also benefits from the guarantee of the Group companies, like previously.

The second lien credit facility henceforth bears an annual interest rate of 15% for the whole line, among which 6% are payable quarterly and 9% are capitalized and payable on the due date of the credit. This line can be paid up at any time without penalty.

On September 8, 2017, the main credit line facility was reduced by \$30 million, making it possible to

reduce the unutilized fees.

At March 31, 2018, €137.5 million had been drawn against this principal credit line. The secondary credit line has been fully drawn down.

10.2.3 Capital use restrictions that may affect the operations of the Company and the Group and other restrictions

The credit agreement signed on October 22, 2014 includes restrictions on the destination of the money borrowed under the terms of the agreement. Accordingly, all money borrowed must be used to (i) finance film development, production, acquisition and distribution costs, (ii) fund working capital requirements, and (iii) repay loans existing on the day the credit line was signed.

Additionally, the credit agreements entered into on October 22, 2014 contain a change of control clause for the early repayment of the credit line in the event that (i) the direct or indirect interest of Luc Besson in the capital and the voting rights of EuropaCorp should become less than 30%, (ii) senior executives should cease to control EuropaCorp directly or indirectly as defined by Article L.233-3 of the French Commercial Code (Code de commerce), (iii) Luc Besson should cease to act as a corporate officer of EuropaCorp and should come to exercise a position with a competitor directly or indirectly, (iv) a third party should come to hold over 50% of the Company's capital, or (v) more than half of the members of the Company's Board of Directors should be replaced.

Overall, the credit line agreements EuropaCorp entered into include clauses giving lenders and/or the agent certain rights (for example, the need to obtain their advance approval), particularly in the event of a change in control.

Overall, the credit line agreements EuropaCorp entered into have the usual commitments and limitations in terms of financing as those applying to the shares of EuropaCorp and its subsidiaries for insurance, debt, provision of guarantees and collateral, sale of assets, etc. More specifically, they provide for the early maturity of the amounts due by EuropaCorp, as is usually the case for this type of contract: failure to pay by the due date, non compliance with financial commitments, inaccurate disclosure or material contract breach, insolvency proceedings, etc.

Furthermore, contracts relating to other methods of financing (including Dailly-type arrangements) also stipulate a series of events that can result in the early repayment of the outstanding credit owed by the Company: such as default by a counterparty, cessation of film production, and insolvency proceedings.

10.2.4 Off-statement of financial position commitments

Off-statement of financial position commitments, excluding pledges of assets (including pledges and delegations of receipts on credit lines referred to in Appendix 1 of the Registration document), as of March 31, 2018 related to the Group's current activity are summarized below:

Commitments received in favor of EuropaCorp (in thousands of euros)	March 31, 2018	March 31, 2017
Commitments from clients		
<i>For the cinematographic business</i>	60,300	106,467
<i>Support funds for audiovisual activities</i>	2,266	2,693
Financial commitments for leases*	13,983	16,313
Total commitments received	76,549	125,473

* Relates to the sublease agreements for the La Cité du Cinéma business park.

Commitments to third parties (in thousands of euros)	March 31, 2018	March 31, 2017
Financial commitments for leases**	42,660	36,367
Vine participation	36,523	42,091
Financial commitments for cinematographic investments	6,399	5,448
Total commitments made	85,582	83,906

** Relates to the lease agreement for the La Cité du Cinéma business park, with a term of 12 years starting from April 6, 2012.

For commitments from leases, refer to Section 8.2 of the Registration document.

10.2.5 Other commitments

- *Sofica EuropaCorp*

Upon the incorporation of the company Sofica EuropaCorp and each of its six successive capital increases, EuropaCorp issued a commitment to repurchase shares from subscribers of Sofica shares. The guaranteed selling price for one Sofica share is €850, or 85% of the issue price. Each guarantee may be called upon for a period of six months after the shares have been held for eight years.

The table below summarizes the various buyback guarantees issued by the Company:

Issue of shares by Sofica EuropaCorp	Total amount of issue	Period allowed to implement the repurchase commitment	Total amount of repurchase commitment issued by EuropaCorp
2003 issue	€3,000,000	Between January 1, 2012 and June 30, 2012	€2,550,000
2004 issue	€2,950,000	Between January 1, 2013 and June 30, 2013	€2,507,500
2005 issue	€3,504,000	Between January 1, 2014 and June 30, 2014	€2,978,400
2006 issue	€4,300,000	Between January 1, 2015 and June 30, 2015	€3,655,000
2007 issue	€3,440,000	Between January 1, 2016 and June 30, 2016	€2,924,000
2008 issue	€2,100,000	Between January 1, 2017 and June 30, 2017	€1,785,000

Following the change in regulations for guaranteed Soficas in 2010, Sofica EuropaCorp is no longer eligible to raise additional funds.

The first authorized period allowing subscribers to implement the repurchase commitment began on January 1, 2012 and ended on June 30, 2012. It involved 3,000 shares. As of June 30, 2012, at the end of the first authorized buyback period, 2,970 shares were purchased by EuropaCorp, for a total amount of €2,524,500 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2003.

The second period allowing subscribers to implement the repurchase commitment began on January 1, 2013 and ended on June 30, 2013. It involved 2,950 shares. As of June 30, 2013, 2,899 shares were purchased by EuropaCorp, for a total amount of €2,464,150 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2004.

The third period allowing subscribers to implement the repurchase commitment began on January 1, 2014 and ended on June 30, 2014. It involved 3,504 shares. As of June 30, 2014, 3,444 shares were purchased by EuropaCorp, for a total amount of €2,927,400 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2005.

The fourth period allowing subscribers to implement the repurchase commitment began on January 1, 2015 and ended on June 30, 2015. It involved 4,300 shares. As of June 30, 2015, 4,256 shares were purchased by EuropaCorp, for a total amount of €3,617,600 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2006.

The fifth period allowing subscribers to implement the repurchase commitment began on January 1, 2016 and ended on June 30, 2016. It involved 3,440 shares. As of June 30, 2016, 3,416 shares were purchased by EuropaCorp, for a total amount of €2,903,600 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2007.

The sixth period allowing subscribers to implement the repurchase commitment began on January 1, 2017 and ended on June 30, 2017. It involved 2,100 shares. As of June 30, 2017, 2,078 shares were purchased by EuropaCorp, for a total amount of €1,766,300 relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2008.

For comparison, the share price, which is based on the net position of Sofica EuropaCorp at December 31, 2017, stood at €463.4.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 *Research and development*

In light of its businesses, the Group has no inherent research and development activities.

However, for information purposes, the research costs for subjects, talent and locations necessary for production development are recognized as intangible assets and are individualized by project. These preliminary costs are essentially the fees paid to acquire existing film exploitation rights (option agreements) and adaptation costs in view of securing a script that the Group intends to produce in the mid-term.

Preliminary costs that do not lead to a decision to shoot within five years from their first recognition are depreciated. However, this principle does not apply to projects having been recognized for more than five years, if there are specific production commitments or genuine expressions of interest, or when the Company believes that the development timeframe does not call into question the start of shooting in the long term.

The level of provisions for impairment is reviewed by project at each balance sheet date.

Refer to Appendix 1 to the consolidated financial statements for more details.

11.2 *Patents*

The Group does not hold any patents.

11.3 *Trademarks, designs, domain names and intellectual property*

EuropaCorp will endeavor to take appropriate and reasonable measures in industrial property law in each of the appropriate jurisdictions to protect the rights on its films and the Group's trademarks. Accordingly, the "EuropaCorp" trademark and logo have been registered on behalf of EuropaCorp in France, the European Community and Japan. Moreover, the Group has registered the "Cité du Cinéma" trademark.

The Group owns a portfolio of over 150 active and inactive domain names related primarily to the films it produces (*Taxi 5*, *Valerian and the City of a Thousand Planets*, *Lucy*, *Transporter*, *Taken*, *Colombiana*, etc.) and to Group companies. For example, the Group registered nine domain names to promote and protect the film *Arthur & the Invisibles* and any of its associated products.

In accordance with professional practices, the scenarios and scripts related to films produced by the Group are registered with the French Society of Authors and Dramatic Composers. For films, the registration of a film in the French Public Register of Cinematography and Audiovisual Works (Registre public de la cinématographie et de l'audiovisuel) is mandatory and must occur prior to the date of issue of release authorization. Furthermore, all acts that modify the chain of rights of a film must be registered in the public registry when the work to which they relate is registered. This is the case especially for transfer of copyright, coproductions, distribution, exploitation agreements, pledges, delegations of receipts, assignments of rights, and memorandums (unless confidentiality is requested by one of the parties to the agreement). Unless it is registered, the agreement in question is not enforceable against third parties.

When its films are produced, the Company usually does not register trademarks for their titles; its

exploitation rights for the films are protected in France by intellectual property rights due simply to the original nature of the creative work and registration of contracts relating to the Public Register of Cinematography and Audiovisual Works. However, in the case of *Arthur & the Invisibles*, the outlook in terms of profit and licenses derived from the film were significant, which justified the establishment of an active policy to protect industrial property rights prior to the film's release. As a result, the trademark for "Arthur et les Minimoys" was registered in France and the trademark for "Arthur & the Invisibles" was registered in France, the European Union and several other countries around the world.

In addition, the Company registered the designs for the film (characters, props, scenery), before the film's release, thus constituting a precedent and a certain date in the event of litigation or plagiarism or piracy by third parties.

11.4 Administrative authorizations

Any company that falls under one of the branches of the film industry cannot exercise its activity until it is authorized by the CNC to exercise that profession. Regulations also require companies in the film industry not to enter into contracts with another company in the same sector that does not have a professional license.

Through their respective activities, the Company and its EuropaCorp Distribution subsidiary are subject to this licensing scheme:

- since 1992 (when the Company was registered), the Company has been authorized to produce both short and feature-length films;
- since March 2001, EuropaCorp Distribution has been authorized to act as a film distributor for all of France.

Finally, the publishing, reproduction, distribution and sale of video content intended for private use to the public are also regulated and must be declared with the CNC. EuropaCorp Home Entertainment filed this declaration on August 3, 2001, and it has been listed as a publisher and distributor of video content.

More specific film regulations applicable to films and their approvals by the CNC are described in Section 6.4 of the Registration document.

12. TREND INFORMATION

The table below presents a list of major projects currently under way within the Group for the 2018/2019 and following financial years (non-exhaustive list):

Films:

Category	Film	Directors	Stars	Role of the Group	Status
English-language films	<i>Renegades</i> ¹¹	Steven Quale	J.K. Simmons, Sullivan Stapleton, Sylvia Hoeks	Executive producer	Release 08/29/2018
	<i>Kursk</i>	Thomas Vinterberg	Matthias Schoenaerts, Léa Seydoux	Line producer	Release 11/07/2018
	<i>Anna</i>	Luc Besson	Sasha Luss, Helen Mirren, Cillian Murphy, Luke Evans	Executive producer	Post-production
Comedies and comedy-dramas	<i>Taxi 5</i>	Franck Gastambide	Franck Gastambide, Malik Bentalha, Bernard Farcy	Executive producer	Released in theaters
	<i>I Feel Better</i>	Jean-Pierre Améris	Eric Elmosnino, Alice Pol, Ary Abittan	Executive producer	Released in theaters
	<i>Little White Lies 2</i>	Guillaume Canet	François Cluzet, Marion Cotillard, Benoît Magimel, Gilles Lellouche, Laurent Lafitte	Co-producer	Post-production
Acquisitions	<i>The Old Man and the Gun</i>	David Lowery	Robert Redford, Casey Affleck	Distributor (France)	N/A

Series and one-off specials:

Category	Program	Author(s)/Showrunner	Directors	Format	Status
TV series	<i>Taken - Season 2</i>	Greg Plageman	Romeo Tirone, Thor Freudenthal, Sarah Pia Anderson, Elodie Keene...	16 x 45'	Delivery of the last six episodes in the United States and of the complete season series in France in 2018/19
	<i>AI</i>	Luc Besson	N/A	N/A	Under development
	<i>Gray</i>	David Baldacci, John McLaughlin	N/A	N/A	Under development
	<i>The Extraordinary Adventures of Adele Blanc Sec</i>	N/A	N/A	N/A	Under development
	<i>American Flagg!</i>	Josh Oppenheimer, Tom Donnelly	N/A	N/A	Under development

The Company notes that, generally speaking, due to the nature of its businesses and the release schedule for cinematographic works, it may experience significant fluctuations in its revenue and its quarterly or semi-annual earnings (see Section 4.3.1 of the Registration document for the risks associated with fluctuations in the Group's revenue) and that the revenues and earnings generated for a given quarter or half are therefore in no way indicative of the Group's annual revenue and earnings.

¹¹ *Renegades*, internationally

13. PROFIT FORECASTS OR ESTIMATES

None.

14. MANAGEMENT AND SUPERVISORY BODIES

To best adapt the Company's management structure to its situation and use the flexibility that the management of a listed Company requires, the Ordinary General Meeting of September 16, 2008 opted for the corporate form of a public limited company (*société anonyme*) with a Board of Directors, which is more consistent with the needs and imperatives related to the Company's business. The Board of Directors also decided to separate the functions of Chairman of the Board of Directors and Chief Executive Officer at its meeting of October 23, 2008.

A description of the main provisions of the Articles of Association relating to the Board of Directors, including its operations and powers, are contained in Chapter 16 of the Registration document.

14.1 Composition of the Board of Directors and Senior Management

14.1.1 Board of Directors

On the filing date of this update to the Registration document, the members of the Board of Directors of the Company were as follows:

First name, last name, age and professional address	Position held	Date of appointment - Term ends	Other positions held within the Group	Number of Company shares held
Luc Besson* 59 years old 20 rue Ampère 93200 Saint-Denis	Chairman of the Board of Directors	September 28, 2016 - GM 2020**	- Director of Fox Pathé Europa EIG	4,035
Charles Milhaud 75 years old 20 rue Ampère 93200 Saint-Denis	Deputy Chairman of the Board of Directors	September 28, 2016 - GM 2020**	- Nil	1
Virginie Besson-Silla 46 years old 20 rue Ampère 93200 Saint-Denis	Member of the Board of Directors	November 17, 2016 - GM 2020**	- Producer	28,407
Front Line (represented by Didier Kunstlinger) 20 rue Ampère 93200 Saint-Denis	Member of the Board of Directors	September 28, 2016 - GM 2020**	- Nil	12,935,903
Patrice Gassenbach 71 years old 20 rue Ampère 93200 Saint-Denis	Member of the Board of Directors	September 28, 2016 - GM 2020**	- Nil	1
Rhyzlène Nusse 53 years old 20 rue Ampère 93200 Saint-Denis	Member of the Board of Directors	September 26, 2014 - GM 2018***	- Nil	1
Coralie de Fontenay 44 years old 14 bis rue de Milan 75009 Paris	Member of the Board of Directors	September 27, 2017 - GM 2021****	- Nil	1
Lisa Leboff 37 years old 220 bis rue Marcadet 75018 Paris	Member of the Board of Directors	September 27, 2017 - GM 2021****	- Nil	1
Grégory Ouanhon 35 years old 12600 Standwood Place 90066 Los Angeles	Member of the Board of Directors	September 27, 2017 - GM 2020**	- Nil	1

* Luc Besson controls Front Line, which owns 12,935,903 EuropaCorp shares.

** Until the end of the General Meeting to be held in 2020 to approve the financial statements for the year ending March 31, 2020.

*** Until the end of the General Meeting to be held in 2018 to approve the financial statements for the year ending March 31, 2018.

**** Until the end of the General Meeting to be held in 2021 to approve the financial statements for the year ending March 31, 2021.

At the General Meeting of September 27, 2017, Coralie de Fontenay and Lisa Leboff were appointed directors and Grégory Ouanhon was appointed director, replacing Mark Gao. On the date of filing of this Registration document, the Board of Directors consists of nine members and two non-voting members who sit as observers.

The Company ensures compliance with the legal obligations in effect relating to equality, it being noted that the proportion of women to men on the Board of Directors is at least 40% following the first Ordinary General Meeting after January 1, 2017.

14.1.2 Senior Management

Luc Besson, the Chief Executive Officer, was appointed as from December 31, 2017 by the Board of Directors meeting of December 1, 2017, following the end of the term of his predecessor Marc Shmuger. The Chief Executive Officer may be dismissed at any time by the Board of Directors, in accordance with the Company's Articles of Association.

The Deputy Chief Executive Officer, Edouard de Vésinne, was dismissed by the Board of Directors on September 4, 2017.

14.1.3 Other positions and terms of office that are currently held or were held over the past five years outside the Group

First name, last name, age and professional address	Other executive appointments and current positions	Other positions and terms of office held over the past five years that have expired
Luc Besson 59 years old 20 rue Ampère 93200 Saint-Denis	Chairman of Front Line SAS Manager of Apipoulaï Prod SARL Manager of Block One SARL Manager of Cinégym SARL Chief Executive Officer, Chief Financial Officer, Secretary and Director of Sea Side Production Company Chief Executive Officer, Chief Financial Officer, Secretary and Director of Sea Side Film Company	Chairman of EuropaCorp Studios CEO and Director of Sea Side Films Florida Inc. Manager of Digital Factory SARL Chief Executive Officer and Director of InterSection Movie Inc. Chief Executive Officer, Chief Financial Officer and Director of Colombiana Inc. Chief Executive Officer and Director of Lock Out Movie Inc. Chief Executive Officer and Director of Taken 2 Inc. Chairman of Malavita Inc. Manager of Block Two SARL Chairman of Mondialum SAS
Charles Milhaud 75 years old Chami-Consulting SARL 55 avenue Mohamed V 40000 Marrakesh	Manager of chami-Consulting Manager of CM Investments Member of the Supervisory Board of Compagnie Générale des Eaux - Véolia Eau Manager of SCI Cascades Paradis Manager of SCI Grand Horizon Paradis	Nil

First name, last name, age and professional address	Other executive appointments and current positions	Other positions and terms of office held over the past five years that have expired
Virginie Besson-Silla 46 years old 20 rue Ampère 93200 Saint-Denis	Nil	Nil
Front Line (represented by Didier Kunstlinger) 72 years old 17 avenue Hoche 75008 Paris	Chairman of DK Conseil Head of the Media Unit of Rothschild Martin Maurel	Nil
Patrice Gassenbach 71 years old 6 rue Christophe Colomb 75008 Paris	Director of Groupe Pino Senior Advisor of IFM Global Infrastructure Fund Director of Parmalat Director of Veolia Energia Polska	Nil
Rhyzlène Nusse 53 years old RD 52 68490 Ottmersheim	Head of Communications and Creation at Clairefontaine Rhodia	Nil
Coralie de Fontenay 44 years old 14 bis rue de Milan 75009 Paris	Chief Executive Officer of Cartier France Member of the Board of Directors of the Vendôme and Champs-Élysées committees Member of CEW France (Cosmetic Executive Women) Coach of Cartier Women's Initiative Awards Member of HEC Luxe	Chief Executive Officer of Cartier Parfums Monde
Lisa Leboff 37 years old 220 bis rue Marcadet 75018 Paris	Administrative and Financial Director of Son et Lumière	Nil
Grégory Ouanhon 35 years old 12600 Standwood Place 90066 Los Angeles	Chairman of Fundamental Films	Nil

14.2 Biographies of the members of the Board of Directors

Luc Besson, Chairman of the Board of Directors of EuropaCorp

Luc Besson had several jobs in the film industry in France and the United States before he started his career as producer and director in the early 1980s.

To date, Luc Besson has directed 16 feature films, including *Subway* (1985), *The Big Blue* (1988), *Nikita* (1990), *The Professional* (1994), *The Fifth Element* (1997), for which he received a César award for Best Director in 1998, the animation trilogy *Arthur & the Invisibles* (2006, 2009 and 2010), *Malavita* (The Family) (2013), *Lucy* (2014), the biggest worldwide commercial success for a French film to date, *Valerian and the City of a Thousand Planets* (2017) and *Anna*, which is planned for release in early 2019. In May 2000, Luc Besson chaired the jury of the Cannes Film Festival, thus becoming the youngest person to chair the jury in the festival's history.

Luc Besson has also directed a number of music videos (for Mylène Farmer and Serge Gainsbourg, among others), as well as numerous commercials for world-renowned companies (including

L'Oréal, Chanel, Evian, Estée Lauder, and Orange), most of which, since 1999, were through Dog Productions, a wholly owned subsidiary of EuropaCorp.

Before founding EuropaCorp, Luc Besson set up two production companies: Les Films du Loup, in 1981, with Pierre Jolivet, followed by Les Films du Dauphin, in 1989.

In addition, since 1999, Luc Besson has been a screen writer and producer for several EuropaCorp films. Besides the films he has directed, Luc Besson has written more than 30 feature film screenplays, for which he has been the producer. These include the *Taxi* series, and more recently the *Taken* series, for which the accumulated takings from the three parts of the franchise to date represent \$928 million worldwide (*source: www.boxofficemojo.com*).

In 2015 for the fortieth anniversary of its creation, the Académie des César selected Luc Besson to receive the first gold medal of the French Academy of Cinema Arts and Techniques (Académie des arts et techniques du cinéma), for his artistic and entrepreneurial contribution to French cinema over the last three decades.

Charles Milhaud, Director and Deputy Chairman of the Board of Directors

Charles Milhaud holds graduate degrees in mathematics, physics, and chemistry. He began working at Caisse d'Épargne in 1964 and became Chief Executive Officer of Caisse d'Épargne des Bouches-du-Rhône et de la Corse in 1983 and a member of the Supervisory Board of Centre National des Caisses d'Épargne (CENCEP).

In 1999, during the merger of these two entities and the creation of Caisse Nationale des Caisses d'Épargne (CNCE), he became Chairman of the Management Board. He left his position on October 19, 2008. He is currently Chairman of Chami-Consulting, a Moroccan consulting firm, and serves as a Consultant or Chairman for various companies.

Virginie Besson-Silla, Director

Virginie Besson-Silla was born in Ottawa, Canada, into a family of diplomats. She spent her childhood traveling between Mali, Senegal, the United States and France. After receiving a degree in business administration from the American University of Paris, she joined the marketing team of the Gaumont-Buena Vista joint venture in 1994. In 1997, she joined Patrice Ledoux, at the time Chief Executive Officer and producer at Gaumont, where she managed the theater release of *The Fifth Element* and *Jeanne d'Arc*, both directed by Luc Besson.

When Luc Besson founded EuropaCorp in 1999, he offered Virginie the position of production coordinator, which she accepted. She produced her first film a year later: *Yamakasi*, which was released in April 2001 and had 2.2 million admissions in France.

In 2009, Virginie Besson-Silla began production of *The Extraordinary Adventures of Adèle Blanc-Sec* with Louise Bourgoïn and suggested that Luc Besson direct the film. This was the first time the director and producer had worked on a film together in ten years. They collaborated again on *The Lady*, a biography of Nobel Peace Prize winner Aung San Suu Kyi, with Michelle Yeoh and David Thewlis, and on *Malavita* (The Family) with Robert De Niro, Tommy Lee Jones and Michelle Pfeiffer, filmed entirely in France.

She again teamed up with Luc Besson in 2014 for the science-fiction movie *Lucy*, with Scarlett Johansson and Morgan Freeman. The movie was a major success earning nearly half a billion dollars at the box office around the world.

Virginie Besson-Silla then produced EuropaCorp's most ambitious project, the science-fiction blockbuster *Valerian and the City of a Thousand Planets*. Based on the cult comic strip "Valerian and Laureline" by Pierre Christin and Jean-Claude Mézières, the film follows the adventures of two space-time agents responsible for maintaining order in the universe. The film features Cara Delevingne, Dane DeHaan, Clive Owen, Ethan Hawke and Rihanna. It was released worldwide in the summer of 2017.

Acknowledged by her peers for her contribution to the film industry, Virginie Besson-Silla was invited to join the Academy of Motion Picture Arts and Sciences in 2016.

Virginie Silla married Luc Besson in 2004. They have three children.

Didier Kunstlinger, Front Line representative on the Board of Directors

Didier Kunstlinger is a graduate of HEC Paris business school and is one of France's biggest experts on movie funding. He began his career in 1969 at Banque OBC, where he held various management positions, ultimately becoming Vice Chairman and Chief Executive Officer in 2005. During that time, in 1979, he became Chief Executive Officer of Cofiloisirs, then Chairman of the Board of Directors from 1998 to 2005. From 1983 to 2005, he was also the permanent representative of OBC on the Board of Directors of IFCIC, which specialized in the funding of cultural industries. He joined Fortis in 2005, where he held the position of Chief Executive Officer of Fortis House, then Chief Executive Officer of Fortis Mediacom Finance.

Didier Kunstlinger is currently head of the Media Unit of Rothschild Martin Maurel and the permanent representative of Front Line on the EuropaCorp Board of Directors.

Patrice Gassenbach, Director

Patrice Gassenbach has been an attorney before the Paris bar since 1971. He is a strategic adviser to several large CAC 40 companies.

Rhyzlène Nusse, Director

Of German-Moroccan nationality, Rhyzlène Nusse is a graduate of IHK (Industrie und HandelsKammer), school of management and business of Saar (Germany). After initially working as a buyer for a distribution company, she created and developed as of the start of the 2000s within the Exacompta Clairefontaine group a range of product licenses and gift wrap, creative leisure, drawing, fine arts and educational toys. Rhyzlène Nusse is also responsible for communication and partnerships at the Clairefontaine Rhodia group, whose advertising campaigns she has been monitoring since September 2002. Finally, she created and developed the Clairefontaine-Unicef partnership to promote the education of disadvantaged children.

Coralie de Fontenay, Director

Coralie de Fontenay has been Chief Executive Officer of Cartier France since July 2013. She is a graduate of HEC.

Lisa Leboff, Director

Lisa Leboff has been Administrative and Financial Director of Son et Lumière since April 2012. She previously worked as an Account Manager at Natixis Coficiné for five years. She has a Master's degree in Statistics and IT Engineering for Finance, Insurance and Risk (I.S.I.F.A.R.) from University Paris VII - Denis Diderot.

Grégory Ouanhon, Director

Grégory Ouanhon joined Fundamental Films in 2012 as Vice-President International to develop the company's operations outside of China. He has since been promoted to the position of Chairman. He supervises all of Fundamental Films' operations, including international operations, from the Los Angeles office. He also founded Dark Light Media in 2009. This independent French-Chinese company finances and distributes films in China. From 2006 to 2008, he was an account manager for Fortis House, a subsidiary of Fortis Bank dedicated to financing cinematographic and audiovisual activities in Paris. He has a Master's in Management Sciences from the KEDGE Business School.

14.3 Statement regarding the corporate officers and senior executives

To the knowledge of the Company,

- no representative of the Company has been, over the past five years, (i) convicted for fraud, (ii) associated with a bankruptcy, receivership or liquidation, or (iii) subject to criminal and/or official public sanctions imposed by statutory or regulatory authorities (including designated professional bodies);

- no corporate officer has been prohibited by a court to act as member of an administrative, executive or supervisory body of a company or participate in the management or conduct of business of a company over the past five years.

14.4 Potential conflicts of interest

- The Company maintains important relationships for its business activity and development with Front Line, a major shareholder and member of the Board of Directors, and the Chairman of the Board of Directors of the Company, Luc Besson, holds almost all the capital and the voting rights. However, with the exception of the subletting of premises agreement entered into between the Company and Front Line, all regulated agreements linking the Company and the companies of the Front Line Group were terminated in financial year 2012/2013 (for more details on this agreement, see Chapter 19 of the Registration document).
- Luc Besson often acts as an author or co-author of EuropaCorp-produced films and has directed and in the future could direct films produced or co-produced by EuropaCorp. Luc Besson, through Apipoulăi Prod, a company he controls indirectly, has sometimes also participated as co-producer or producer of films produced by EuropaCorp. However, it was agreed in February 2013 that Apipoulăi Prod would no longer take part in new EuropaCorp coproductions in the future (see Chapter 19 of the Registration document).
- Pursuant to the Rules of Procedure of the Board of Directors, any member of the Board of Directors must report any actual or potential situation of conflict of interest in respect of his or her duties and refrain from participating in discussions about them and the corresponding votes (see Chapter 16 of the Registration document).
- The Company has not granted any loans and has made no guarantees for the members of the Board of Directors.

15. COMPENSATION AND BENEFITS

15.1 Interests and compensation of corporate officers and senior executives

15.1.1 Executive corporate officers

The compensation paid by the Group to executive corporate officers over the last two years is presented in the tables below.

<i>Compensation of executive corporate officers</i>				
Luc Besson <i>Chairman and Chief Executive Officer⁽¹⁾</i>	<i>March 31, 2018</i>		<i>March 31, 2017</i>	
	<i>Amounts owed</i>	<i>Amounts paid</i>	<i>Amounts owed</i>	<i>Amounts paid</i>
Fixed compensation ⁽²⁾	€3,927,977	€3,927,977	€2,787,997	€2,787,997
Variable compensation ⁽³⁾	€1,798,993	€1,505,746	€3,323,581	€3,395,258
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	€1,081,045	€1,081,045	€838,956	€838,956
TOTAL	€6,808,015	€6,514,768	€6,950,534	€7,022,211

⁽¹⁾ At his recommendation, Luc Besson does not receive any special compensation for the exercise of his office.

⁽²⁾ Including director and screenwriter salaries

⁽³⁾ Copyright and director's salary

Since the 2015/2016 financial year, following the expatriation of the Chairman of the Board of Directors to the United States, a compensation package was approved by the Board of Directors on September 22, 2014. As of this date, Luc Besson receives compensation for his work as Chairman of the Board of Directors (paid for the most part by EuropaCorp Films USA Inc.), for which the cost is exactly the same to the Group as it would have been if the annual net compensation, equivalent to €800,000, had been paid in full in France. Furthermore, several indemnities are paid to Luc Besson (accommodation, school fees, car hire fees, relocation fees and travel costs between France and the United States); these amounts must be grossed-up.

Remuneration as writer-director

The Board of Directors' meeting of January 10, 2013, recorded that Luc Besson had decided to cap the amount of fixed compensation he receives each financial year in respect of his work as an author-director to the amount of the Company's operating profit before deduction of said compensation.

Given the importance of this role for the Company, the Board of Directors requested on June 26, 2017 that Luc Besson delay this decision and receive his author-director compensation under the usual conditions.

The compensation specified above for Luc Besson includes amounts received by him as Chairman of the Board of Directors, as a director of films produced by EuropaCorp and as an author of scripts whose rights have been sold to EuropaCorp. Moreover, in respect of his duties as Chairman of Front Line and Seaside Production during the year ended March 31, 2018, Luc Besson received, respectively, the amount of €52,660 and compensation of \$12,000.

<i>Compensation of executive corporate officers</i>				
Marc Shmuger <i>Chief Executive Officer since February 10, 2016</i> <i>Term ends: December 31, 2017</i>	<i>March 31, 2018</i>		<i>March 31, 2017</i>	
	<i>Amounts owed</i>	<i>Amounts paid</i>	<i>Amounts owed</i>	<i>Amounts paid</i>
Fixed compensation	€1,314,363	€1,314,363	€1,822,490	€2,043,338
Variable compensation	-	-	€359,504	€359,504
Exceptional compensation	-	-	-	-
Benefits in kind	-	-	-	-
TOTAL	€1,314,363	€1,314,363	€2,181,994	€2,402,843

The above compensation for Marc Shmuger includes the amounts due to him as Chief Executive Officer.

<i>Compensation of executive corporate officers</i>				
Edouard de Vésinne <i>Deputy Chief Executive Officer since April 21, 2016</i> <i>Term ends: September 4, 2017</i>	<i>March 31, 2018</i>		<i>March 31, 2017</i>	
	<i>Amounts owed</i>	<i>Amounts paid</i>	<i>Amounts owed</i>	<i>Amounts paid</i>
Fixed compensation	€165,948	€165,948	€339,657	€339,657
Variable compensation	-	-	-	-
Exceptional compensation	€167,500	€167,500	-	-
Benefits in kind	€4,979	€4,979	€69,290	€69,290
TOTAL	€338,427	€338,427	€408,947	€408,947

The above compensation for Edouard de Vésinne includes amounts due to him as Deputy Chief Executive Officer.

15.1.2 Non-executive corporate officers

The General Meeting of Shareholders of September 26, 2014 set the total amount of Directors' fees granted to the Board of Directors to €300,000 per year as from financial year 2014/2015, leaving the Board free to divide this amount among its members.

At the Board meeting of July 18, 2016, on the proposal of the Compensation and Appointments Committee, the Board of Directors decided to distribute €210,000 as Directors' fees to Board members for the financial year ended March 31, 2016.

During its meeting on July 17, 2017, the Board of Directors decided to distribute a total amount of €180,000 in Directors' fees for the financial year ended March 31, 2017.

During its meeting on July 17, 2018, the Board of Directors decided to distribute a total amount of €180,000 in Directors' fees for the financial year ended March 31, 2018.

Presented below are the Directors' fees paid by the Company to the members of the Board of Directors of the Company (other than the corporate executives cited in Section 15.1.1 of the Registration document) over the past two years.

<i>Directors' fees and other compensation received by non-executive corporate officers</i>		
Corporate officers	<i>March 31, 2018</i>	<i>March 31, 2017</i>
Patrice Gassenbach	Amount paid for his term as:	Amount paid for his term as:
	Member of the Board of Directors	Member of the Board of Directors
Directors' fees	33,231	50,000
Other compensation	-	-
Charles Milhaud	Amount paid for his term as:	Amount paid for his term as:
	Deputy Chairman of the Board of Directors	Deputy Chairman of the Board of Directors
Directors' fees	47,077	50,000
Other compensation	-	-
Eugenio Minvielle	Amount paid for his term as:	Amount paid for his term as:
	Member of the Board of Directors	Member of the Board of Directors
Directors' fees	1,938	20,000
Other compensation	-	-
Rhyzlène Nusse	Amount paid for her term as:	Amount paid for her term as:
	Member of the Board of Directors	Member of the Board of Directors
Directors' fees	17,446	35,000
Other compensation	-	-
Françoise Nyssen	Amount paid for her term as:	Amount paid for her term as:
	Member of the Board of Directors	Member of the Board of Directors
Directors' fees	11,077	50,000
Other compensation	-	-
Front Line	Amount paid for its term as:	Amount paid for its term as:
	Member of the Board of Directors	Member of the Board of Directors
Front Line Directors' fees	13,849	16,670
Didier Kunstlinger Directors' fees	27,690	33,330
Other compensation	-	-
Luc Besson	Amount paid for his term as:	Amount paid for his term as:
	Member of the Board of Directors	Member of the Board of Directors
Directors' fees	-	-
Other compensation	-	-
Virginie Besson-Silla	Amount paid for her term as:	Amount paid for her term as:
	Member of the Board of Directors	Member of the Board of Directors
Directors' fees	7,754	-
Other compensation	646,425	-
Mark Gao	Amount paid for his term as:	Amount paid for his term as:
	Member of the Board of Directors	Member of the Board of Directors
Directors' fees	5,815	-
Other compensation	-	-
TOTAL	165,877	255,000

15.1.3 Front Line

Front Line, a reference shareholder in the Company, has been a member of the Board of Directors

since September 16, 2008. A more detailed description of the relations between Front Line and the Group is provided in Chapter 19 of the Registration document “Related party agreements”.

15.2 Total amount of receivables provisioned or recorded by the Company or its subsidiaries for the payment of pensions or retirement or other benefits

No significant amount has been provisioned or recorded for the financial year by the Company or its subsidiaries for the payment of pensions or retirement or other benefits to its corporate officers.

15.3 Compensation and benefits due at the termination of the functions of a corporate officer of the Company

The following table shows a summary of information relating to, where appropriate, the existence of commitments related to the termination of the functions of the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officer of the Company.

Corporate officers	Employment contract		Additional pension scheme		Indemnities or benefits that are or may be due at the termination or change of functions		Indemnities relating to a non-compete clause	
	yes	no	yes	no	yes	no	yes	no
<p>Luc Besson Chairman of the Board of Directors and Chief Executive Officer of the Company</p> <p>Start of the term as Chairman of the Board of Directors: September 28, 2016 Term of office as Chairman of the Board of Directors: 4 years</p> <p>Start of the term as Chief Executive Officer: January 1, 2018 Term of office as Chief Executive Officer: indefinite</p>		x		x		x		x

15.4 Description of the options, warrants and free shares granted to corporate officers

None.

16. BOARD AND MANAGEMENT PRACTICES

16.1 Term of office of the members of the Board of Directors

Refer to Section 14.1 of the Registration document.

16.2 Information about contracts linking members of the Board of Directors, executive management and supervisory bodies and the issuer or any of its subsidiaries providing for the granting of benefits at contract end or an appropriate statement to the contrary

Refer to Section 19.1 of this Registration document.

16.3 Information about the Audit Committee and the Compensation Committee

See paragraph I.3 of Section 16.5 below.

16.4 Statement on the corporate governance in effect

See paragraph I.1. of Section 16.5 below.

16.5 Corporate governance and internal control

The corporate governance and internal control procedures applicable within the Company and the Group made up by the Company and its subsidiaries (the “Group”) have the following purposes:

- ensuring that management actions, operational practices and staff behaviors comply with applicable laws and regulations and are in line with the policies defined by the Company’s governing bodies, as well as the values, standards and internal rules of the Company and Group;
- ensuring that the accounting, financial and management data communicated to the Company’s governing bodies accurately and truly reflect the business and position of the Company and Group.

One of the objectives of internal control is to prevent and manage the risks arising from the Company’s activities and the risks of errors or fraud, in particular in accounting and financial matters, including in the subsidiaries.

Like any control system, it cannot provide an absolute guarantee that all such risks will be completely eliminated, but is aimed at providing reasonable assurance in this respect.

The Group based itself on generally accepted guidelines with respect to corporate governance and internal control, in particular the AMF’s Risk Management and Internal Control Guidelines for Small- and Mid-Caps (*Cadre de référence sur les dispositifs de gestion des risques et de contrôle interne pour les valeurs moyennes et petites*) updated on July 22, 2010 and its implementation guide updated on June 14, 2010.

I - CORPORATE GOVERNANCE AND PREPARATION AND ORGANIZATION OF THE BOARD’S WORK

I.1 Statement concerning corporate governance

The Company does not abide by any specific corporate governance code. Instead, the Board of Directors draws on a certain number of recommendations of the “Corporate Governance Code for Small and Mid Caps” published in September 2016 by Middlednext (the “Middlednext Code”) and the “Corporate Governance Code for Listed Companies” revised in November 2016 by AFEP and MEDEF (the “AFEP/MEDEF Code”), which it takes into account and applies whenever the measures are compatible with the Company’s organizational structure and size.

To ensure transparency and for information purposes, the Board of Directors set up Rules of Procedure (available from the Company’s website), last updated on July 4, 2013. These rules act as the Board of Directors’ governance charter.

In application of the “apply or explain” rule provided for in recommendation 27.1 of the AFEP/MEDEF Corporate Governance Code for Listed Companies, the provisions of the Code which are not implemented, and an explanation of the reasons, are summarized in this chapter.

I.2 Board of Directors

Duties of the Chairman of the Board of Directors and of the Chief Executive Officer

During the financial year ended March 31, 2018, the Company continued until December 31, 2017 with the governance and management system approved by the shareholders at the Combined General Meeting of September 16, 2008 and by the Board of Directors on October 23 of the same year, i.e. a structure with a Board of Directors and separation of the position of Chairman of the Board of Directors, held by Luc Besson, and that of Chief Executive Officer, held by Marc Shmuger,

appointed by the Board of Directors on February 10, 2016, whose term of office was extended by the Board on June 26, 2017 for a period of six months.

Since January 1, 2018, Luc Besson has held the positions of Chairman of the Board of Directors and of Chief Executive Officer.

Composition of the Board of Directors

- *Members of the Board of Directors*

The Board of Directors is composed of 3 to 18 members, except as provided by law in the event of a merger. The members are appointed, reappointed or dismissed by the Ordinary General Meeting of Shareholders.

As of March 31, 2018, the Board of Directors consisted of nine members: Luc Besson, Chairman, Charles Milhaud, Deputy Chairman, and Front Line, represented by Didier Kunstlinger, Patrice Gassenbach, Rhyzlène Nusse, Grégory Ouanhon, Coralie de Fontenay, Lisa Leboff and Virginie Besson-Silla, Directors.

Additional information (appointment date, term of office, other offices held, age, professional background, Company shares held, etc.) on the members of the Board of Directors can be found in Chapter 14 of the Registration document.

In accordance with the Articles of Association, each member of the Board of Directors holds at least one Company share.

As of March 31, 2018, the Board of Directors included two non-voting members sitting as observers: Stéphane Hutten and James P. Moore.

- *Independent members*

In accordance with the Rules of Procedure, the Board of Directors must ensure that at least one third of its members are independent. The Board of Directors of the Company currently has five independent members out of nine (Rhyzlène Nusse, Coralie de Fontenay, Lisa Leboff, Charles Milhaud and Patrice Gassenbach).

The criteria laid down in the Rules of Procedure to enable the Board of Directors to qualify a member as independent are drawn from those laid down in the AFEP/MEDEF Code and are the following:

- not being an employee or corporate officer of the Company or Group, an employee or Director of a shareholder entity which controls the Company, either alone or in concert (as defined by law), or one of its consolidated companies, and not having been in that position over the previous five years;
- not being a corporate officer of a company in which the Company holds, either directly or indirectly, a directorship or in which an appointed employee or a corporate officer of the Company (at present or over the past five years) holds a directorship;
- not being a client (or being associated with a client either directly or indirectly), supplier, merchant banker, or financing banker, if the business relations are liable to compromise the exercise of the member's independent judgment;
- not having close family ties with a corporate officer of the Company or Group;
- not having been an auditor of the Company or one of its subsidiaries over the past five years;
- not having been a corporate officer of the Company for more than 12 years;
- not receiving or having received material additional compensation from the Company or Group other than Directors' fees, including the award of any stock options or any other type

of performance-related compensation.

The members of the Board of Directors representing significant direct or indirect shareholders of the Company may be considered as independent if these shareholders do not control the Company within the meaning of Article L.233-3 of the French Commercial Code. However, where a member of the Board of Directors represents a Company shareholder holding, either directly or indirectly, over 10% of the Company's share capital or voting rights, the Board of Directors re-examines the member's independent status taking into consideration the composition of the Company's capital and the existence of potential conflicts of interests.

The Independent Member status is examined by the Compensation and Appointments Committee upon the member's nomination. This Committee then reports its conclusions to the Board of Directors. In the event of a change in the position of the member concerned, the Board of Directors re-examines the Independent Member status in view of the above-mentioned criteria.

- *Gender balance among members*

The Board of Directors comprises members of each sex and has made efforts to improve gender balance among its members.

At the General Meeting of September 26, 2014, convened to approve the financial statements for the financial year ended March 31, 2014, the shareholders were asked to appoint Rhyzlène Nusse as a new Director, to bring the minimum representation of each gender to 20%, in compliance with the provisions of Article 5 II of Act 2011-103 of January 27, 2011.

The Company has complied with its obligation to reach a minimum 40% of women following the first Ordinary General Meeting held after January 1, 2017, by appointing Coralie de Fontenay and Lisa Leboff as directors at the General Meeting of September 27, 2017.

Role and practices of the Board of Directors

The practices of the Board of Directors are governed by the legal and regulatory provisions applicable to French public limited companies with a Board of Directors, as well as the Company's Articles of Association and the Board of Directors' Rules of Procedure last updated on July 4, 2013. Adopted in the aim of improving the Company's governance rules and increasing its performance, these Rules of Procedure strive to increase the Board's involvement in strategic Company decisions and the presence of Independent Directors in the two committees tasked with examining and preparing the Board's decisions.

These rules act as a governance charter for the Board of Directors. Their purpose is to ensure the quality of the Board members' work by promoting the implementation of the best corporate governance principles and practices. They comprise a Directors' Charter, which encourages regular attendance of the members. Indeed, any Director who fails to attend three consecutive meetings may automatically be considered as having resigned by the Board of Directors.

The Board meets as often as required in the Company's interest and at least once every three months, and whenever deemed appropriate. As stipulated in the Board's Rules of Procedure, the Board examines and decides on the Company's strategic policies at least once a year. Moreover, the Chairman of the Board of Directors must convene a Board meeting within a maximum of fifteen days whenever the Chief Executive Officer, or at least one third of the Board members, requests it. If the request is unheeded, the requester(s) may convene the meeting themselves, setting out its agenda.

The Chairman of the Board organizes and directs the Board's work and ensures that its members and the staff representatives have all the information and documents they require to fulfill their duties. Any Director can obtain the documents they deem useful for the preparation of a meeting, provided they request them within a reasonable amount of time. In addition, between meetings, the Directors receive all useful information on any events or operations which are significant for the Company.

The Chairman may not be older than 65 and is assisted by a Deputy Chairman.

In accordance with the Company's Articles of Association, decisions are taken on a majority vote of the members present or represented. In the event of a tie, the Chairman of the Board has the casting vote.

Insofar as possible and depending on the circumstances applicable, any Board decision within the purview of a committee it has set up is preceded by a referral to said committee and is only adopted after submittal of the committee's recommendations or proposals. However, this committee consultation process is not aimed at delegating the powers granted to the Board by law or by the Articles of Association, and does not reduce or limit its powers.

An attendance record is kept at the Company's registered office, stating the names of the Board members present at each meeting, either physically or through means of telecommunication or remote transmission, as well as the names of represented members. The proxies are appended to the attendance record. The minutes of each Board meeting are drawn up by the Board secretary then approved by the Chairman who submits them to the Board's approval at a subsequent meeting.

Moreover, as stipulated in the Board's Rules of Procedure, the Board conducts an annual internal evaluation of its operating procedures and work methods. Every two years, it may decide to have this evaluation carried out by an independent firm. At its meeting of July 17, 2018, the Board conducted its internal evaluation in respect of the financial year ended March 31, 2018.

Authority of the Board of Directors

The Board of Directors determines the Company's strategic orientations and ensures they are adhered to. With the exception of powers expressly assigned to Shareholders' Meetings and within the limit of the corporate purpose, the Board examines all questions relating to the proper functioning of the Company and settles all matters concerning the Company.

In the aim of increasing the involvement of the Board of Directors in strategic Company decisions, the Board's Rules of Procedure include a list of decisions which must be taken by the Board. These decisions concern the following:

- drawing up the annual budget and film line-up;
- any change in strategic policy and any decision extending beyond the strategic policy approved by the Board;
- any change in the scope of the Company's activities or their content, through the creation, elimination or restructuring of business lines;
- any decision concerning the launch of insolvency proceedings involving the Company or one of its subsidiaries or the appointment of a judicial administrator;
- any management decision liable to modify the annual budget by plus or minus 20%;
- any investment or divestment, asset purchase or sale, made by the Company; any decision, agreement or commitment concerning intellectual property rights for an amount exceeding €15 million;
- any issue of marketable securities;
- any change in the annual film release schedule (line-up) resulting in a change of more than

20% in the latest estimate of income from recurring operations before taxes as presented to the Board;

- any decision to launch a production with a budget exceeding €65 million;
- any new loan of more than €15 million, except for film credit lines and film financing from specialized organizations;
- any decision or Company commitment concerning real estate rights equivalent to an annual expense of more than €2.5 million for the Company, excluding expenses and tax;
- any decision concerning the Company's recruitment, dismissal or change in the compensation of corporate officers, senior executives, or any employee whose gross annual compensation (fixed and variable) amounts to at least €400,000.

Throughout the year, the Board of Directors conducts the checks and controls it deems appropriate and may request the documents it deems necessary to fulfill its duties.

After the closing of each financial year and within the legal deadline, the Board of Directors presents a report on the year's financial statements to the annual Ordinary General Meeting convened to approve the annual financial statements and, where applicable, the consolidated financial statements.

In accordance with applicable legal requirements and regulations, certain operations may only be decided by the Chief Executive Officer after their prior authorization by the Board of Directors, in particular:

- pledges, sureties or guarantees given in the Company's name (the Board of Directors may set a total annual amount or per-commitment amount below which its authorization is not required);
- agreements coming under Article L.225-38 of the French Commercial Code.

Board ethics

The Board of Directors is required to act in the Company's interest in all circumstances. To ensure good corporate governance, the Board of Directors has included a Directors' Charter in its Rules of Procedure, which sets out the members' rights and obligations and must be adhered to by all members.

Before accepting their positions, all Directors must ensure that they are fully aware of their general and specific obligations, as stipulated in applicable laws and regulations, the Articles of Association, the Rules of Procedure (comprising the Charter), and any other applicable text.

The Directors' Charter reads as follows:

1. Directors must be competent, active and committed. If a Director fails to attend three Board meetings in a row, the Board of Directors may automatically consider this Director as having resigned.
2. Directors must act in the Company's best interest in all circumstances. Directors undertake to defend and promote the Company's values.
3. Directors must dedicate the required amount of time and attention to their duties. Directors must be diligent and, insofar as possible, attend all Board meetings.
4. Directors must attend the General Meetings of Shareholders.
5. Directors have a duty of loyalty and diligence. In this respect, the Directors undertake to:
 - inform the Board of Directors of any (potential) conflict of interest, and abstain from related discussions and voting;
 - refrain from any involvement in companies in competition with the Company and its Group,

- unless they have informed the Board of Directors beforehand and obtained its approval.
6. Directors have a duty of confidentiality concerning all non-public information gained while carrying out their duties.
 7. Directors must ensure that they receive, in good time, all documents and information required for the fulfillment of their duties. It is up to each Director to request such documents and information from the Chairman of the Board of Directors. Any Director who deems that the information provided was insufficient may ask the Chairman or Board of Directors to suspend its decision.
 8. Directors must have the broadest possible knowledge of the Company's specificities, businesses and industry; they must ensure that they have the required up-to-date knowledge for the proper performance of their duties.
 9. Directors must ensure that they retain their independence and freedom of judgment, decision and action in all circumstances. They undertake not to be influenced by any factor that may be detrimental to the corporate interests they are required to defend.
 10. Directors undertake to avoid any conflict between their own personal and material interests and those of the Company. They shall inform the Board of Directors of any conflict of interest in which they may be involved. In such cases, they shall abstain from any discussions and decisions on the matters concerned.

Board meetings during the financial year ended March 31, 2018

The Board of Directors met ten times during the financial year ended March 31, 2018, with on average seven Directors present and an average attendance rate of 85%.

The staff representatives were convened and attended all Board meetings. The Statutory Auditors were convened and attended the Board meetings held to examine the Group's quarterly and annual financial statements.

Three Board meetings have been held since the end of the 2017/2018 financial year.

I.3 Organization and functioning of Board committees

The Company's Board of Directors has set up two internal specialized committees: the Audit Committee and the Compensation and Appointments Committee. These committees' operating procedures are governed by specific stipulations in the Board of Directors' Rules of Procedure.

In particular, each committee may, for the performance of its duties, obtain from the Company any document it deems useful for its purposes, interview any or all of the members of the Board of Directors, the Chief Executive Officer or any other person as it deems useful, or seek the assistance of any third party (expert, consultant, lawyer or Statutory Auditor) in its meetings. Each committee may invite any or all of the members of the Board of Directors and the Chief Executive Officer to its meetings. For the committees' deliberations to be valid, at least half of its members must be present.

The length and frequency of meetings must be such that they allow for in-depth review and discussion of the topics within the purview of the committee. Decisions are taken by a majority vote of the committee members and are recorded in minutes signed by the Chairman and a committee member attending the meeting.

The committee members make all recommendations they deem appropriate to improve the functioning of the committees.

Audit Committee

- *Authority of the Audit Committee*

The Audit Committee helps the Board ensure the accuracy and fair presentation of the Company's separate and consolidated financial statements and the quality of the information provided. In particular, for the preparation of the Company's separate and consolidated financial statements (annual and half-year), as well as for the preparation of any decision concerning the Company's financial statements, the Audit Committee is tasked with making any recommendation or proposal to the Board of Directors in all of the following areas:

Review and control of the financial statements, for the purpose of assisting the Board of Directors in its review and approval of the annual and half-year financial statements:

- review of the scope of consolidation, accounting methods and control procedures;
- review of the half-year and annual financial statements, including the analysis of provisions, material disputes, material risks and off-balance sheet commitments;
- review of the accounting positions taken for the recording of material operations;
- opinion given to the Board of Directors on any significant changes planned in accounting methods;
- review of the Group's financial structure.

Monitoring of the Statutory Auditors' assignment:

- steering of the Statutory Auditor selection procedure;
- opinion given to the Board of Directors on the draft proposals to be submitted to the General Meeting concerning the replacement and reappointment of Statutory Auditors;
- review of the fees paid to the Statutory Auditors to make a recommendation to the Board of Directors;
- compliance check to ensure the independence of the Statutory Auditors.

Monitoring of the internal audit:

- opinion on the role and organization of the Group's internal audit, and on its action plan if a significant change takes place within the organization;
- review of the work carried out by the internal audit team.

In support of the above-mentioned assignments:

- review of the procedures used for the provision of information to shareholders and the market;
- review of the organization and implementation of internal control procedures within the Group;
- notice prior to the following decisions of the Board of Directors: preparation of the annual budget; decision tending to initiate insolvency proceedings for the Company or one of its subsidiaries or the appointment of a judicial representative; management decision of a nature to modify the annual budget approved by the Board by more or less than 20%; issue of transferable securities; subscription to new loans of an amount in excess of €15 million, excluding a credit line for films and excluding financing of films with specialized organizations; decision or commitment related to real estate rights for the Company equivalent to a charge for the Company in excess of €2.5 million on an annual basis excluding charges and taxes.

- *Audit Committee operating procedures*

The Audit Committee meets at least four times a year and whenever it deems it necessary. It also meets prior to any Board meetings set to examine an issue related to its duties. The length and frequency of meetings must be such that they allow for in-depth review and discussion of the

topics within the purview of the committee.

Once a year, the committee receives the Company's Statutory Auditors, in the absence of the Company's executive officers if appropriate. In the performance of its duties, the Audit Committee and in particular its Chairman has regular exchanges with the Company's Chief Financial Officer.

- *Composition of the Audit Committee*

The Audit Committee is composed of a maximum of five members, of which at least two thirds are Independent Members. Moreover, no corporate officer with executive duties may be a member of the committee. The members of the Audit Committee must be chosen on the strength of their accounting and financial expertise.

As of March 31, 2018, the Board of Directors appointed three members to the Audit Committee: Charles Milhaud, Chairman of the committee, and Deputy Chairman of the Board, Patrice Gassenbach and Lisa Leboff, members of the Board of Directors. All of the committee's three members are Independent Members.

- *Audit Committee meetings during the financial year*

The Audit Committee met five times during the 2017/2018 financial year, compared with six times the previous year. Moreover, the Audit Committee has met once since the year-end close.

Compensation and Appointments Committee

- *Authority of the Compensation and Appointments Committee*

The duties of the Compensation and Appointments Committee include the following:

- making any recommendation to the Board of Directors on the compensation of Board members including the Chairman and Deputy Chairman, the compensation of the Chief Executive Officer and Deputy CEOs, as well as the rule for determining their variable components, and fringe benefits such as retirement schemes and benefits in kind;
- being informed of the severance indemnities envisaged for the Company's senior executives and corporate officers, and giving an opinion on this matter to the Chairman of the Board of Directors;
- making recommendations to the Board of Directors on the policy governing the award of stock options and free shares, concerning all categories of beneficiaries, and in particular, concerning the Company's Chief Executive Officer and Deputy CEOs; making recommendations about the timing of the awards and the award procedures;
- giving an opinion prior to the appointment, re-appointment or dismissal of the Board members and Chairman, the committee members and Chairman, the Chief Executive Officer and the Deputy CEOs, as to their expertise, availability, suitability and complementarity with the other members of the Board of Directors and Senior Management;
- giving an opinion prior to any Board decision concerning the recruitment, change in compensation, or dismissal by the Company of any senior executive or employee whose total annual gross compensation (fixed and variable) amounts to at least €400,000;
- proposing the status of Independent Member for the Board members concerned;
- performing checks to ensure compliance with independence criteria, giving an opinion on the matter and, where appropriate, advising the Chairman of the Board of Directors on the number of Independent Members;
- being able to put forward a proposal at any time for a successor to the Chairman of the Board of Directors in the event of an unforeseen vacancy.

- *Functioning of the Compensation and Appointments Committee*

The Compensation and Appointments Committee meets at least once a year and, in all cases, prior to Board meetings set to examine an issue relating to its duties. The length and frequency of the Compensation and Appointments Committee meetings must be such that they allow for in-depth review and discussion of the topics within the purview of the committee.

- *Composition of the Compensation and Appointments Committee*

The Compensation and Appointments Committee is composed of a maximum of five members, the majority of which must be independent. Furthermore, no executive corporate officer may sit on this committee. The Chairman and the Deputy Chairman of the Board may be members of the Compensation and Appointments Committee but cannot take part in the committee meetings dealing with their own compensation. Moreover, this committee cannot be chaired by the Chairman of the Board of Directors.

The Compensation and Appointments Committee had three members as of March 31, 2018: Charles Milhaud, Deputy Chairman of the Board of Directors, Didier Kunstlinger, permanent representative of Front Line, and Rhyzlène Nusse, Directors. The meetings are chaired by Charles Milhaud. The committee thus comprises two Independent Members out of its three members.

It met twice this year, as was the case during the previous financial year.

Moreover, since March 31, 2018, the committee has met once.

I.4 Principles used to set the compensation and other benefits granted to corporate officers

Directors' fees paid to the members of the Board of Directors

The members of the Board of Directors may be granted Directors' fees in the form of a fixed annual compensation set by the General Meeting and maintained until a new GM decision.

The Directors' fees are divided among the members of the Board of Directors as it sees fit. The apportionment takes account of factors such as the Directors' actual attendance of Board meetings, and their participation in the Audit Committee or Compensation and Appointments Committee. Members of these committees may be allocated larger amounts than other Board members.

The Board sets the compensation to be granted to the Chairman and Deputy Chairman of the Board and to the Chief Executive Officer. In accordance with the Rules of Procedure, Board members, except for the Chairman, Deputy Chairman and Chief Executive Officer, are not allowed any compensation, whether permanent or not, other than Directors' fees. However, the Board of Directors may allow the refund of travel expenses and the expenses incurred by Board members in the Company's interest.

The General Meeting of September 26, 2014 set the total amount of Directors' fees granted to the Board of Directors to €300,000 per year as from financial year 2014/2015, leaving the Board free to divide this amount among its members.

At the Board meeting of July 18, 2016, on the proposal of the Compensation and Appointments Committee, the Board of Directors decided to distribute €210,000 as Directors' fees to Board members for the financial year ended March 31, 2016.

At the Board meeting of July 17, 2017, on the proposal of the Compensation and Appointments Committee, the Board of Directors decided to distribute €180,000 as Directors' fees to Board members for the financial year ended March 31, 2017.

At the Board meeting of July 17, 2018, on the proposal of the Compensation and Appointments Committee, the Board of Directors decided to distribute €180,000 as Directors' fees to Board members for the financial year ended March 31, 2018.

Other compensation

The Chairman of the Board of Directors is the only Board member to receive any compensation in respect of his office. Consequently, he does not receive Directors' fees. Furthermore, the Chairman of the Board of Directors does not hold a salaried position within the Group.

During the financial year ended March 31, 2018, the Chairman's gross compensation amounted to €3,927,977 (including his salary as director and screenwriter), excluding non-cash benefits which amounted to €1,081,045 for the period.

Additional information on the compensation paid to the Company's executive corporate officers is set out in Chapter 15 of the Company's 2017/2018 Registration document, including the information required under the AFEP/MEDEF Code recommendations.

I.5 Procedures regarding shareholder participation at General Meetings

Company shareholders can take part in the General Meetings in accordance with the provisions of Article 19 of the Articles of Association, summarized below.

General Meetings are convened according to the conditions set by applicable laws and regulations. They may be convened by the Board of Directors.

The agenda of the Meeting is set by the party calling the Meeting. Shareholders may request the inclusion of draft resolutions on the agenda, under the conditions set by applicable laws and regulations.

All shareholders, irrespective of the number of shares they hold, have the right to attend the General Meetings and take part in the vote, either in person, by proxy or by post, subject to their registration in the Company's ledgers. These formalities must be completed by the second business day preceding the Meeting, at 00:00 Paris time. The Board of Directors may bring this deadline forward to the benefit of all shareholders.

As an alternative to personal attendance, shareholders may choose one of the following three options:

- be represented by another shareholder or by their spouse;
- vote by post;
- forward a proxy to the Company without naming a proxy holder, under the conditions set by applicable laws and regulations.

Company shareholders who are not French residents may be registered in the Company's ledgers and be represented at the General Meeting by any intermediary registered on their behalf and holding a general power of attorney for the management of their securities. This, however, requires the intermediary to have declared its capacity to hold shares on behalf of third parties

with the Company or with a financial intermediary prior to opening an account, in accordance with applicable legal and regulatory requirements.

The Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the Chief Executive Officer. In their absence, the Meeting is chaired by the Deputy Chairman of the Board of Directors or by a specially appointed Board member.

On the decision of the Chief Executive Officer, shareholders may take part in the Meeting by videoconference, and vote by any means of telecommunication or remote transmission including the Internet, under the conditions set by applicable regulations at the time of their use. This decision is announced in the notice of meeting published in the French official gazette (BALO).

The shareholders who, within the required time limit, use the electronic voting form provided on the website set up by the organizer of the Meeting, shall be deemed equivalent to the shareholders present or represented by a proxy.

I.6 Factors likely to have an impact in the event of a public offer

Pursuant to Article L.225-37 of the French Commercial Code, the factors likely to have an impact in the event of a public offer are set out and explained in accordance with Article L.225-100-3 of the French Commercial Code in the Company's 2017/2018 Registration document (refer to the reconciliation table presented in the Appendix to the Registration document).

I.7 Implementation of the "apply or explain" rule

In application of the "apply or explain" rule provided for in recommendation 27.1 of the AFEP/MEDEF Corporate Governance Code for Listed Companies, the provisions of the Code which are not implemented, and an explanation of the reasons, are summarized in this chapter.

Article 23 of the AFEP/MEDEF Corporate Governance Code for Listed Companies, recommends that non-compete agreements be signed with executive corporate officers.

The signing of non-compete agreements is intended to restrict the freedom of executive corporate officers to take on duties at a competitor. This protects the Company and requires a financial counterparty for the executive.

However, the Company, wishing to maintain its appeal for leading corporate executives and aware that it is one of the only vertically-integrated independent studios in Europe, did not feel that it was necessary to implement the recommendation.

II - INTERNAL CONTROL PROCEDURES

Agreements with family members are presented in Section 19.1 of the Registration document and agreements with members of the Board of Directors or management are presented in Section 19.2 of the Registration document.

II.1 Objectives and scope of the internal control procedures

Definition

The Group's internal control system is designed to ward off the specific risks arising from the Group's main businesses.

The internal control procedures aim to provide reasonable assurance regarding the achievement of the following objectives:

- compliance with applicable laws and regulations;
- control of the Group's businesses and processes and achievement of the strategic and operational objectives it has set;
- reliability, quality and availability of financial information;
- protection of the Group's assets, human resources and brands.

Limitations of the internal control system

Like any control system, the internal control system, however well designed and implemented, cannot provide an absolute guarantee of the achievement of the Company's objectives or fully ensure that the risks of errors or fraud, especially in accounting and financial matters, have been totally eliminated.

Scope

The internal control procedures are generally defined by the parent company, EuropaCorp SA, for the Group.

The control procedures described in this report thus concern the following companies consolidated by EuropaCorp: EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Dog Productions, Intervista, Ydéo, Roissy Films, EuropaCorp TV, EuropaCorp Television, Blue Advertainment, Blue Event, Digital Factory, EuropaCorp Aéroville, EuropaCorp Films USA, Valerian and Valerian Holding.

The management of most of the Group's subsidiaries is centralized at the registered office. Consequently, these entities apply the parent company's rules and procedures.

II.2 Identification of risks and formalization of the internal control procedures

Identification of risks

The Management Control unit has drawn up a map of the risks and processes. This mapping procedure aims to identify the main management processes and related potential risks. The appraisal of these risks has made it possible to identify the controls required to prevent their occurrence and to define the objectives of the Group's internal control procedures and their implementation methods. This document is updated on a regular basis, in particular concerning job titles, delegations of signing authority with third parties and banks, the payment ceilings authorized and the description of the new controls set up.

Overall, the goal of the new rules is to submit to a single management line all of the commitments liable to be undertaken by the Group. Only the Chief Executive Officer is now empowered to commit the Group, except where he has delegated his signing authority. Likewise, the delegation ceilings have been reduced. Moreover, EuropaCorp serves as Chairman in each of its consolidated subsidiaries (simplified joint-stock companies). This

reinforces the control procedures by aligning all of the subsidiaries' decision-making processes with those of the parent company.

Formalization of control procedures

The procedures describing the controls to be carried out concerning operational risks and, in particular, those identified in the mapping of risks and processes, have been laid down in writing and communicated to all department and subsidiary managers. The Company's Chief Executive Officer controls the proper implementation of these of procedures with the means at his disposal.

The procedures relating to the control of other types of risks are communicated or made available to staff, mainly via the Company's intranet. Such is the case for the procedures concerning the treatment of all CNC-related files, the professional expense policy, and the accounting procedures for special operations.

The internal control procedures laid down by the Group are reviewed on a regular basis via quarterly tests to appraise their proper implementation and relevance. Moreover, they are updated whenever this proves necessary. The update concerns the description of the processes and risks, as well as the presentation of the controls carried out. It also includes the description of any new controls set up. It is communicated to Group staff. These procedures are handed out to any new employees concerned.

Other internal control measures

In addition to the formal internal control procedures, such as the ones described above, which have been laid down in writing and are communicated to the various internal control players, the Group has laid down a certain number of rules and principles concerning the behavior of its employees and corporate officers.

- *The Group's Rules of Procedure*

EuropaCorp's Rules of Procedure include certain rules of professional ethics and promotes a certain number of principles, good practices and values to be adopted by all employees of EuropaCorp and its subsidiaries in the daily performance of their duties.

- *The Company's market ethics charter*

Following the Company's stock exchange listing, a market ethics charter was circulated, setting rules for corporate officers, related persons and Company insiders (as defined therein) concerning transactions in Company stock.

It aims to draw their attention to applicable laws and regulations in this concern, and their requirement to strictly comply with them, as well as the penalties for disregard of these laws and regulations, and to set up preventive measures allowing everyone to invest in Company stock while abiding by market integrity rules.

The Company's ethics officer is tasked with transmitting the charter, by any means, to each corporate officer, related person and Company insider, specifying their status (corporate officer, insider or related person). An up-to-date ethics charter was sent to all persons concerned in January 2012.

II.3 Internal control procedures

To achieve its operational and financial targets, the Group has set up a certain number of organizational and internal control measures within the framework of the general organization described below.

The Company's internal control is chiefly ensured by the Board of Directors, the Audit Committee, the Chief Executive Officer, the operational managers of Group companies, and the Group's Financial and Legal Departments, as well as all employees in general. These various players are instrumental in the control of the activities and associated risks in their areas of responsibility.

It is to be noted that the Company has not set up an internal audit department. The internal control tests are performed by the Management Control unit.

Board of Directors' role in the implementation of internal control

On September 16, 2008, EuropaCorp adopted the legal form of a French public limited company with a Board of Directors, and since October 23, 2008 the functions of Chairman of the Board of Directors have been separate from those of the Chief Executive Officer. This corporate governance structure effectively separates administrative and management positions from control positions.

The Board members have regular access to information concerning all the Group's businesses. They thus have access to sales figures for the main businesses (box office revenue, international sales, television and video sales). The Finance Department sends business reports to the members of the Audit Committee. These reports give them a good grasp of the Group's medium-and long-term objectives, associated risks, and the measures set up to achieve the objectives.

The Board of Directors controls the Chief Executive Officer's management of the Company and decides which operations he cannot carry out without its prior authorization, in strict compliance with legal requirements and the Company's Articles of Association. The Board of Directors also examines the Group's annual budget. The Board committees support the Board of Directors in its duties.

The Audit Committee thus reviews the Group's half-year and annual financial statements, while the Compensation and Appointments Committee appraises any operation related to the compensation of corporate officers or any other operation for the benefit of employees such as decisions to award free Company shares or stock options.

Functional and operational committees

A Management Committee was set up in the course of financial year 2010/2011. It currently includes Senior Management, the Deputy Chief Executive Officer, the Information Systems and Technical Director, the Legal Department Director, the Human Resources Director, the Film Administration Manager, the Sales and Distribution Directors, the Digital Factory Director and the Chief Financial Officer. This committee meets once a week for an hour.

In parallel with these Management Committee meetings, weekly meetings naturally take place between the Chief Executive Officer and the Operational Managers of each department to ensure that the Group's projects and activities are making good progress and are implemented in compliance with the procedures.

Main departments targeted by the internal control and risk management procedures

- *Corporate Secretariat*

Mainly in charge of the human resources and legal procedures concerning the Group's organization, the Corporate Secretariat ensures that the Group complies with its obligations in respect of labor law and corporate law. Following the departure of the Corporate Secretary in January 2012, this position is now held directly by the Chief Executive Officer.

- *Finance Department*

The Finance Department is in charge of preparing the financial statements and consolidated reports and takes part in the budgeting process. To this effect, the Finance Department strives to prevent associated risks from materializing.

Accordingly, detailed trend charts for each film and business are used every month to detect any budget under/over runs, in order to rapidly implement the required corrective actions.

Moreover, in collaboration with the Treasury and the Management Control unit, the Finance Department analyzes the Group's cash position on a regular basis. The Chief Executive Officer is immediately informed of any potential cash-flow risk concerning investments.

The Finance Department is also tasked with controlling the cost of operations conducted by the Group in foreign currencies. To this effect, several foreign exchange hedging transactions were carried out during the financial year on future revenue, in particular to fulfill the Group's obligation to hedge its syndicated credit line.

- *Treasury Department*

The Group's Treasury Department, coming under the direct authority of the Chief Financial Officer, is tasked with ensuring that the Company has adequate sustainable sources of funding to meet its needs:

- through weekly cash position statements and forecasts;
- through an analysis and regular update of 12-month cash flow forecasts: to improve internal control procedures, this analysis is now conducted by the Group's Management Control unit in close coordination with the Group's Treasury Department.

It also performs the following duties:

- daily management of accounts (as at value date);
- tracking of financial transactions;
- tracking of foreign exchange and interest-rate hedging operations. The Group's Treasurer and the Chief Financial Officer or the Deputy Chief Executive Officer are authorized to carry out stock exchange transactions up to €5 million except in the event of express authorization from the Chief Executive Officer.

Bank reconciliations enable to check and validate Company outgoings. They are carried out on a regular basis by each entity's accounting department under the responsibility of the Group's Chief Accountant.

The risk of internal fraud is reduced through a countersigning system for all of the means of payment used by the Company and its subsidiaries, which requires the signature of two authorized signatories to commit the Company. The authorizations are updated on each change of signatory. Moreover, beyond certain limits, only the Chief Executive Officer can commit the Company.

The Company implements a conservative cash management policy. The Treasury Department safely invests available assets in short-term money market UCITS, deposit certificates, term accounts or commercial paper, depending on future investment needs.

Fluctuations in interest rates and foreign exchange have a direct impact on EuropaCorp's operations. The Treasury Department's role is to limit that impact, in view of market expectations.

The short- and long-term financing activities (such as credit lines specialized in the financing of productions) are performed by the Finance Department. The development of the debt, in particular concerning production liabilities, as well as hedging operations, is also specifically tracked by the Treasury Department.

- *Legal Department*

The Legal Department is in charge of the formalization and drafting of all activity-related contracts. It also tracks pre-litigation files and contract-related disputes in close collaboration with law firms.

The Group takes the required measures to prevent all risks stemming from unanticipated or misidentified changes in the legal and regulatory framework applicable to it.

To protect the Group from such risks, the Group's Legal Department monitors legal and regulatory developments, in the aim of guaranteeing the compliance of all Group activities with the rules applicable to them.

- *EuropaCorp's IT Department*

The IT Department is tasked with management of the Group's IT network, involving specific applications developed in-house, as well as software purchased from external service providers. In order to identify any IT issues or risks to which the Group is or may be exposed, the IT Department has drawn up a map of the IT systems, which it updates on a regular basis.

Concerning IT security procedures, EuropaCorp regularly acquires new tools which enable it to:

- improve daily data backup in a secure external environment;
- run applications in a secure room;
- protect the Company's network through firewalls and antivirus solutions.

Moreover, the Group has control procedures which secure the production and processing of accounting and financial data. In recent years, it has invested in software dedicated to film administration, accounting and consolidation, in order to cope with the growing flow of information.

II.4 Internal control procedures dedicated to the production and processing of accounting and financial data

The purpose of these internal control procedures is to define and implement the accounting policy, the management of resources and the control of existing constraints in order to meet the Company's objectives.

The accounting and financial data is produced by the Finance Department, which is in charge of Corporate Accounting, Group Management Control and the Treasury Department.

Management Control players

Group Management Control is organized according to the Group's operational and functional divisions. It relies on Corporate Controllers who cover the various departments and subsidiaries:

- a Management Control Officer tasked, inter alia, with supervising the entire control procedure carried out by his or her team;
- five controllers or rights-holder managers sharing the following tasks: the monitoring of third parties, functional and operational management control, the consolidation of the financial statements and budget, operational and financial reporting, and business monitoring.

The Management Control unit is part of the Finance Department.

The cost accounting of Group companies is organized on a per-production basis. This structure allows compliance with the accounting rules concerning the amortization of films, as well as the calculation of the royalties payable to third parties. It also allows detailed follow-up of the direct margin for each production.

Management report: quarterly budget control and dashboards

Revenue is recognized at the end of each quarter. The accounts are closed at the end of each half-year, while Group consolidation is done half-yearly and annually.

A detailed monthly report enables to identify budget under/over runs for each operational and functional entity, and update the year-end consolidated gross operating margin forecast (before film amortization expenses and royalties), according to the results already recorded since the beginning of the financial year and the updated results forecast for each activity.

On a quarterly basis, the Chief Financial Officer or Deputy Chief Executive Officer, in close collaboration with the Management Control Officer, reports to the Audit Committee and possibly the Board of Directors on the analysis of the consolidated dashboards.

There may be significant discrepancies between operating margin forecasts (before film amortization expenses and royalties) and the operating margin actually recognized. This is due to the nature of the Company's business. This applies to all the film-related businesses. Major uncertainties giving rise to upward or downward fluctuations include the following: the success of film releases in French cinemas, and videos in France (also including sequel forecasts), the set-up of anticipated or new action plans for TV activities in France and the performance of international sales (compliance with delivery timeframe and the amount and pace of royalties are difficult to predict).

Moreover, the average amortization expense budgeted for is not updated in the monthly report due to the associated workload and available tools. It is nevertheless a significant expense within the operating margin.

Most of the accounting entries are automatic entries recorded upstream by trade-specific software. The Group's Chief Accountant carries out regular checks on all accounts, including through controls and spot checks on book entries.

Annual business plan

The Finance Department organizes the planning process and defines its principles and timetable with the Chief Executive Officer.

On behalf of the Group's Operational and Functional Managers, the Chief Executive Officer presents to the Board of Directors the strategy and objectives adopted for the Group for the upcoming year, as well as the detailed budget required for their achievement, as defined by the financial teams. During this stage, adjustments may be made.

The approved budgets are used as a reference for the expenses planned for the upcoming financial year.

Update of the annual business plan

As the films are released and based on updated business forecasts, the Management Control unit conducts a "forecast update" of the annual results during the first quarter of the year. This forecasting system informs the Chief Executive Officer of the possible impact of any business changes and provides a forecast of the Group's revenues and operating margin.

Closing of the separate financial statements

The year-end closing of the separate financial statements is carried out according to a schedule set by the Finance Department, detailing the tasks to be performed by each functional unit and the associated deadlines.

Cost accounting, general accounting and subledger accounting are centralized and performed via a reliable software solution widely used by listed companies. Budget accounting is done outside this software. The accounting teams file and record all accounting operations and documents via financial IT systems placed under the authority of system administrators.

The films are amortized on the basis of current and future revenues. The revenue projections are determined on each closing date by the relevant operational managers, before being reviewed by the Finance Department and the Chief Executive Officer.

The Finance Department produces closure files including a dynamic analysis of all statement of financial position items and certain Income Statement items. The changes recorded in comparison with the previous financial year are subject to comments which provide further details on EuropaCorp's business.

Consolidation of financial statements processes and financial reports

Since March 31, 2006, the Group's consolidated financial statements have been produced in accordance with international accounting standards (IFRS) adopted by the Group since its IPO, which took place during the financial year ended March 31, 2008.

The year-end closing of the consolidated financial statements is carried out according to a schedule set by the Finance Department. The consolidation of the financial statements is done via consolidation software which acts as a structuring tool implementing the regularly updated accounting rules and principles.

The Group's subsidiaries use the management principles set by the Group for the requirements of the separate and consolidated financial statements. The consolidation documents of the Group's entities are produced by the subsidiaries' accountants. Much of the control work is carried out via the consolidation system configured to include numerous controls, some of which are restrictive.

The consolidated financial statements are produced by the Finance Department for the whole of the Group. It ensures that the source information provided by the subsidiaries is consistent and strives to guarantee, to the best of its ability, that the consolidated financial statements have been prepared in accordance with current standards and regulations and that they give a fair presentation of the Group's business and financial position. The Group's consolidated financial

statements are published half-yearly and annually. To this effect, they are reviewed by the Group's financial control unit before a limited review or audit, then approved by the Board of Directors, based on the Audit Committee's observations.

Identification of off-statement of financial position commitments

On the closing of the half-year and annual financial statements, the Finance Department collects the information required to report on consolidated off-statement of financial position commitments from all Company departments and Group subsidiaries.

Monitoring of tangible assets

The Group's assets are monitored via accounting software. On a regular basis, asset reviews are conducted to verify the reality and fair value of tangible assets.

Valuation of subsidiaries and equity interests

An annual impairment test is performed on the Group's main acquisitions to ensure that their net book value matches their fair value. Fair value is the higher of recoverable amount and value in use. Value in use is determined using the discounted future cash flow method based on the principles detailed in the Group's financial statements.

Financial communication

Financial communication rests on the general principles and good practices of financial communication laid down in the Financial Communication Framework and Practices guidelines (written by the Financial Communication Observatory [*Observatoire de la communication financière*] under the aegis of the AMF). Before the announcement of the half-year and annual results, the Company observes a quiet period of two weeks during which it has no contact with analysts or investors.

Monitoring of corporate officers' expense accounts

A new procedure for reviewing corporate officers' expense accounts was introduced by the Company during the financial year ended March 31, 2012. All of the expenses are now reviewed periodically and checked by the Chairman of the Audit Committee.

II.5 Expected developments

In order to supplement and reinforce existing internal control measures, the processes were assessed over recent financial years. The previously established process to identify the controls and operations aimed at preventing risks and detecting anomalies, as well as the mapping of risks and key processes, are updated on a regular basis. Instructions to this effect have been given to the Operational Managers concerned.

The Chief Executive Officer is continuing his efforts to implement all improvements liable to maintain or increase the reliability of operational and financial information within the Group.

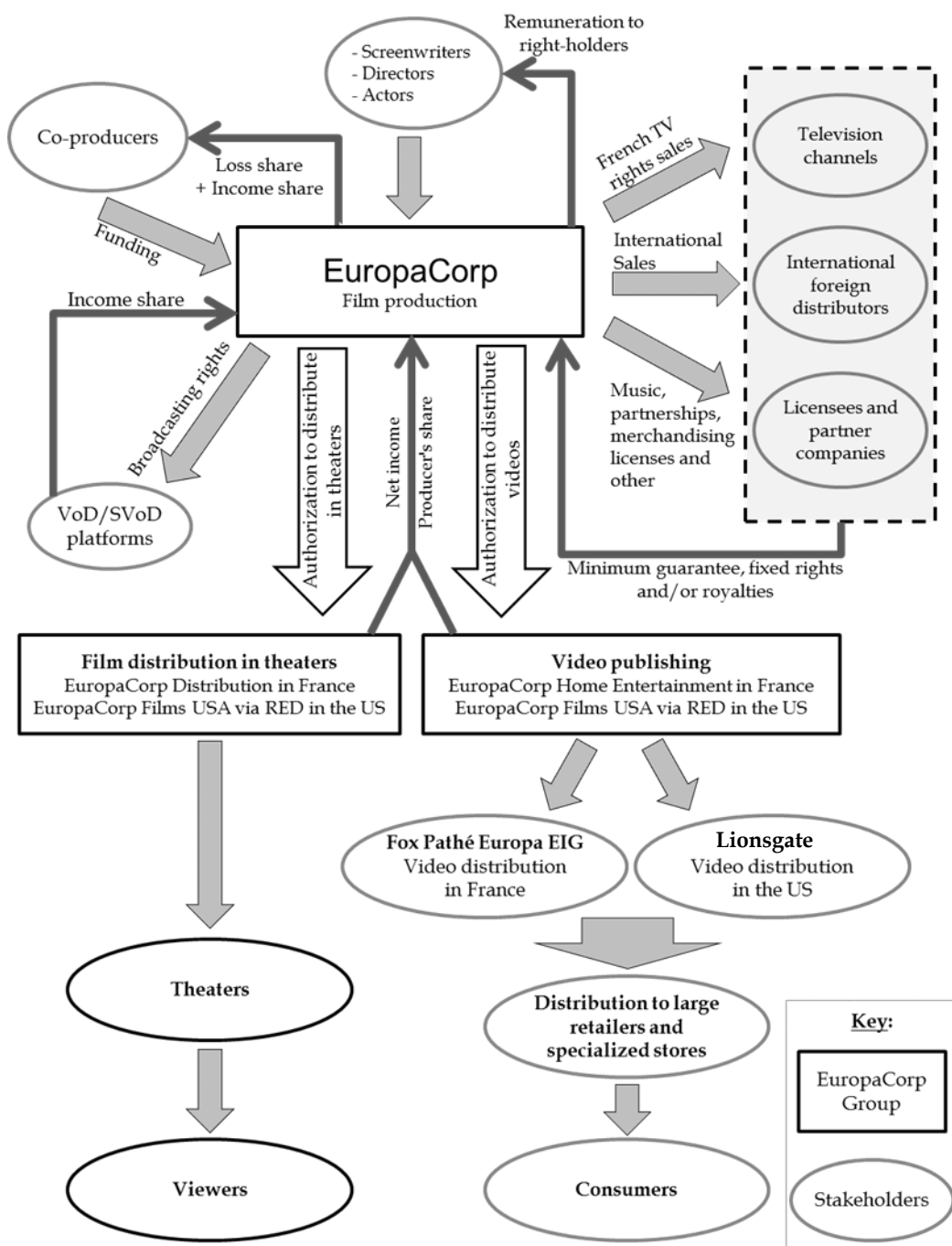
17. INFORMATION ON THE COMPANY'S CORPORATE SOCIAL RESPONSIBILITY AND OTHER INFORMATION CONCERNING EMPLOYEES

17.1 Information on the Company's corporate social responsibility

17.1.1 Stakeholder relations

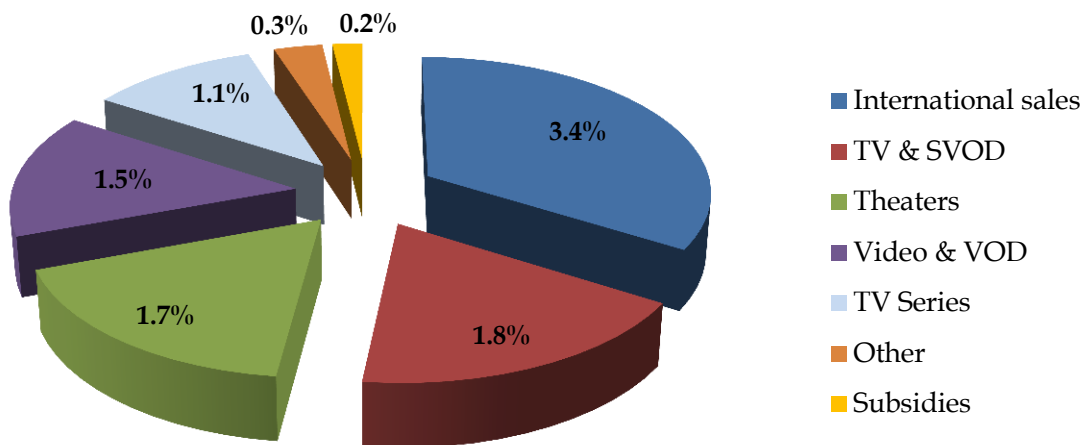
17.1.1.1 Mapping of flows with principal stakeholders

EuropaCorp's business is based on the "Integrated Studio" model. This framework enables the Company to control all stages in the production of its films and to be present at all distribution levels (refer to Section 6.3 Presentation of the Group's businesses of the Registration document). EuropaCorp has produced a map of all its stakeholders.



At the heart of the film industry, the financial performance of EuropaCorp has spin-offs for its internal and external stakeholders. The breakdown of revenues is presented below.

Breakdown of revenue as of March 31, 2018



17.1.1.2 Organization of dialog with stakeholders

EuropaCorp is a member of the main bodies representing the film industry. EuropaCorp is thus a member of:

- the French National Federation of Film Distributors (Fédération nationale des distributeurs de films - FNDF), which brings together over 50 film distribution companies. This federation represents film distributors at various festivals and professional events;
- the French Union of Cinema Producers (Union des producteurs de cinéma - UPC) which is a professional organization that defends French feature film producers' interests with Luc Besson as Deputy Chairman. The UPC's main tasks are to organize, defend and develop film production;
- the French Audiovisual Production Union (Union syndicale de la production audiovisuelle - USPA), which aims to represent, protect and defend the interests of television program producers. The USPA has around one hundred members and represents 95% of TV drama, 80% of games and variety shows and 60% of documentaries and youth programs.

Digital Factory became a member of the French Federation of Cinema, Audiovisual and Multimedia Industries (Fédération des industries du cinéma, de l'audiovisuel et du multimédia - FICAM) which defends the national and international interests of technical and creative industries. FICAM's member companies have a total revenue of €1 billion and employ over 10,000 people.

17.1.2 Societal commitments of the Group

17.1.2.1 Major economic, societal and cultural contribution

Economic footprint

With an average of five to ten films produced or co-produced each year, the Company is one of the most dynamic French film producers. During the financial year ended March 31, 2018,

EuropaCorp produced, co-produced or acquired seven films released in French theaters and three films distributed in the United States. The former totaled nearly 6.4 million admissions in France.

In France, 300 approved films were produced in 2017 (222 French films + 78 predominantly foreign films) for an overall investment budget of €1,328 million (€1,088 million for French films and €240 million for predominantly foreign films), i.e. an average budget of €4.9 million per French film. *Source: CNC – Bilan 2017*

In addition to its film productions, the Group also employs various talent and technicians for the shooting of TV dramas, via its subsidiary, EuropaCorp Television. This resulted in the first 90-minute broadcasts on French channels during the 2017/2018 financial year of *Rien ne vaut la douceur du foyer*, *Le Viol*, *Ce que vivent les Roses* on France 3 and *Un Ciel radieux* on Arte. In addition, the first 10 episodes of season 2 of the series *Taken* (ten 45-minute episodes out of a total of 16) and the last two episodes of season 1 (two 45-minute episodes) were broadcast in the United States on NBC. These dramas amount to 900 minutes of programs.

EuropaCorp is a 40% shareholder of SCI Les Studios de Paris, whose studios were constructed at a cost totaling €30.2 million excluding tax. In addition to investments in the Company's share capital, current account funds were provided, in particular to finance the construction of the studios. As of March 31, 2018, capital investments and contributions to associates' current accounts totaled €10.1 million.

Societal and cultural footprint

- *International productions contributing to the global outreach of French culture*

Since its creation, EuropaCorp has had a major impact on the international outreach of French films, thus contributing to the representation, promotion and cultural influence of France across the world.

EuropaCorp has been working in partnership with about 160 international distributors for several years and has earned nearly 35% of its revenue for the past three financial years from international sales (excluding the United States where the Group distributes its own films).

EuropaCorp's main international successes include *Valerian and the City of a Thousand Planets*, the *Taken* saga, *Lucy*, the *Transporter* saga and *Arthur & the Invisibles* (see Section 6.2.3 of this Registration document).

Finally, La Cité du Cinéma is a film studio complex which is unique in Europe. It came into being in the summer of 2012 with the ambition of enabling the entire production of a film to take place on the same site, from the writing of the script to the preparation and construction of the sets, and all work relating to shooting (lighting, make-up, etc.) to post-production (montage, color timing, etc.).

- *Films mainly produced in France*

While they have an international outreach, most of EuropaCorp's productions are filmed in France. *Transporter Refueled, Bis* and more recently, *Valerian and the City of a Thousand Planets*, are examples of films where all scenes were shot in France.

This is becoming the norm with the La Cité du Cinéma complex which houses Studios de Paris. With nine film sets with surface areas ranging from 600 to 2,000 square meters, these studios are among the most modern in Europe. They offer a filming capacity of 9,500 square meters and over 6,000 square meters of ancillary premises and services.

The La Cité du Cinéma studios have hosted film crews for many international feature films including the second installment of *The Smurfs* (*The Smurfs 2*) directed by Raja Gosnell, *Malavita* by Luc Besson with Robert de Niro, Tommy Lee Jones and Michelle Pfeiffer, *3 Days to Kill* with Kevin Costner and Amber Heard, *Lucy* by Luc Besson with Scarlett Johansson and

Morgan Freeman, *Valerian and the City of a Thousand Planets* by Luc Besson with Dane DeHaan and Cara Delevingne and, most recently, *Anna* by Luc Besson, with Sasha Luss and Cillian Murphy.

- *Support, partnerships and corporate patronage*

EuropaCorp is committed to supporting young talents and to promote local economic development.

To this effect and following on from the creation of the La Cité du Cinéma complex, EuropaCorp has undertaken to mainly allocate its apprenticeship tax to the schools of Seine-Saint-Denis and organizes student excursions on the film sets to promote movie culture.

Moreover, EuropaCorp launched a supportive initiative in Seine-Saint-Denis and Guyana in 2008, involving the distribution of books published by its subsidiary Intervista.

In addition, EuropaCorp has tackled an issue not often seen in the cinema with a major effort to raise public awareness about protecting the environment, through two films. *Home*, a film directed by Yann Arthus-Bertrand and co-produced by EuropaCorp, was thus the first to be released simultaneously in 181 countries and on all media (television, DVD, and Internet), on the World Environment Day on June 5, 2009. Again in 2009, EuropaCorp distributed *The Cove* in French theaters. The film is a documentary on the controversial killing of 23,000 dolphins in the bay of Taiji in Japan. Directed by Louie Psihoyos, a former National Geographic photographer, this film won numerous awards including the 2010 Oscar for best documentary.

More recently, EuropaCorp decided to promote democratic values associated with freedom of expression and freedom of the press by distributing *Cartoonists*, *Foot Soldiers of Democracy* presented in the official out-of-competition selection of the 2014 Cannes Film Festival, and for which a free drawing competition was organized in the presence of the main documentary characters for its release in May 2014.

Major economic, societal and cultural contribution	March 31, 2018	March 31, 2017
Societal and cultural footprint		
International revenue (excluding the USA): three-year average	34.6%	37.4%
Economic footprint		
Number of films produced or co-produced released in theaters during the FY	7	4
Number of TV dramas produced or co-produced broadcast during the FY	1	1
Number of TV series produced or co-produced broadcast during the FY	2	2
CNC budget for films produced or co-produced and released during the FY	€240 million	€74 million

17.1.2.2 Indirect employment

With its integrated studio model, the Group calls on few subcontractors, as each of its subsidiaries holds a strategic place in a production's value chain.

A subcontractor is mainly called upon for the video distribution of the Group's films, through Fox Pathé Europa, an Economic Interest Grouping (EIG) created jointly with 20th Century Fox Home Entertainment SA and Pathé Vidéo SA. This EIG is in charge of the marketing, storage, logistics and physical delivery of video products (DVD and Blu-ray) to hypermarkets and large retail chains.

EuropaCorp also calls on suppliers, in particular for filming equipment (cameras, etc.), technical equipment and electricity. Suppliers are selected on the strength of their expertise in their particular fields. Relationships with suppliers are managed centrally by the Film Administration Department and the General Services and Purchasing Department.

17.1.2.3 CSR commitments related to production activities

- *Respect for intellectual property*

EuropaCorp's activities essentially rest on the creativity of authors (directors, script-writers, composers, etc.). Respect for intellectual property and transparency in the chain of rights are thus fundamental to the Company to develop trusting relationships with authors and to achieve an efficient and sustainable marketing of the films (refer to Section 4.1 of this Registration document relative to operating risks).

The contracts produced by EuropaCorp are established in compliance with legal requirements and are sent to the authors' agents and lawyers to ensure they are accepted in full knowledge of the facts.

To ensure the transparency of royalty payments, authors have access to the accounts of the films and may, as stipulated in their contracts, request supporting documents concerning the royalties paid to them. Third parties can also request a more in-depth audit of the accounts of the films.

During the financial year ended on March 31, 2018, author contracts were in effect for all of the films in the EuropaCorp SA catalog. For the 2017/2018 financial year, the royalties paid to third parties out of the operating revenue generated by the films amounted to €28.2 million.

- *Fight against piracy*

Over several years, the Group has implemented an active anti-counterfeiting policy (marking the copies of films supplied to movie theaters, securing the transport of hard copies, use of dematerialized deliveries, IT protection tools against illegal streaming sites upstream and downstream of online release) to guarantee fair compensation for right-holders, throughout the value chain.

- *Protection of minors, consumer health and safety*

France has a film rating system which determines age restrictions to be applied by theaters, as well as television broadcast times. The French High Audiovisual Council (Conseil supérieur de l'audiovisuel - CSA) can thus recommend a total ban for minors under the ages of 12, 16, or 18, or issue warnings. The CSA's recommendation is sent to the French Ministry of Culture and Communication which sets the film's final rating. Over the past three financial years, all of the films distributed by EuropaCorp have received a "General Audiences" rating, of which four had warnings. The exception was *Shut In*, which was forbidden to children under 12.

Furthermore, EuropaCorp supports industry measures aimed at increasing the accessibility of films to persons with hearing or visual impairments, by offering subtitles and audio-description options on all its video media.

- *Respect for Human Rights*

EuropaCorp abides by the principles of the Universal Declaration of Human Rights. It ensures that human rights are respected wherever it operates. At March 31, 2018, most of the Group's permanent employees were employed in France, with the exception of employees working at the Los Angeles subsidiaries (see Section 17.1.3 of this Registration document for Group commitments to employees).

17.1.2.4 Environmental impact of the Group

EuropaCorp's environmental impact stems from the office activities of its headquarters and subsidiaries, as well as from the shooting of films for which EuropaCorp acts as executive producer (three feature films out of nine distributed during the 2017/2018 financial year).

- *Office activities*

The impacts of office activities are, by nature, very limited. The offices consume energy for lighting, IT equipment and heating, and water (domestic use only).

The La Cité du Cinéma site, which houses the film studios and offices, was decontaminated prior to its rehabilitation.

Moreover, EuropaCorp encourages its employees to use low-carbon vehicles by providing reserved parking spaces for electric cars on the La Cité du Cinéma site.

In addition, the Group has implemented a selective sorting system on all EuropaCorp premises located in La Cité du Cinéma, 20 rue Ampère in Saint-Denis. The roll-out to all of the Group's entities in Saint-Denis is planned before the end of 2018. The initiative can become part of a larger system at any time if the owner of the site offers it to its tenants.

- *Environmental impact of shooting*

For shooting, there are two different situations: the shootings may take place in the La Cité du Cinéma studios or on location.

The shootings taking place on the La Cité du Cinéma site require the building of sets and usually generate a large amount of waste. The waste is removed by a service provider tasked with sorting it.

The technical equipment (cameras, lights, etc.), which consumes a large amount of energy, is connected to the mains. Electricity consumption during the shooting largely depends on the film-making constraints. However, these shootings do not require much transportation, as the different sets are all located at the same place. This enables the reduction of the carbon impact due to production team travel between the different recording locations. This was the case, in particular, for *Valerian and the City of a Thousand Planets*, shot at La Cité du Cinéma.

When the shooting takes place on location, less waste is generated. Moreover, it is immediately collected and taken to the waste collection center by the film crew. On the other hand, a generator is often used as a power source, whenever connection to the mains is technically impossible. For location shooting, power consumption also depends on the film-making constraints, in particular lighting requirements.

In 2011, the "Ecoprod" co-operative established the audiovisual industry's carbon footprint, from the production of a film to its exploitation in theaters. The results showed that the emissions associated with the production of all cinematographic works in France are very low: around 100,000 tons per year, the equivalent of the carbon footprint of 15,000 French residents¹².

EuropaCorp's activities thus have no material impact on the air, water or soil and do not give rise to any noise or visual pollution. Likewise, EuropaCorp's activities do not affect the biological balance or natural environment.

17.1.3 Group commitments to employees

17.1.3.1 Employment

- *Reporting scope*

For the reporting of all social data, the scope used for the financial year 2017/2018 is that of the Group's scope of consolidation on March 31, 2018, including the two subsidiaries based in Los Angeles, whose workforce accounts for 19.1% of the Group's headcount.

¹ Based on the ratios of the French Agency for the Environment and Energy Management

- *Distribution and growth of the workforce*

As of March 31, 2018, the EuropaCorp Group employed 89 people (excluding casual staff), including 12 new employees (i.e. 13.5% of the total workforce).

The Group's workforce shrunk by 33.6% over the financial year ended on March 31, 2018, primarily as a result of the transfer of all of the staff working for the French television business, which was sold in January 2018, the reorganization in the United States, and vacant positions left unfilled in France.

The Group plays an active role in the training and integration of young people. Group companies thus regularly take in students from schools and universities for internships. In financial year 2017/2018, the EuropaCorp Group (excluding EuropaCorp Television and USA) hosted 36 interns, including 13 on observation internships. The other 23 interns accounted for 6.72 full-time equivalents. EuropaCorp Television hosted two interns.

Breakdown of workforce per company:

	Headcount at March 31, 2018	Headcount at March 31, 2017	Headcount at March 31, 2016
EuropaCorp SA*	48	70	62
EuropaCorp Distribution*	3	3	3
EuropaCorp Home Entertainment*	1	2	2
Roissy Films*	3	3	3
Ydéo*	1	2	3
Europacorp Television****	0	15	12
EuropaCorp Aéroville***	0	0	40
Blue Advertainment*	0	0	1
Blue Event*	0	0	1
Digital Factory*	16	16	16
Europacorp Films USA	14	19	14
EuropaCorp Television USA	3	4	3
Total	89**	134**	160**

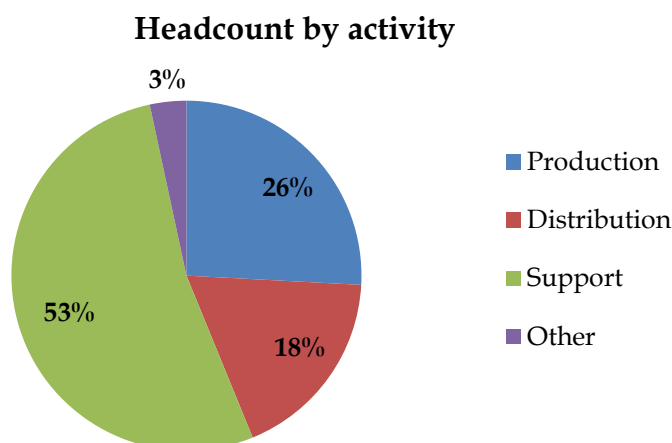
* Companies included in the Economic and Social Unit (UES).

** One person working for two subsidiaries.

*** This subsidiary, which sold its business on 12/14/2016, had 41 employees.

**** This subsidiary, which sold its business on 01/15/2018, had 13 employees at the time.

The workforce breakdown based on EuropaCorp's production and distribution activities was as follows on March 31, 2018:



The employees directly involved in the film-making process (distribution and production) account for 44% of the workforce. A total of 26% of the Group's employees work in production activities (this does not include casual staff - see hereunder) and 18% work in distribution activities.

The support functions account for 53% of the workforce and all Group management activities (finance, accounting, legal affairs, IT, corporate services, etc.).

Almost all (99%) of EuropaCorp Group's employees are on permanent employment contracts. Executives account for 66% of the workforce versus 63% on March 31, 2017. 97% of employees work full time. Overall, the workforce comprises 48% women (including 70% of executives) and 52% men.

The average age of the employees present on March 31, 2018 is 40 versus 38 on March 31, 2017. At March 31, 2018, 11% of the Group's workforce was under the age of 28 and 18% was 50 and over.

- *Staff turnover*

During the 2017/2018 financial year, the Group saw 22 new hires and 66 departures: 11 expired fixed-term contracts, 29 resignations, 1 end of trial period, 2 contractual terminations, 1 retirement, 5 dismissals, 1 dismissal for inadequate work, 2 expired intermittent contracts, 1 removal from office and 13 departures resulting from the sale of the French-language television production business of Europacorp Television. The 66 departures included Deputy Chief Executive Officer Edouard de Vésinne, on September 4, 2017, and Chief Executive Officer Marc Shmuger, on December 31, 2017.

An employment preservation plan (Plan de Sauvegarde de l'Emploi - PSE) was implemented for 22 positions in France during the 2017/2018 financial year.

The average length of service within the Group is 7.4 years.

- *Casual staff*

In addition to Group employees, EuropaCorp calls on casual staff for the production of its films and TV series and ancillary activities.

In the case of line production, the casual staff is hired directly by the Group which assumes employer's responsibility. In the case of delegated production (non-line) or when the Group takes part in a production as financial co-producer, the employer's responsibility is assumed by the line producer under the management of the executive producer. During the financial year ended March 31, 2018, EuropaCorp was the line producer of five films.

Concerning the casual staff hired directly by the Group, EuropaCorp abides by the French Labor Code and the terms agreed upon on February 22, 2010 and May 25, 2010 within the framework of the national collective agreement of artistic and cultural enterprises. The casual staff's working hours are based on a 39-hour work week. Depending on the film requirements (screenplay, sets, day or night scenes), the shooting may give rise to staggered working hours for casual staff but a rest period of at least 12 hours is observed. During the financial year ended March 31, 2018, the Company and its subsidiaries directly employed 4,569 casual entertainment industry workers, totaling some 388,174 working hours.

- *Annual performance review*

All Group employees attend an annual performance and skills development review with their manager at the start of the year, which is an opportunity to validate individual development. For example, 57% of the Group's employees (excluding EuropaCorp Television, EuropaCorp Films USA and EuropaCorp TV USA) received a salary increase on March 31, 2018.

- *Compensation*

During the financial year ended March 31, 2018, the total gross compensation paid to Group employees and casual staff amounted to €15.9 million, i.e. approximately 7.0% of the Group's revenue for the period.

Group employees benefit from a profit-sharing agreement set up in July 2004. The amount granted is based on the legally prescribed formula. During the 2017/2018 financial year, Group companies did not make any contributions to the special profit-sharing reserve, as in the previous financial year (see Section 17.4.2 of this Registration document).

17.1.3.2 Working hours and absenteeism

- *Working hours*

Within the normal business framework, employee working hours are based on a five-day work week, from Monday to Friday; there are no staggered shifts.

Executives are free to organize their working hours based on an annual workload of 218 days. The working time of other employees is spread over the year, based on a 35-hour work week. The working hours applicable to casual staff are covered in Section 17.1.3.1 of this Registration document.

The part-time workforce consists of two women and one man, accounting for 3% of the Group's total workforce.

- *Absenteeism*

During the financial year ended on March 31, 2018, Group employees were absent for a total of 890 days, of which 795 were for illness, 51 days for maternity leave, 4 days for paternity leave and 40 were therapeutic half-days. The average number of days of absence per employee comes to 10.0 days over the period. This corresponds to an absenteeism rate¹³ of 3.8% versus 3.6% on March 31, 2017, based on a theoretical monthly work period of 151.67 hours.

17.1.3.3 Labor relations

- *Organization of labor relations*

The employees working within the UES are represented by the standard staff representative bodies: Works Council (CE), Staff Representatives (DPs) and the Health, Safety and Working Conditions Committee (CHSCT).

A Unité Economique et Sociale (Economic and Social Unit) (UES) comprising the companies EuropaCorp, EuropaCorp Distribution, EuropaCorp Home Entertainment, Dog Productions, EuropaCorp Music Publishing, Intervista, Ydéo, Roissy Films, EuropaCorp Aéroville, Blue Advertainment, Blue Event, Digital Factory, EuropaCorp Television and EuropaCorp La Joliette was implemented following the ruling by the Court of Saint-Denis on February 23, 2015.

Professional elections took place to install a single Works Council (*Comité d'entreprise*) and Staff Representatives for the UES companies: the first round took place on October 1, 2015 and the second round on October 15, 2015. The designator college met on January 12, 2016 to sign a special CHSCT agreement grouping all the Companies of this new UES, then on January 26, 2016 to appoint the new CHSCT members. The following changes occurred in the Works Council during the financial year ended on March 31, 2018: two resignations (employee college) on March 29, 2018, and three departures by members leaving the Company (one management representative and two non-management substitutes).

During the 2017/2018 financial year, 12 Works Council and Staff Representative meetings

¹³ Absenteeism rate: $(890 \text{ days of absence} * 7 \text{ hrs}) / (151.67 \text{ hrs [average theoretical working time per month]} * 12 \text{ months} * 89 \text{ employees})$

were held. There were also 7 extraordinary WC meetings.

In addition to the three compulsory major annual meetings (on the economic and financial situation of the Company, the employment policy, work and employment conditions and on strategic directions and their consequences), the Works Council was consulted on the following: the implementation of a new profit-sharing plan, the upgrading of mutual guarantees (resulting in the implementation of the state-approved contract), the departure of two protected employees, the Solidarity Day and the implementation of an employment preservation plan for 22 positions.

The Group ensures that the rights and liberties of staff representatives are respected and that they benefit from the same career prospects and training as other employees.

- *Collective bargaining agreements*

Group companies come under the national collective bargaining agreement for the Film Industry & Film Distribution (No. 3048) applicable to all of the Group's permanent employees. The collective agreements applicable to casual staff are set out in Section 17.1.3.1 of this Registration document.

During the financial year ended March 31, 2018, the employees of the EuropaCorp Group continued to benefit from the Group's health insurance plan set up via a unilateral agreement signed in 2001.

Two agreements were signed with the employee representatives during the financial year: one for the new state-approved contract and the other for the new profit-sharing plan (the result of negotiations started the previous year).

17.1.3.4 Occupational health and safety

- *Health and safety conditions*

Within the UES, the CHSCT, made up of three permanent employee members, including one manager, two employees and members of the HR Department as of March 31, 2018, met to address issues concerning the health and safety of Group employees. It met eight times over the financial year for two ordinary meetings and six extraordinary meetings, and was renewed in May 2017. The following changes took place during the financial year ended on March 31, 2018: one resignation (employee college) on May 16, 2017 and a partial appointment on May 30, 2017.

In addition, a steering committee for the Action Plan for Quality of Working Life at the Group was ongoing and held two meetings during the financial year.

The Group also provided training to its employees on the use of fire extinguishers, training for fire evacuation leaders and rearguard and on first-aid in the workplace.

In addition, employees working with electricity and carrying out replacement and connection operations received electrical certification (low and high voltage) while employees who travel on a regular basis were made aware of the risks involved in driving in cooperation with the occupational medicine center.

Training to improve well-being at work was also provided:

- non-violent communication;
- better communicating with others;
- stress management.

The Company Record and Master Risk Assessment were also updated with the new occupational physician, in cooperation with Cramif (in progress). A counseling, help, assistance and support service for all EuropaCorp UES employees available 24/7 via a toll-free number became available in February 2018.

- *Occupational accidents and illness*

To improve the day-to-day quality of life of its employees, the Group has redesigned and improved work spaces. For example, for the transfer of the registered office to the La Cité du Cinéma complex, the teams were asked about their needs and thus took part in the defining of their work spaces.

Given the Group's business, the number of occupational accidents recorded is consistently very low. The Group did not record any workplace accidents during the financial year ended March 31, 2018. No occupational illness was reported.

- *Actions to improve well-being at work*

Five EuropaCorp UES employees benefited from daycare at La Cité du Cinéma during the 2017/2018 financial year.

Many films were screened for employees. In addition, Luc Besson often invited employees to watch the filming of his next film, *Anna*, and invited all staff to a breakfast on set.

In June 2017, selective sorting was deployed in all offices following a trial period at the end of 2016. Waste paper collection baskets were provided to all employees.

- *Shooting*

For safety on its film sets, EuropaCorp relies on the services of the "Care on set" Group, represented by Dr. Eric Ozanne. In addition to his consulting role for the set-up of specific safety plans for each situation, he assists the Company with the implementation and follow-up of all required administrative procedures concerning safety on film sets.

17.1.3.5 Training

The Group responded favorably to all employee training requests during 2017. Training was provided for the development of trade-specific skills to ensure that employees enhance their employability and maintain their skills (including a skills assessment, CIF). The Group has dedicated an additional budget to a series of management training sessions.

The Group also contacted Afdas for additional funds in order to provide individual English-language training leading to a diploma and to training to promote the daily health and safety of employees.

During the financial year ended March 31, 2018, the budget dedicated to employee training (all training included) amounted to approximately €97,000 excl. tax and a total of 1,915 hours of training was provided.

17.1.3.6 Equal treatment

- *Gender equality in the workplace*

In the Group, women account for 48% of the workforce and 51% of executives. As of March 31, 2018, the Management Committee was made up of three women and eight men.

There are women in all film-making jobs. They account for 22% of the workforce in production activities and 56% of the workforce dedicated to film distribution activities.

- *Integration of employees with disabilities*

The Group continued its disabilities awareness-raising and integration policy: a Group employee received assistance to obtain official recognition as a worker with a disability and an email address for questions on the issue is available to Group employees. On April 27, 2017, a breakfast discussion was led by our partner and an intern who did a one-month internship with the HR Department and is officially recognized as a disabled employee.

- *Fight against discrimination*

Concerning access to training, the Group does not discriminate between men and women and ensures equal treatment for all. For recruitments, all jobs are open to men and women,

including disabled persons. Concerning compensation, the Group makes sure that there is no discrimination between men and women.

17.1.3.7 Promotion of, and compliance with, the stipulations of the ILO's fundamental conventions

The Group is based in France and is governed by French law. The International Labor Organization (ILO) fundamental conventions, in particular those relating to freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labor, and the elimination of discrimination in respect of employment and occupation, have been transposed into French law and are applied by the Group.

Concerning child labor, French law lays down the principle of a general ban on child labor. An exception may be made for the employment of minors under the age of 16 in shows, films, radio broadcasts, television or audio recordings, subject to prior authorization by the relevant public authorities. Moreover, their working hours are subject to strict regulations.

During the financial year ended March 31, 2018, the Group did not employ any children under sixteen for film shooting in France.

Group's commitment to its permanent and casual employees	Unit	March 31, 2018	March 31, 2017
Employment			
Total Group workforce as of March 31	Headcount	89*	134*
Number of casual employees	No. of casuals	3,093	3,254
Average length of service of Group employees	No. of years	7.4	5.7
Average age of Group employees	No. of years	40	38
Payroll (permanent employees + casual staff)	€ million	15.9	19.3
Average number of days of absence per employee	No. of days	16.9	7.8
Diversity			
Percentage of women in total workforce	%	48	50
Percentage of women on Management Committee	%	27	23
Occupational health and safety			
No. of occupational/commuting accidents recorded	No. of accidents	0	3**
No. of occupational illnesses recorded	No. of cases	0	0

* One person working for two subsidiaries.

** Including one commuting accident involving an employee who left the Group during the FY closed on March 31, 2017.

17.2 Methodology note

17.2.1 Scope of the CSR Report

The social reporting scope covers the Group's registered workforce as of March 31, 2018 in France and Los Angeles. The scope of environmental reporting covers the La Cité du Cinéma site in Saint-Denis, which houses offices and studios.

17.2.2 CSR indicators

The CSR indicators were selected on the basis of their significance and their relevance with regard to the production of films. The following table summarizes all the topics coming under Article R.225-105-1 of the French Commercial Code (French Grenelle II Act).

1. Information on the workforce		
Employment	Total workforce and breakdown by gender and age	See Section 17.1.3.1
	Hires and dismissals	
	Compensation and advancement	
Work organization	Working hours	See Section 17.1.3.2
	Absenteeism	
Labor relations	Labor relations management, including procedures for informing and consulting employees and negotiating with them	See Section 17.1.3.3
	Summary of collective bargaining agreements	
Health and safety	Occupational health and safety conditions	See Section 17.1.3.4
	Summary of agreements signed with trade unions or staff representatives concerning occupational health and safety	See Section 17.1.3.3
	Occupational accidents, including their frequency and seriousness, as well as occupational illness	See Section 17.1.3.4
Training	Training policy implemented	See Section 17.1.3.5
	Total number of training hours	
Diversity and equal opportunity	Policy implemented and measures taken to promote gender equality	See Section 17.1.3.6
	Policy implemented and measures taken to promote the employment and integration of disabled persons	See Section 17.1.3.6
	Policy implemented and measures taken to combat discrimination	See Section 17.1.3.6
Promotion of and compliance with the stipulations of the ILO fundamental conventions	Concerning the freedom of association and the right to collective bargaining	See Section 17.1.3.7
	Concerning the elimination of discrimination in respect of employment and occupation	
	Concerning the elimination of all forms of forced or compulsory labor	
	Concerning the effective abolition of child labor	
2. Environmental information		
General environmental policy	Measures taken by the Company to take account of environmental issues and, where applicable, environmental evaluation or certification procedures	See Section 17.1.2.4
	Employee training and information on environmental protection	
	Means dedicated to the prevention of pollution and environmental risks	
	Amount of provisions and guarantees for environmental risks, unless this disclosure could seriously weaken the Company's position in an unsettled dispute	No provision or guarantee as of March 31, 2018
Pollution	Measures to prevent, reduce or remedy emissions into air, water and soil with serious environmental impacts	Not relevant in view of the Group's activities
	Consideration of noise pollution and any other form of pollution specific to an activity	Not relevant in view of the Group's activities
Waste prevention and management	Measures to reduce, recycle and eliminate waste	See Section 17.1.2.4
	Actions to fight food waste	Not relevant in view of the Group's activities
Sustainable use of resources	Water consumption and supply according to local constraints	Not relevant in view of the Group's activities
	Raw material consumption and, where relevant, measures	Not relevant in view

	taken to use them more efficiently	of the Group's activities
	Energy consumption, measures taken to improve energy efficiency and the use of renewable energy	See Section 17.1.2.4
	Land use	Not relevant in view of the Group's activities
Adapting to and fighting global warming	Greenhouse gas emissions	Not relevant in view of the Group's activities
	Adapting to the consequences of climate change	Not relevant in view of the Group's activities
Protection of biodiversity	Measures taken to preserve or promote biodiversity	Not relevant in view of the Group's activities
3. Societal information		
Regional, economic and social impact	On employment and regional development	See Section 17.1.2.1
	On neighboring or local populations	
Relations with stakeholders ⁽²⁾	Stakeholder relations	See Section 17.1.1.1
	Subsidies, partnerships and corporate patronage	
Subcontractors and suppliers	Integration of social and environmental criteria in the purchasing policy	See Section 17.1.2.2
	Extent of subcontracting and corporate social responsibility in relations with suppliers and subcontractors	
Fair business practices	Measures taken to prevent all forms of corruption	See Section 17.1.2.3
	Measures taken to promote consumer health and safety	
	Measures taken in favor of Human Rights	

17.2.3 Specific notes by indicator

Total workforce and breakdown based on occupational category, gender and age: this concerns all registered employees based in France and in the United States at the end of the financial year, irrespective of their employment contracts (excluding: casuals, interns, agency staff and subcontractors).

Number of casual employees: this consists in the number of times the Group (as executive-line producer) directly employed casuals for its film production and post-production activities. This excludes casuals directly employed for special events, as their number is not significant.

Total new hires in the Group: this is the total number of new hires by Group companies over the financial year. The staff taken into account is that recorded in the "total workforce" indicator. An employee who signed several employment contracts during the financial year is counted as a single hire (e.g. succession of fixed-term contracts, change from a fixed-term to a permanent employment contract). Transfers from one Group company to another are not taken into account.

Total departures from the Group: this is the total number of Group company employees who left during the financial year. The staff taken into account is that recorded in the "total workforce" indicator. An employee who signed several employment contracts during the financial year is counted as a single departure (e.g. succession of fixed-term contracts). A switch from a fixed-term contract (having expired during the financial year) to a permanent employment contract and transfers from one Group company to another are not taken into account.

Number of accidents: this is the total number of occupational accidents recorded during the

financial year:

- occupational accidents include any accident arising suddenly out of or in the course of work, requiring official evidence;
- accidents sustained by employees while traveling for business or while traveling to or from work are counted as “commuting accidents”.

Absenteeism: this is the total number of working days of absence during the financial year due to the following reasons:

- parental absences: maternity, parental leave;
- absences due to non-occupational illnesses or accidents;
- absences due to occupational accidents, including commuting accidents.

Long-term sick leave: these are absences due to illnesses lasting more than six months.

Training: this is the number of hours of training provided (in-house or by an external service provider) to Group employees.

Energy consumption: this is the amount of energy directly purchased by the Group. For shooting, consumption is calculated on the basis of the average unit cost invoiced (electricity and fuel).

17.3 Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated CSR information included in the management report

To the shareholders,

As Statutory Auditors of EuropaCorp, appointed as independent third-party, approved by COFRAC under No. 3-1100, as defined on the website www.cofrac.fr, we present you with our report on the consolidated corporate social responsibility information for the year ended March 31, 2018, presented in the management report (hereinafter the “CSR Information”), pursuant to the provisions of Article L.225-102-1 of the French Commercial Code.

Responsibility of the Company

The Board of Directors is responsible for preparing a management report containing the CSR Information required under Article R.225-105-1 of the French Commercial Code, in accordance with the Company’s guidelines (the “Guidelines”). A summary can be found in the “Methodology note” in the management report under “Information on the Company’s corporate social responsibility and other information concerning employees”.

Independence and quality control

Our independence is defined by applicable regulations, the industry’s code of ethics and the provisions of Article L.822-11 of the French Commercial Code. Moreover, we have set up a quality control system which includes documented policies and procedures aimed at ensuring compliance with the rules of ethics, professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor

Our responsibility, based on our review, is to:

- certify that the required CSR Information is present in the management report, failing which an explanation is provided, as required under the third paragraph of Article

R.225-105 of the French Commercial Code (Certification of the presence of CSR Information);

- express moderate assurance on the fact that, as a whole, the CSR Information is presented, in all significant aspects, in a fair manner, in keeping with the Guidelines (Reasoned opinion on the fair presentation of CSR Information).

Our review was conducted by a team of three people between January and July 2018 over a period of about six person-days.

We conducted the reviews described below in accordance with the Decree of May 13, 2013 laying down the procedures to be implemented by the independent third party in its review and the professional standards of the French National Company of Statutory Auditors (Compagnie nationale des commissaires aux comptes).

Certification of the presence of CSR Information

1. Nature and extent of the work

Based on interviews with the person responsible for CSR information and the managers of the departments concerned, we reviewed the strategic policies on sustainable development, according to the social and environmental impacts of the Group's activities and its social responsibility commitments and, where relevant, the ensuing actions or programs.

We compared the CSR Information presented in the management report with the list set out in Article R.225-105-1 of the French Commercial Code.

In the absence of any consolidated information, we verified that explanations had been provided in accordance with the provisions of Article R.225-105, paragraph 3, of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e. the company and its subsidiaries within the meaning of Article L.233-1 and the companies it controls within the meaning of Article L.233-3 of the French Commercial Code and within the limits set out in the "Methodology note" found in the management report under "Information on the Company's corporate social responsibility and other information concerning employees".

2. Conclusion

Based on our work and in view of the above-mentioned limits, we attest that all the CSR Information required is included in the management report.

Reasoned opinion on the fair presentation of CSR Information

1. Nature and extent of the work

We conducted two interviews with three persons responsible for preparing the CSR Information in the departments in charge of the data collection processes, and where relevant, with persons responsible for internal control and risk management procedures, in order to:

- appraise the appropriateness of the Guidelines defined internally in terms of their relevance, exhaustiveness, reliability, neutrality, and comprehensibility, taking into consideration, where applicable, the industry's best practices;

- verify the set-up of a data collection, compilation, processing and control process aimed at ensuring the exhaustiveness and consistency of the CSR Information and review the internal control and risk management procedures relative to the production of CSR Information.

We determined the nature and extent of our tests and controls based on the nature and importance of the CSR Information with respect to the Group's characteristics, the social and environmental impacts of its activities, its sustainable development policies and industry best practice.

For the CSR Information we deemed most important¹⁴:

- for the consolidating entity, we examined source documents and conducted interviews to confirm the validity of the qualitative information (organization, policies and actions); we analyzed the quantitative information and verified, on a test basis, the calculations and data consolidation and checked their coherence and consistency with the other information provided in the management report;
- for a representative sample of entities that we selected¹⁵ based on their business activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify that the procedures were correctly applied. We also used sampling techniques to perform detailed tests verifying the calculations made and reconciling data from supporting documents. We applied a 5% allowable margin of error within which any irregularities identified were not considered anomalies. The data sample tested accounted for 75% of the reported headcount and 100% of the quantitative environmental information reported.

Concerning the rest of the consolidated CSR Information, we appraised its coherence in view of our knowledge of the Group.

Lastly, we appraised the appropriateness of the explanations given in cases of total or partial absence of information on certain topics.

We deem that the sampling methods and the sizes of the samples we used as a basis for our professional judgment enable us to express a conclusion of moderate assurance; a higher level of assurance would have required more extensive checks. Due to the use of sampling methods as well as other limitations inherent in the operation of any internal control and information system, the risk of non-detection of a significant anomaly in the CSR Information cannot be totally excluded.

¹⁴ **Quantitative information:** total headcount and breakdown per socio-occupational category, contract type (fixed-term, permanent, etc.), age and gender, staff turnover (hires and departures), absenteeism, number of training hours, number of occupational accidents and lost time due to occupational illness, number of casuals employed directly by the Group, number of hours worked by casual staff, number of children under 16 directly employed by the Group, number of interns hosted, number of employees with disabilities, representation of men and women on the Management Committee, total payroll and amount of employee profit-sharing.

Qualitative information: measures taken to promote employee health and safety at the registered office and on film sets, agreements and dialog with trade unions or staff representatives concerning occupational health and safety and training, anti-discrimination policy aimed at fostering gender equality and the measures implemented, regional impact of activities on the local economy, extent of subcontracting and the integration of CSR criteria in relations with suppliers and subcontractors.

¹⁵ French companies consolidated using the full consolidation method

2. *Conclusion*

Based on our work, we did not identify any material misstatements that could call into question the fair presentation of the CSR Information as a whole, in accordance with the Guidelines.

Without qualifying the above finding, we draw your attention to the following items:

EuropaCorp's CSR guidelines are defined internally by the company and are not formalized. The quantitative information as of March 31, 2018 is essentially limited to employee-related aspects.

Paris, July 24, 2018

Auditeurs & Conseils Associés
ACA Nexia

Represented by Olivier Joramie and Eric Chapus

17.4 Other information concerning employees

17.4.1 Stock options, free shares and warrants

- *Stock options*

As of the filing date of this Registration document, no stock option plan was yet in force.

- *Award of free shares*

The Combined General Meeting of September 28, 2012 authorized the Board of Directors to award free shares to employees and corporate officers of the Company and its subsidiaries.

At its meeting of May 22, 2013, the Board of Directors resolved to award a maximum of 2,475,283 free shares to employees of the Company and its subsidiaries located in France and directly owned by EuropaCorp and to its Chief Executive Officer.

These may consist of new shares to be issued within the framework of one or more capital increases, or existing shares repurchased by the Company under its share buy-back program.

The beneficiaries of the free share plan approved by the Board of Directors on May 22, 2013 are required to remain within the Company for a minimum of two years as from the date of this Board meeting, and to hold the shares for a minimum of two years starting at the end of the two-year vesting period, thus running as from the date of acquisition of the free shares.

Given the Company's recovery since financial year 2011/2012 and the performance achieved, notably during financial year 2012/2013, the award of free shares is not subject to new performance criteria, as the target has already been achieved.

Out of the 2,475,283 free shares covered by the plan, 273,783 are to be awarded to employees and the rest to the Chief Executive Officer. However, it should be noted that the Board of Directors recognized, at its meeting of December 19, 2013, that the conditions set out under Article 9 of the plan regulations had been met and that, accordingly, the award of free shares to the Chief Executive Officer could not be maintained. Consequently, the plan now solely provides for the award of shares to the Group's employees.

On May 22, 2015, the Board of Directors acknowledged the fulfillment of the award conditions and therefore the issuance of 233,783 new shares with a par value of €0.34 each.

The shares were locked-up for a two-year period from May 22, 2015 and were immediately fungible with existing shares.

The Company's share capital was thus increased, on this date, to €10,046,638.58 divided into 29,548,937 shares with a par value of €0.34 each.

The new EuropaCorp shares issued under the free share plan were the subject of a request for admission to trading on Euronext Paris from June 1, 2015.

They became available to employees during the 2017/2018 financial year.

17.4.2 Profit-sharing, incentive mechanisms, employee savings plan and employee investment fund

- *Profit-sharing*

A profit-sharing agreement, governed by Articles L.3322-7 et seq. of the French Labor Code, was set up within the EuropaCorp UES and Front Line under the collective bargaining agreement of December 5, 2017. The agreement was modified by the amendment of March 29, 2018.

It applies to the following companies: Front Line, EuropaCorp, EuropaCorp Distribution, EuropaCorp Home Entertainment, Dog Productions, Intervista, EuropaCorp Music Publishing, Ydéo, Roissy Films, EuropaCorp Television, Digital Factory, Blue Event and Blue

Advertainment.

It lays down the special conditions applicable to profit-sharing. Under the profit-sharing agreement, all employees having worked for one of these companies for more than three months have, in proportion to their salary and length of service during the financial year considered, a right to the special reserve calculated using the standard legal formula. However, for each beneficiary, the gross wages used as a basis for the distribution are only taken into account when they are above €30,000 and below €100,000.

Each employee's rights are locked in for five years, excluding the exceptions provided for by law, and the amount of the rights that may be awarded to a single beneficiary for a single financial year cannot exceed an amount equal to three fourths of the annual French Social Security ceiling.

Over the past three financial years, the amounts contributed by Group companies to the special profit-sharing reserve were as follows:

In euros	March 31, 2018	March 31, 2017	March 31, 2016
EuropaCorp	0	0	102,163
EuropaCorp Distribution	0	0	0
EuropaCorp Home Entertainment	0	0	0
EuropaCorp Music Publishing	0	0	0
Dog Productions	0	0	0
Intervista	0	0	0
Ydéo	0	0	0
Roissy Films	0	0	0
EuropaCorp TV	0	0	0
EuropaCorp Television	0	0	0
Digital Factory	0	0	0
Blue Advertainment	0	0	0
Blue Event	0	0	0
TOTAL	0	0	102,163

- *Incentive mechanisms*

There is no agreement concerning incentive mechanisms within the Group.

18. MAIN SHAREHOLDERS

18.1 Company shareholders and breakdown of the voting rights

As of June 30, 2018, the Company's share capital and voting rights broke down as follows:

Shareholders	Number of shares	% of the share capital	% of the voting rights ⁴
Front Line	12,935,903	31.57%	31.59%
Luc Besson	4,035	0.01%	0.01%
Total Luc Besson	12,939,938	31.58%	31.60%
Lambert Capital BV	2,931,415	7.15%	7.16%
Heirs of Christophe Lambert	1	0.00%	0.00%
Total Heirs of Christophe Lambert	2,931,416	7.15%	7.16%
Total Concert¹	15,871,354	38.73%	38.76%
FF Motion Invest	11,428,572	27.89%	27.91%
Equitis Gestion ^{2/5}	1,019,025	2.49%	2.49%
Habert Dassault Finance (& Benoît Habert) ⁵	2,360,698	5.76%	5.76%
BPCE ⁵	659,202	1.61%	1.61%
Shares paid to employees under the free share plan ³	233,783	0.57%	0.57%
Public float ⁵	9,379,019	22.89%	22.90%
Treasury shares	25,857	0.06%	0.00%
TOTAL	40,977,509	100.00%	100.00%

¹ Lambert Capital BV and Christophe Lambert declared to be acting in concert with Front Line and Luc Besson by virtue of a shareholders' agreement signed on May 27, 2013 (Notices 213C0631 and 213C0686 published by the AMF on June 5 and 14, 2013 and Notice 214C0413 dated March 18, 2014).

² Bearer shares as of June 30, 2018, under a trust/management agreement between Pierre-Ange Le Pogam and Equitis Gestion, to allow their transfer (Notices 211C0251 and 211C0254 published by the AMF on March 1 and 2, 2011).

³ Under the authority vested in it by the General Meeting of the shareholders of September 28, 2012 (19th resolution), the Board of Directors, at its meeting on May 22, 2013, decided to award 233,783 free shares to all employees of the Company and its French subsidiaries, under the conditions defined in Articles L.225-197-1 et seq. of the French Commercial Code.

⁴ Percentage of actual voting rights (excluding treasury shares).

⁵ Shares held at March 29, 2018 as part of the search for Identifiable Bearer Securities exercised by the Company at said date.

The table below summarizes the changes which have taken place in the Company's share capital and voting rights over the past three financial years.

Shareholders	Position as of 03/31/2018			Position as of 03/31/2017			Position as of 03/31/2016		
	Number of shares	% of share capital	% of the voting rights ²	Number of shares	% of share capital	% of the voting rights ²	Number of shares	% du capital	% of the voting rights ²
Front Line	12,935,903	31.57%	31.60%	12,935,903	31.57%	31.58%	12,935,903	43.78%	43.81%
Luc Besson	4,035	0.01%	0.01%	4,035	0.01%	0.01%	4,035	0.01%	0.01%
Lambert Capital BV	2,931,415	7.15%	7.16%	2,931,415	7.15%	7.16%	2,931,415	9.92%	9.93%
FF Motion Invest	11,428,572	27.89%	27.92%	11,428,572	27.89%	27.90%	n/a	n/a	n/a
Habert Dassault Finance (& Benoît Habert)	2,360,698	5.76%	5.77%	2,685,540	6.55%	6.56%	2,685,540	9.09%	9.10%
Equitis Gestion ¹	1,019,025	2.49%	2.49%	1,019,025	2.49%	2.49%	1,019,025	3.45%	3.45%
Subtotal	30,679,648	74.87%	74.94%	31,004,490	75.66%	75.70%	19,575,918	66.25%	66.30%
BPCE	659,202	1.61%	1.61%	659,202	1.61%	1.61%	659,202	2.23%	2.23%
Public float	9,364,354	23.42%	23.45%	9,294,506	22.68%	22.69%	9,291,635	31.44%	31.47%
Treasury shares	40,522	0.10%	0.00%	19,311	0.05%	0.00%	22,182	0.08%	0.00%
TOTAL	40,977,509	100%	100%	40,977,509	100%	100%	29,548,937	100%	100%

¹ Bearer shares as at March 31, 2018, under a trust/management agreement between Pierre-Ange Le Pogam and Equitis Gestion, to allow their transfer (Notices 211C0251 and 211C0254 published by the AMF on March 1 and 2, 2011).

² Percentage of actual voting rights (excluding treasury shares).

To the Company's knowledge, no shareholders, other than those mentioned in the table above, directly or indirectly hold, alone or in concert with others, 5% or more of the Company's share capital or voting rights.

Front Line is a French simplified joint stock company whose registered office is at 20 rue Ampère, 93200 Saint-Denis (Trade and Company Register of Bobigny No. 421 920 307). Front Line was formed on February 23, 1999. Its main activity is the acquisition of equity interests in any type of company and the management of any group of companies, subsidiaries or equity interests. Luc Besson is the Chairman of Front Line, of which he holds 99.99% of the share capital.

Lambert Capital BV is a Dutch-registered company whose registered office is at 479 Herengracht, 1017 BS Amsterdam, Netherlands, registered at the Dutch Chamber of Commerce under number 56164785. Lambert Capital BV is fully held by the heirs of Christophe Lambert.

Habert Dassault Finance is a French investment company (SAS) with its registered office at 9 rond-point des Champs Elysées, 75008 Paris (Trade and Company Register of Paris No. 409 109 428). Its activities are focused on the Internet and the media.

Equitis Gestion is an independent service company dedicated to private equity, approved by the AMF under No. GP 02 023 (FCPR, FCPI and FIP funds), with its registered office at Place de la République Dominicaine, 75017 Paris.

BPCE is a French public limited company with a Board of Directors and a Supervisory Board, with its registered office at 50 avenue Pierre Mendès France – 75201 Paris Cedex 13 (Trade and Company Register of Paris No. 493 455 042).

To the Company's knowledge, there are no shareholders' agreements other than the

agreement signed on May 27, 2013 between Lambert Capital BV and Christophe Lambert (of the first part) and Front Line and Luc Besson (of the other part), constituting concerted action with respect to the Company and of which the main provisions are the following¹⁶:

- **a consultation obligation** in order to implement a common Company development policy. In the event of disagreement, a common position shall be reached on a majority basis, according to the number of EuropaCorp shares held by the parties;
- **a voting agreement** to implement the above-mentioned common policy, whereby the parties undertake to cast the same votes for all of the resolutions submitted to the Company's General Meetings and Board meetings;
- **a drag-along right** for Lambert Capital BV in the event of a takeover bid by a third party for all Company shares held by Front Line;
- **a tag-along** right if one of the parties transfers to a third party over 50% of the shares it holds on the agreement signing date, in one or more over-the-counter transactions;
- **an appraiser price** for the implementation of the drag-along and tag-along clauses, in the event of a party's disagreement on the price offered by the third party;
- **majority transfer**: the parties reciprocally undertake not to carry out any transfer of EuropaCorp shares that would bring the total number of shares held by Front Line, Lambert Capital BV, Luc Besson and Christophe Lambert below 50% of the Company's share capital plus one share, without the other party's prior written consent;
- **duration**: the agreement shall come into force on its signing date on May 27, 2013 and run throughout the life of the Company. Any party which ceases to hold EuropaCorp shares shall automatically cease to benefit from and be bound by the stipulations of the agreement.

18.2 *Commitments to retain Company shares*

Since January 5, 2009, there is no longer any commitment to retain Company shares (except for vesting periods that may be imposed by the Company within the framework of free share allocation plans).

18.3 *Shareholder voting rights*

Each Company share carries one voting right.

18.4 *Control of the Company*

The Company is jointly controlled by Front Line, Luc Besson, Lambert Capital BV and the heirs of Christophe Lambert, who, as of June 30, 2018, jointly hold 38.73% of the Company's share capital and voting rights (38.76% of the Company's actual voting rights).

¹⁶ For further details, see Notices 213C0631 of June 5, 2013, 213C0686 of June 14, 2014 and 214C0413 of March 18, 2014.

It is to be noted that a change in equity breakdown took place within the concert on February 10, 2014 following Front Line's transfer of 1,957,425 EuropaCorp shares to Lambert Capital BV, without this modifying the concert's total equity interest (Notice No. 214C0413 published by the AMF on March 18, 2014).

On the Registration document filing date, the presence of five Independent Board Members out of the Board's nine members is intended to ensure that the Company's control is not exercised in an abusive manner.

To the Company's knowledge, there is no shareholders' agreement (in particular between executive officers) liable to restrict the transfer of shares and the exercise of voting rights other than the shareholders' agreement signed on May 27, 2013 between Lambert Capital BV and Christophe Lambert (of the first part) and Front Line and Luc Besson (of the other part), the main provisions of which are described in Section 18.1.

Moreover, to the Company's knowledge, the only agreement entered into by the Company, which would be amended or terminated upon a change in control of the Company, is as follows:¹⁷

- agreement for a Senior revolving credit line signed on October 21, 2014 with an international banking pool, for which J.P. Morgan Chase Bank is the agent, for a total amount of \$400 million at the date of implementation (of which 40% in dollars, i.e. \$160 million and 60% in euros, i.e. €177.8 million). These credit lines were partially renegotiated, as described in Section 4.6.

To the Company's knowledge, there is no agreement providing for compensation to Board members or employees if they resign or are laid off without valid reason or if their employment ceases because of a takeover bid.

¹⁷ Excluding cases where the disclosure of such information would seriously harm the Company's interests.

19. RELATED PARTY AGREEMENTS

19.1 Significant related party agreements

In addition to the intra-group agreements detailed in Section 7.3 of the Registration document, the significant related party agreements signed by the Company are as follows:

- **Service provision agreement with EuropaCorp Films USA Inc.**

On February 20, 2014, EuropaCorp and its wholly owned subsidiary EuropaCorp Films USA Inc. entered into a service provision agreement (Intercompany Services Agreement) under which EuropaCorp Films USA Inc. will provide services to EuropaCorp, particularly in the field of film development and management. EuropaCorp Films USA Inc. bills these services to EuropaCorp at cost plus 5%. This agreement was concluded for a period of five years, i.e. until February 20, 2019.

An amendment to the agreement was signed on March 30, 2018, stipulating that general fees for the development of television series will be reinvoiced to EuropaCorp Television SAS.

- **Commercial lease for the premises of La Cité du Cinéma**

On May 18, 2009, the Company signed an off-plan commercial lease agreement with EuropaCorp Studios for office space (also comprising screening and reception areas, service rooms and parking spaces) to be built on the La Cité du Cinéma site in Saint-Denis and delivered in 2012 (the "Lease Agreement"). The Lease Agreement was concluded for a period of 12 years, as from the delivery of the rented premises, for a rent of around €6.4 million per year indexed to 85% of the BT01 (French construction index) until the coming into effect of the lease.

EuropaCorp Studios transferred the Lease Agreement to La Nef Lumière, which acquired said office premises as lessor upon their delivery on April 6, 2012. Including the discount, the annual rent as at April 6, 2018 is €9.3 million, including charges. Under the terms of the Lease Agreement, the Company is expressly authorized to sublet all or part of the premises it is leasing.

- **Agreement concerning the use of the central hall for events**

On November 5, 2012, the Company formalized an agreement with La Nef Lumière (a third-party company), in the presence of Front Line and Blue Event, laying down the terms and conditions, in accordance with the Lease Agreement (described above), for the use of La Cité du Cinéma's central hall for events to be staged by Blue Event.

It is further noted that pursuant to the sublease agreement between EuropaCorp and Blue Event, dated December 16, 2013, EuropaCorp will invoice Blue Event for use of the central hall for an amount of €337,000 annually.

- **Subletting agreement concluded with Front Line**

On May 15, 2009, the Company concluded an agreement in principle with Front Line, defining the main terms and conditions of a subletting agreement, under the terms of which Front Line would undertake to sublease, with the option of subletting, part of the offices and workshops rented by EuropaCorp under the Lease Agreement, for the duration of the Lease Agreement, for an annual rent of around €3.9 million excluding service charges and common area maintenance fees, based on the same prices per square meter as those paid by EuropaCorp.

The subletting agreement was signed on June 21, 2013 between EuropaCorp and Front Line

for a firm period of 12 years, which started on April 6, 2012 and will end on April 5, 2024. Following the acquisition of Blue Advertainment, Blue Event and Digital Factory (whose rents were paid by Front Line before February 28, 2013), a new lease was signed on December 16, 2013 between EuropaCorp and Front Line in order to modify the surface areas sublet to Front Line. Under this new lease, Front Line will be paying EuropaCorp annual rent of €2.3 million, excluding service charges and common area maintenance fees. It should be noted that an amendment was signed on February 11, 2015 to reflect changes in the occupied space following the relocation of a Front Line employee. The space formerly used by this employee will now be available for EuropaCorp.

EuropaCorp decided to terminate the sublease agreement concluded with Front Line. However, Front Line continues to represent EuropaCorp vis-à-vis its own tenants, as most of the premises leased by Front Line are now rented. The termination was approved by the Board of Directors on May 23, 2017. The sublease agreement between EuropaCorp and Front Line was terminated on September 29, 2017. At the same time, the sublease agreements Front Line signed with third parties have been taken over by EuropaCorp and a new sublease agreement for the office currently occupied by Front Line has been signed.

- **Coproduction contracts and cinematography service agreements between EuropaCorp and Apipoulaï Prod**

In the past, Apipoulaï Prod – a 99.80% held subsidiary of Front Line managed by Luc Besson – co-produced certain films alongside EuropaCorp. In keeping with Luc Besson’s commitment, this company’s compensation as co-producer of these production projects did not exceed 10% of EuropaCorp’s net producer receipts after deduction of the cost of the film.

As from the end of financial year 2012/2013, Apipoulaï Prod no longer takes part in any new coproductions with EuropaCorp.

- **Cooperation agreement between EuropaCorp and Seaside Films Company**

Through a private agreement signed on February 11, 2003, the California registered Seaside Films Company, controlled by Luc Besson, retroactively undertook, as from April 1, 2002, to search for and develop screenplays that can be used for the production of films in the United States. EuropaCorp holds the screenplay rights, whether it has developed the screenplays itself or whether they stem from an individual subcontractor or legal entity (author, writer, screenwriter, etc.). The agreement involves a fixed annual compensation of \$200,000, plus the compensation paid to any subcontractors, which Seaside Films Company re-invoices to EuropaCorp at cost, without any profit margin.

At its meeting of April 17, 2012, EuropaCorp’s Board of Directors authorized the signing of a rider increasing the fixed annual compensation to \$270,000 as from April 1, 2012, given that this fixed compensation had not changed in nine years. Moreover, during that meeting, the principle of an adjustment invoice of \$120,000 was authorized for the financial year ended March 31, 2012, in order to take account of additional residual costs defrayed by Seaside Films Company.

In accordance with EuropaCorp’s undertakings toward CDC Entreprises Elan PME and Habert Dassault Finances as part of the cash capital increase of February 2013, on March 18, 2013, the Company established an American subsidiary, EuropaCorp Films USA Inc., now responsible for developing scripts for film productions.

Previously it was Seaside Films Company that developed the scripts. Thus, this company is no longer paid for this work. Only the expenses incurred by Seaside (mainly intellectual property rights) are re-invoiced, without any profit margin, to EuropaCorp.

At March 31, 2018, the total amount invoiced by Seaside Films Company to EuropaCorp for the financial year amounted to €34,461.

- **Creation of special purpose subsidiaries by Seaside Films Company**

As is customary in the United States, when EuropaCorp is executive producer of a film for which part of the shooting is due to take place in the United States, EuropaCorp must find a service provider to create a special purpose company. This special purpose entity is set up to handle the technical, labor-related and tax-related aspects of the shooting operations on American soil and re-invoice EuropaCorp for the real cost of the services paid for shooting in the United States. This type of company may also be set up for the management of American talent with respect to trade unions, for shootings outside France.

- **Agreements between Luc Besson and Group companies for the production of a film**

Luc Besson often acts as author, co-author, screenwriter or director of the films produced or co-produced by EuropaCorp. To this effect, he enters into agreements with EuropaCorp, either as publisher, author, author-screenwriter, author-director, or director-technician, depending on the projects. The compensation paid to Luc Besson for these services is either fixed or based on a percentage of the revenue earned by the film or book, as the case may be, and are in keeping with market conditions.

All amounts paid to Luc Besson as director of films produced by EuropaCorp and as author of screenplays whose rights have been transferred to EuropaCorp are set out in Section 15.1.1. of the Registration document.

- **Subletting agreement with the “B.O.” restaurant**

On October 15, 2013, EuropaCorp and B.O. SARL, 51%-owned by Front Line, entered into a commercial subleasing agreement for the ground-floor premises of the main building at La Cité du Cinéma.

On April 15, 2015, EuropaCorp and B.O. SARL agreed to an amendment to the commercial subleasing agreement dated October 15, 2013, under which:

- EuropaCorp recognizes that the leased premises are now regarded as divisible and that B.O. therefore has a direct right to renewal of the lease, within the meaning of Article L.145-32, paragraph 2, of the French Commercial Code and subject to the owner’s approval;
- EuropaCorp agrees to cover a third of the work carried out by B.O. (€716,000 excl. VAT), equivalent to €239,000 excl. VAT;
- EuropaCorp grants B.O. an additional three-month rent-free period (in addition to the 12 months already granted from April 1, 2013 to March 31, 2014) since the work only began in July 2013, instead of April 2013;
- on expiry of the lease, if EuropaCorp requires the premises to be restored to their original state, B.O. would not be liable for the costs of this rehabilitation work.

The importance is underlined of continuing to have a good restaurant at La Cité du Cinéma, both to facilitate office subletting, and for EuropaCorp’s own operational requirements, given the absence of any comparable offering nearby. Consequently, it was considered to be in EuropaCorp’s interest that B.O. should continue trading, both for its own business and to support the offering of its subsidiary Les Studios de Paris.

- **Credit and security agreements dated October 22, 2014, in particular between EuropaCorp Films USA Inc., EuropaCorp, certain EuropaCorp subsidiaries and J.P. Morgan Chase Bank N.A.**

On October 22, 2014, two credit agreements in English entitled “Credit, Security, Guaranty and Pledge Agreement” were entered into between EuropaCorp Films USA Inc. as Borrower, EuropaCorp SA as Parent, Blue Advertainment, Digital Factory, EuropaCorp Distribution,

EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo, as Guarantors, the Lenders, and J.P. Morgan Chase Bank, N.A. as Agent.

EuropaCorp and the subsidiaries listed above (of which the Company is both the sole shareholder and Chairman), parties to the Credit Agreements as Guarantors, granted a series of first- and second-lien securities to J.P. Morgan Chase Bank, N.A. as Agent, the Lenders, and other beneficiaries under the Credit Agreements.

The Company's Board of Directors considered it to be in the corporate interests of these subsidiaries to be signatories to the Credit Agreements and to arrange the first- and second-lien securities requested, in view of the general financial strategy deployed by the Group as a whole.

On September 30, 2016 and June 2, 2017, an amendment to the credit agreement entitled "Credit, Security, Guaranty and Pledge Agreement" was entered into notably between EuropaCorp Films USA Inc. as Borrower, EuropaCorp SA as Parent, Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo, as Guarantors, the Lenders, and J.P. Morgan Chase Bank, N.A. as Agent.

On September 30, 2016 and June 2, 2017, an amendment to the credit agreement entitled "Second Line Credit, Security, Guaranty and Pledge Agreement" was entered into between EuropaCorp Films USA Inc. as Borrower, EuropaCorp SA as Parent, Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo, as Guarantors, the Lenders, and Vine Investment Advisors LP as Administrative Agent and Security Agent.

The Company's Board of Directors considered it to be in the corporate interests of these subsidiaries to be signatories to the above-mentioned Credit Agreements and to arrange the guarantees requested, in view of the common strategy, in particular financial, deployed by the Group as a whole.

- ***Participation Agreement with Vine Advisors LP***

On December 31, 2014, EuropaCorp, Europacorp Films USA Inc. and Vine Investment Advisors LP, acting as Agent for various investors, entered into an agreement entitled the Amended and Restated Secured Participation Agreement, under the terms of which EuropaCorp grants a 15% Participation Interest in the income generated by the films distributed by EuropaCorp Films USA Inc. with the support of EuropaCorp Distribution LLC (formerly RED) in the United States, subject to a Maximum Participation Amount of \$100 million.

As security for the payment of this amount, EuropaCorp and some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted third-lien guarantees on all of their assets, as specified in the notes to the consolidated financial statements (Appendix 1), to the exclusion of any other guarantee.

The Company's Board of Directors considered it to be in the corporate interests of these subsidiaries to be signatories to the Participation Agreement and to arrange the third-lien securities requested, in view of the general financial strategy deployed by the Group as a whole.

The proceeds from this disposal (\$55 million) enabled EuropaCorp to make early repayment on the outstanding balance due to Relativity Media for the distribution joint venture formed in the United States, EuropaCorp Distribution LLC, 50% owned by each partner.

All amounts due to Relativity Media in connection with the formation of EuropaCorp Distribution LLC have therefore been paid by EuropaCorp and Relativity Media is no longer

entitled to either 15% of the receipts generated by these films, subject to a maximum of \$100 million, or a purchase option on EuropaCorp's stake in EuropaCorp Distribution LLC. This dual transaction enabled EuropaCorp to extend its investment in EuropaCorp Distribution LLC at no additional cost, and Vine Investment Advisors LP is therefore entitled to a percentage of 15% on revenue generated by the films distributed by EuropaCorp Films USA Inc. with the support of the services of EuropaCorp Distribution LLC in the United States up to a maximum participation of \$100 million.

It is also specified that the sale price may be increased by \$15 million if certain conditions are met. This earn-out will be fully borne by Vine Investment Advisors LP, at no extra cost to EuropaCorp.

- **The contract entitled Co-Financing/Co-production Agreement agreed between Fundamental Films and EuropaCorp for the film *Transporter - Refueled***

For this contract signed on October 2, 2014, Fundamental Films invested 5% of the cost of the film *Transporter Refueled* in exchange for distribution rights in China and a share of worldwide earnings.

- **Coproduction contract signed between Fundamental Films and EuropaCorp for the film *The Warrior's Gate***

For this contract, signed on March 23, 2015, EuropaCorp took on part of the cost of the film *The Warrior's Gate* (approximately 30%) and, therefore, holds 20% of the loss share and income share.

- **Output deal contract signed by Fundamental Films and EuropaCorp**

By the document dated August 7, 2015, Fundamental Films agreed to acquire the rights for China for a minimum of 20 films proposed by the Company, under a financial conditions framework and over a period of five years.

During the 2017/2018 financial year, EuropaCorp recorded revenue of approximately €3.8 million from this output deal (generated by the film *Valerian and the City of a Thousand Planets*).

- **Contract entitled Co-financing agreement agreed between Fundamental Films and Valerian for the film *Valerian and the City of a Thousand Planets***

Fundamental Films invested \$43 million in the film *Valerian and the City of a Thousand Planets* in exchange for a share of worldwide earnings.

- **Distribution contract between Fundamental Films and EuropaCorp for the film *Valerian and the City of a Thousand Planets***

Via the document dated October 6, 2015, Fundamental Films acquired the distribution rights for all media for China (as well as Hong Kong and Macao) for *Valerian and the City of a Thousand Planets* in exchange for a guaranteed minimum of \$4.2 million.

- **The contract entitled Co-financing Agreement agreed between Fundamental Films and EuropaCorp for the film *Nine Lives***

Under this contract, Fundamental Films invested \$5 million in the film *Nine Lives* in exchange for a share of worldwide earnings.

- **Contract entitled Producer Agreement between Curious Media and EuropaCorp for the film *Anna***

On September 20, 2017, EuropaCorp and Curious Media LLC dba Global Produce signed a contract for the production of the film *Anna*.

Marc Shmuger's expected fixed compensation is \$500,000 for the production services provided for the film.

Subject to the conditions precedent below, Marc Shmuger will receive variable compensation based on the Domestic Box Office as follows:

- \$0 if the Domestic Box Office is less than \$60 million;
- + \$100,000 if the film earns \$60 million in Domestic Box Office;
- + \$100,000 if the film earns \$70 million in Domestic Box Office;
- + \$100,000 if the film earns \$80 million in Domestic Box Office;
- + \$100,000 if the film earns \$90 million in Domestic Box Office.

The bonus is payable by Summit under the conditions below.

- **The contract entitled *Co-production and Distribution Agreement* between Summit and EuropaCorp**

On September 27, 2017, EuropaCorp and Summit Entertainment LLC signed a co-production and distribution contract for the film *Anna*.

Subject to the conditions precedent below, Summit will pay Marc Shmuger variable compensation based on the Domestic Box Office of the film as follows:

- \$0 if the Domestic Box Office is less than \$60 million;
- + \$100,000 if the film earns \$60 million in Domestic Box Office;
- + \$100,000 if the film earns \$70 million in Domestic Box Office;
- + \$100,000 if the film earns \$80 million in Domestic Box Office;
- + \$100,000 if the film earns \$90 million in Domestic Box Office.

The bonus is subject to the following conditions precedent:

- The appointment of Marc Shmuger as the film's producer;
- Marc Shmuger cannot be either a corporate officer or executive of EuropaCorp or of any affiliated companies on the date of the film's release. This condition is specified in the contract and will be met as of January 1, 2018.

The bonus is enforceable by Summit on EuropaCorp for the determination of the net earnings of the film, 50% of which are due to EuropaCorp.

19.2 *Statutory Auditors' Special Report on regulated agreements and commitments for the financial year ended March 31, 2018*

To the General Meeting of EuropaCorp,

In our capacity as the Statutory Auditors of your company, we present to you our report on the regulated agreements and commitments.

It is our responsibility to inform you, on the basis of the information that we were given, of the characteristics and basic terms as well as the reasons justifying the interest for the company of the agreements and commitments of which we have been advised or would have discovered during the performance of our mission, without having to take action on their usefulness and merits or to determine whether other agreements and commitments exist. It is your responsibility, under Article R.225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

Moreover, it is our responsibility, if necessary, to submit to you the information specified in Article R.225-31 of the French Commercial Code relating to the performance, during the previous financial year, of the agreements and commitments already approved by the General Meeting.

We have conducted the due diligence that we considered necessary with respect to the professional doctrine of the French National Company of Statutory Auditors relating to this mission. This due diligence consisted of verifying whether the information given to us was in agreement with the basic documents from which it is derived.

1. *AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING*

1.1. *Agreements and commitments authorized during the past financial year*

Pursuant to Article R.225-40 of the French Commercial Code, we were informed of the following agreements and commitments signed during the past financial year and already approved by your Board of Directors.

Agreement between EUROPACORP and CURIOUS MEDIA within the framework of the production of the film ANNA

Persons concerned:

- CURIOUS MEDIA, controlled by Marc Shmuger;
- Marc Shmuger, Chief Executive Officer of your company on the date of signature of this agreement and until December 31, 2017.

Nature and purpose:

On September 20, 2017, EuropaCorp and Curious Media LLC dba Global Produce signed an agreement to define the responsibilities of the latter as producer for the film *Anna*. The contract provides for fixed compensation for Curious Media LLC dba Global Produce in the amount of \$500,000.

The agreement was approved by the Board of Directors on December 1, 2017.

In addition, within the framework of the production of *Anna*, on October 27, 2017, EuropaCorp and Summit Entertainment LLC signed a distribution contract for the film *Anna* for the United States only.

The agreement provides for variable compensation for Marc Shmuger based on the Domestic Box Office. While the compensation is payable by SUMMIT ENTERTAINMENT only, the bonus is enforceable by SUMMIT ENTERTAINMENT on your Company for the determination of the net earnings of the film.

Your company's Board of Directors approved signature of the agreement at its meeting of December 1, 2017.

1.2. *Agreements and commitments approved since the close of the past financial year*

No agreements or commitments have been approved since the close of the financial year.

2. **AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING**

2.1. *Agreements and commitments approved during previous years whose performance continued during the past financial year*

Pursuant to Article R.225-30 of the French Commercial Code, we were informed that the performance of the following agreements and commitments, which were already approved by the General Meeting during previous years, continued during the past financial year.

2.1.1. Amendment to the sublease agreement entered into with FRONT LINE

Persons concerned:

- FRONT LINE, member of the Board of Directors and shareholder of your company;
- Luc Besson, Chairman of the Board of Directors of your company and Chairman and majority shareholder of FRONT LINE.

Nature and purpose:

On June 21, 2013, your company signed a 12-year subleasing agreement with FRONT LINE, with retroactive effect to April 6, 2012, due to end on April 5, 2024. Following the acquisition of the subsidiaries BLUE ADVERTAINMENT, BLUE EVENT and DIGITAL FACTORY by your company (formerly held by FRONT LINE), a new lease contract was signed on December 16, 2013 to modify the surface areas sublet to FRONT LINE. This new lease provides for an annual sub-lease amount of €2.3 million, excluding service charges and common area maintenance fees, based on the same prices per square meter as those paid by EUROPACORP SA.

On February 11, 2015, a new amendment was signed to reflect the changes in the occupied space following the relocation of a FRONT LINE employee. The space formerly occupied by this employee will now be available for EUROPACORP SA.

The Board of Directors of your company authorized this amendment at its meeting of March 26, 2015.

The amount billed to FRONT LINE for the financial year (including charges and common areas) totaled €3,030,354.74 excl. VAT.

It was noted during the financial year:

- that FRONT LINE did not consistently pay its rent;
- that the premises leased by FRONT LINE are little used by the company, but rather by sub-lessees - it being noted that the lease provided FRONT LINE with a sublease option.

At its meeting of May 23, 2017, the Board of Directors of your company authorized executive management to:

- terminate the lease of December 16, 2013;
- obtaining transfer of the contracts with the current FRONT LINE sub-lessees;
- take all measures required to settle any rent amounts due.

2.1.2. Cooperation agreement between Seaside Films Company and EUROPACORP SA

Persons concerned:

- Luc Besson, Chairman of the Board of Directors of your company and majority shareholder of SEASIDE FILMS COMPANY;
- FRONT LINE, member of the Board of Directors of your company.

Nature and purpose:

On February 11, 2003, your company signed a cooperation agreement with retroactive effect to April 1, 2002 with SEASIDE FILMS COMPANY, based in California. As part of the agreement, SEASIDE FILMS COMPANY assisted your company with research and development in the United States for scripts which could be used as the basis for the production of films. The agreement provided for annual fixed compensation of \$200,000, plus compensation for any subcontractors, which SEASIDE FILMS COMPANY charged to your company at cost, without any profit margin.

At its meeting of April 17, 2012, EUROPACORP SA's Board of Directors authorized the signing of a rider increasing the fixed annual compensation to \$270,000 as from April 1, 2012. Moreover, during that meeting, an adjustment invoice of \$120,000 was authorized for the financial year ended March 31, 2012, to take into account any additional costs incurred by SEASIDE FILMS COMPANY.

On March 18, 2013, your company established a U.S. subsidiary, EUROPACORP Films USA Inc., to take over script development. SEASIDE FILMS COMPANY is therefore no longer paid for this service. Only the expenses incurred by SEASIDE FILMS COMPANY, mainly for copyright, are re-invoiced, without any profit margin, to your company.

The expenses recorded by your company for the financial year amount to €34,461.

2.1.3. La Cité du Cinéma film studio financing: memorandum of understanding and granting of guarantees for the lease contract

The following decisions, as well as the agreements resulting therefrom, were deemed to constitute regulated agreements, given the indirect interest of FRONT LINE, a 10% co-partner of SCI Les Studios de Paris. These agreements were approved by the Board of Directors on March 23, 2010.

2.1.3.1. Signature of a memorandum of understanding

Persons concerned:

- FRONT LINE, a member of the Board of Directors of your company and co-partner of SCI Les Studios de Paris;
- Luc Besson, Chairman of the Board of Directors of your company and Chairman of FRONT LINE .

Nature and purpose:

On May 13, 2009, your company signed a memorandum of understanding relating to the equity participation of two companies to be formed in connection with the La Cité du Cinéma project. Under the terms of this memorandum of understanding, your Company undertook to partner with several companies, including FRONT LINE, with a 40% and 9.99% stake, respectively, within SCI Les Studios de Paris.

On July 29, 2009, your company entered into a shareholders' agreement concerning Les Studios de Paris. The purpose of the agreement was to define the terms of their equity participation in the company.

Your Company further undertook, with the same partners as those with which it entered into partnership in SCI Les Studios de Paris, to become a partner, for 40% of the share capital, in Société d'Exploitation des Studios de Paris, which is responsible for the operational use of the La Cité du Cinéma studios.

2.1.3.2. Signature of a lease agreement

Persons concerned:

- FRONT LINE, member of the Board of Directors of your company, majority shareholder of Mondialum, legal entity Chairman of EuropaCorp Studios and with an indirect holding in, and co-partner of, SCI Les Studios de Paris;
- Luc Besson, Chairman of the Board of Directors of your company and Chairman of FRONT LINE.

Nature and purpose:

On March 23, 2010, the Board of Directors of your Company authorized the signature of a real estate lease by SCI Les Studios de Paris with a pool of leasing companies. This agreement concerns the acquisition of La Cité du Cinéma shooting sets.

Jointly with this lease, your company also signed a pledge agreement with the pool of lending banks for the 300,000 shares that it holds in the capital of SCI Les Studios de Paris to guarantee its commitments in the amount of €18,000,000.

The lease was also accompanied by a lock-up commitment under which the company undertakes not to sell, during the term of the lease, without the prior agreement of the pool of lending banks, the shares that it holds in the SCI and Société d'Exploitation des Studios de Paris.

Lastly, as part of this transaction, the Board of Directors also authorized your company to sign a guarantee with BCME-Arkéa for €1,300,000.

2.1.4. Subleasing agreement with B.O. SARL

Persons concerned:

- FRONT LINE, member of the Board of Directors of EUROPACORP SA with a 51% stake in B.O.;
- Luc Besson, Chairman of the Board of Directors of EUROPACORP SA and Chairman and majority shareholder of FRONT LINE.

Nature and purpose:

EUROPACORP SA and the restaurant Le B.O., 51%-owned by FRONT LINE, entered into a subletting agreement for ground-floor premises in the central nave of La Cité du Cinéma.

2.1.5. Amendment to the subleasing agreement with B.O. SARL.

Persons concerned:

- FRONT LINE, member of the Board of Directors of EUROPACORP SA with a 51% stake in B.O.;
- Luc Besson, Chairman of the Board of Directors of EUROPACORP SA and Chairman and majority shareholder of FRONT LINE.

The amendment, considered a regulated agreement owing to FRONT LINE's indirect interest, was authorized at the Board meeting of March 26, 2015.

Nature and purpose:

An amendment to the commercial subletting agreement for ground-floor premises in the central hall at La Cité du Cinéma, originally entered into with B.O. on October 15, 2013, was signed on April 8, 2015. Under the terms of this amendment:

- your company recognizes that the leased premises are divisible and, therefore, that B.O. has a direct right to renewal of the lease, within the meaning of Article L.145-32, paragraph 2, of the French Commercial Code and subject to the owner's agreement;
- your company agrees to cover a third of the work carried out by B.O., i.e. the amount of €239,000, with the total work amounting to €716,000;
- your company grants B.O. an additional three-month rent-free period (in addition to the 12 months already granted from April 1, 2013 to March 31, 2014), since the work only finally began in July 2013, instead of April 2013;
- on expiry of the lease, if your company requires the premises to be restored to their original state, B.O. will not be liable for the costs of this rehabilitation work.

2.1.6. Service contract with Deputy Chief Executive Officer Edouard de Vésinne

Persons concerned:

- Edouard de Vésinne, Deputy Chief Executive Officer of your company;
- EUROPACORP SA.

Nature and purpose:

Edouard de Vésinne was appointed Deputy Chief Executive Officer of your company by the Board of Directors on April 20, 2016. Mr. de Vésinne's compensation was also approved by the Board of Directors on April 20, 2016.

Your company and Edouard de Vésinne wished to contractually frame the conditions governing the exercise of the Deputy Chief Executive Officer's duties. The contract came into effect on April 21, 2016 for an unlimited period of time.

The service contract provides for:

- Fixed gross annual compensation of €402,000, including the following benefits in kind:
 - Housing benefit: €5,241
 - Benefit in kind for vehicle: €785
 - Miscellaneous benefits in kind: €185

The amounts of the different benefits in kind are monthly. It is stated in the service contract that the annual compensation will be paid over 12 months.

- Variable compensation, the amount of which is dependent on a target based on the consolidated operating profit approved by the Board of Directors.

In addition, the contract sets out the following provisions:

- The Deputy Chief Executive Officer will not be eligible for the bonus if the operating profit is less than the operating profit from the consolidated annual budget. In addition, the bonus will be capped to ensure that its allocation will not be able to cause the consolidated financial statements for the financial year to post a deficit.
- In the event of the termination of duties on the company's initiative later than six months after Edouard de Vésinne's effective start date, the company will pay to Edouard de Vésinne an amount equivalent to 18 months of gross compensation (including benefits in kind and housing benefit, excluding bonuses).

The signature of this contract was approved by the Board of Directors of EUROPACORP SA at its meeting on May 23, 2016.

The company paid compensation in the amount of €338,427 for the position. Edouard de Vésinne's term of office ended on September 4, 2017.

2.2. *Agreements and commitments approved in prior years that were not executed during the past financial year*

Furthermore, we have been informed of the continuation of the following agreements and commitments already approved by the General Meeting in prior years that were not executed during the past financial year.

2.2.1. **Agreement with BLUE ADVERTAINMENT**

Persons concerned:

- FRONT LINE, member of the Board of Directors of EUROPACORP SA;
- Luc Besson, Chairman of the Board of Directors of your company and Chairman of FRONT LINE;
- The heirs of Christophe Lambert, former director and former Chief Executive Officer of your Company.

Nature and purpose:

EUROPACORP SA and BLUE ADVERTAINMENT have signed a series of framework agreements outlining the terms of the relationship between the two companies:

- Framework agreement on strategic partnership contributions: under this agreement, BLUE ADVERTAINMENT accepted to decrease its commission to 15% (instead of the usual 18% to 20% noted for the creative and advertising markets). The non-monetary consideration offered by your company has not been valued.
- Framework agreement relating to the provision of creative services
- BLUE ADVERTAINMENT assistance agreement: at EUROPACORP SA's request, the use of Blue's resources is possible as part of the management of ordinary business. Invoicing is done based on time passed and the cost price, increased by 8% as in the agreements signed with FRONT LINE (cost+8). This agreement is authorized in the amount of €150,000 excl. tax per year. A budget overrun requires a new authorization.

The agreement was authorized by the Board of Directors of your company on April 17, 2012.

No amount was charged by BLUE ADVERTAINMENT to your company under these agreements for the financial year ended March 31, 2017.

2.2.2. **Service provision agreement with INCOGNITA**

Persons concerned:

- INCOGNITA, a company held directly or indirectly by Edouard de Vésinne, Deputy Chief Executive Officer of your company;
- EUROPACORP SA.

Nature and purpose:

As part of a partnership contract between the two entities signed on May 13, 2016, EUROPACORP SA is granted from May 15, 2016 and for the duration of one year, the right of first and last refusal for the distribution of the feature films to be produced by INCOGNITA. Your company will pay INCOGNITA an annual amount with a guaranteed minimum of €150,000 excl. tax, in compensation for first and last refusal rights. This remuneration will be added from the first euro to the amounts due to INCOGNITA for the distribution of projects

which are covered by any type of distribution agreement between INCOGNITA and your company or any person for which your company may substitute in full or in part. This agreement was approved by the Board of Directors of EUROPACORP SA at its meeting on May 23, 2016.

Paris and Villeurbanne, on July 24, 2018

The Statutory Auditors

Auditeurs & Conseils Associés
ACA Nexia
Represented by

Premier Monde

Represented by

Olivier Juramie

Arnaud Malivoire

20 FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS, FINANCIAL POSITION AND RESULTS

20.1 *Historical financial information*

The Company's consolidated financial statements for the financial year ended March 31, 2018, prepared in accordance with IFRS, are included in Note 1 to this Registration document.

20.2 *Verification of historical annual financial information: Statutory Auditors' report on the Company's consolidated financial statements for the year ended March 31, 2018*

To the General Meeting of EuropaCorp,

1. *Opinion*

In pursuance of the mission entrusted to us by your General Meeting, we conducted the audit of the consolidated financial statements of EuropaCorp for the financial year ended on March 31, 2018 as attached to this report.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations of the companies included in the consolidation for the year ended, in accordance with the IFRS standards as adopted in the European Union.

The opinion provided above is consistent with the content of our report to the Audit Committee.

2. *Basis of our opinion*

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that the items we have collected form a sufficient and appropriate basis for our opinion.

The responsibilities incumbent upon us by virtue of the standards are listed in the Section "Responsibilities of the Statutory Auditors with respect to the audit of the consolidated financial statements" of this report.

Independence

We conducted our audit in accordance with rules of independence applicable to us for the financial year from April 1, 2017 to the date of issue of our report and, notably, we did not provide any of the services forbidden by Article 5, paragraph 1, of Regulation (EU) No. 537/2014 or by the code of ethics of the statutory auditors' profession.

3. *Justification of our assessments - Key points of the audit*

In application of the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification of our assessments, we hereby inform you of the key points of our audit relative to the risk of material misstatements which, in our professional opinion, were most significant for the audit of the annual financial statements for the financial year and the answers we provided to these risks.

The assessments thus made are part of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of our opinion expressed above. We do not express an opinion on the elements of the financial statements considered individually.

Recognition of Television, International Sales and Theatrical distribution revenue

(Notes 2.19 and 4.1 of the notes to the consolidated financial statements)

Risk identified

As of March 31, 2018, the Group had revenue of €223.7 million, of which 34% from international rights sales contracts called "International Sales", 18% from the sale of TV rights and 17% from distribution in movie theaters.

As explained in Notes 2.19.1, 2.19.2 and 2.19.3 of the notes to the consolidated financial statements, the principles for recognizing revenue from International Sales, TV sales and distribution in movie theaters are different. In addition, multi-rights contracts can include several operational phases for a work, which can be a source of complexity when identifying revenue-generating events.

As a result, we have considered the recognition of revenue from International Sales, Theatrical distribution and Television sales as a key point of our audit due to its significant impact on the Group's financial statements.

Our answer

We reviewed the internal control procedures implemented and tested the main controls in place for revenue recognition. To obtain a sampling of TV and International sales contracts deemed significant due to their financial impact:

- We compared contract data with management and accounting data;
- For distribution in movie theaters, we compared the invoice data from the information system with accounting data;
- We ensured that revenue recognition principles were applied.

We also implemented substantial controls on a sampling of trade receivables and invoices to be created to assess management's estimates.

Valuation of film and audiovisual rights

(Notes 2.7.4 and 3.2 of the notes to the consolidated financial statements)

Risk identified

On March 31, 2018, the films and audiovisual works produced or distributed by the EuropaCorp Group consisted of intangible fixed assets in the net amount of €121.2 million.

As mentioned in Note 2.7.4 of the notes, film and audiovisual works are amortized using the estimated revenue method which is the best-suited method to reflect the consumption of the future economic benefits of these assets. This method consists in applying to the cost of the film the ratio resulting from the comparison between the net revenue earned and the total net projected revenue for a period of 12 years as of the date of first use.

The estimate of net projected revenue is reviewed by management and adjusted, if required, based on contracts signed or planned, the report by the independent expert appointed by the Company for international territories, or the evolution of the audiovisual market.

We therefore consider the assessment of films and audiovisual rights as a key point of the audit due to (i) their significance for the Group's financial statements, and (ii) the judgments required to determine their recoverable value.

Our answer

Our audit method consisted in verifying, on the basis of a sample of films, that the use of these estimates did not result in an over-estimation or under-estimation of the net book value of these intangible assets.

Our work consisted in:

- Analyzing compliance with the accounting standards in effect and the continued use of the amortization method applied by the Group and in verifying the correct implementation of the amortization calculation rule;
- Reconciling (i) the amount of net revenue acquired with the management data, and (ii) the amount of revenue estimated by the experts based on their reports with the estimated future revenue retained;
- Assessing the consistency of revenue estimates with the history of results, comparing the pace of future revenue with actual performance, and analyzing changes in future revenue between the two closings via sampling.

Lastly, we verified the appropriate nature of the information provided in Note 2.7.4 of the notes to the consolidated financial statements.

Recoverable value of goodwill and the CGUs

(Notes 2.6 and 3.1 of the notes to the consolidated financial statements)

Risk identified

As explained in Note 2.6 of the notes to the consolidated financial statements, goodwill is allocated to the smallest group of assets or cash generating units (CGU) represented by the activities of the various companies for the purpose of conducting impairment tests. Impairment tests are conducted each time there is an indication of loss of value and consistently at the close of each financial year. Impairment is recognized when the recoverable value of the CGUs is less than the net book value.

To determine the value in use of the CGUs, management applies the discounted cash flow method (DCF) which implies the use of structuring assumptions for each asset class such as, notably, the terminal growth rate and the discount rate.

Determination of the recoverable value of the goodwill of the CGUs is based on the judgment of management including, notably, cash flow projections and the discount rate applied to them. We therefore considered the evaluation of the recoverable value of the CGUs as a key point of the audit.

Our answer

We obtained the impairment test of each of the CGUs and, based on this information, we focused our attention on the following items:

- Examining the conformity of the methodology used by the Group with the accounting standards in effect and consistency with the Group's strategy;
- Testing all of the elements of the book value of the CGUs and the consistency of the determination of the value with the cash flow projections;
- Assessing the consistency of the discount rate applied and cash flow projections with the latest management estimates as presented to the Board of Directors as part of the budget processes.

Lastly, we assessed the suitability of the information provided in Notes 2.6 and 3.1 of the notes to the consolidated financial statements.

Recoverable nature of deferred tax assets

(Notes 2.13 and 3.6 to the notes to the consolidated financial statements)

Risk identified

A deferred tax asset of €30.4 million was recognized in the consolidated statement of financial position. It consists notably of €10.6 million in deferred tax assets relating to tax losses due to the assessment by management of its ability to use in the future the deferred tax losses generated as of March 31, 2018.

In our opinion, the assessment of the recoverability of the deferred tax assets is a key point of the audit due to its significance for the Group's financial statements and the fact that determination of the recoverable value of deferred tax assets related to capitalized tax debt, based, notably, on forecast future profits, requires the use of assumptions, estimates and assessments by management.

Our answer

Our audit approach consisted in assessing the likelihood that the Group can use capitalized deferred tax losses as of March 31, 2018 in the future given the ability of the entities in question to generate future tax profits able to absorb past tax losses.

To assess future taxable profits, we assessed the probability that the Group will recover its deferred tax assets by:

- Comparing projected income from previous financial years with the actual income of the financial years in question;
- Checking the consistency of the assumptions made with past results, notably in terms of the projected box office;
- Conducting sensitivity analyses.

We also checked that the tax rate used to determine the deferred tax assets, notably in the United States, complies with the tax legislation in effect.

4. *Verification of the information about the Group provided in the management report*

In accordance with the professional standards applicable in France, we also carried out the specific verification required by law on the information about the Group provided in the Board of Directors' management report.

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

5. *Information resulting from other legal and regulatory obligations*

Appointment of the Statutory Auditors

We were appointed EuropaCorp's Statutory Auditors by the General Meeting of September 26, 2014.

As of March 31, 2018, the firms Auditeurs et Conseil Associés - ACA Nexia and Premier Monde were in their fourth year of continuous service.

6. *Responsibilities of management and those charged with corporate governance for the consolidated financial statements*

It is the responsibility of management to prepare consolidated financial statements presenting a true picture, in accordance with IFRS as adopted in the European Union, and to implement the internal controls it deems necessary for the preparation of consolidated financial statements containing no material misstatements result either from fraud or errors.

At the time the consolidated financial statements are prepared, it is the responsibility of management to assess the ability of the company to continue its operations, to present in its financial statements, if required, the information necessary for continued operations and to implement the going concern principle unless plans have been made to liquidate the company or cease its operations.

It is the responsibility of the audit committee to monitor the preparation of the financial information and to track the effectiveness of internal control and risk management systems as well as, in the event of an internal audit, the procedures related to the preparation and processing of the accounting and financial information.

The consolidated financial statements have been approved by your Board of Directors.

7. *Responsibilities of the Statutory Auditors with respect to the audit of the consolidated financial statements*

Audit objective and process

It is our responsibility to prepare a report on the consolidated financial statements. Our goal is to obtain reasonable assurance that the consolidated financial statements considered overall do not contain any material misstatements. Reasonable assurance reflects a high level of confidence without, however, guaranteeing that an audit conducted in accordance with professional standards will ensure the consistent identification of material misstatements. Misstatements can result from fraud or errors. They are considered to be significant when it can be reasonably expected that they will, taken individually or together, impact the financial decisions the users of the financial statements take based on them.

As stated in Article L.823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist in guaranteeing the viability or quality of the management of your company.

As part of an audit conducted in accordance with the professional standards applicable in France, the Statutory Auditors exercise their professional judgment throughout the audit process. In addition:

- They identify and assess the risk that the consolidated financial statements contain material misstatements whether they are the result of fraud or errors, define and implement audit procedures to address the risks and collect the information they believe is sufficient and appropriate to found their opinion. The risk of non-identification of a significant misstatement resulting from fraud is greater than that of a significant misstatement resulting from an error given that fraud can imply collusion, falsification, voluntary omissions, false statements and the bypassing of internal controls;
- They review the internal control system relevant to the audit in order to define the appropriate audit procedures for the circumstances and not for the purpose of expressing an opinion on the effectiveness of internal control;
- They assess the suitability of the accounting methods used and the reasonable nature of the accounting estimates made by management and the information about them provided in the consolidated financial statements;
- They assess the suitability of the application by management of the going concern principle and, based on the information collected, whether or not there is significant uncertainty related to events or circumstances with the potential to negatively impact the ability of the Company to continue operating. The assessment is based on all of the information collected up to the time of the report, it being noted that subsequent circumstances or events may prevent the Company from continuing to operate. If they conclude that there is significant uncertainty, they will draw the attention of the readers of their report to the information provided in the consolidated financial statements regarding the uncertainty or, if the information is not provided or not relevant, they will issue a qualified opinion or refuse certification;
- They assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect underlying operations and events in a way that provides a truthful picture;
- With respect to the financial information of the persons and entities included in the scope of consolidation, they collect the information they deem sufficient and necessary to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and completion of the audit of the consolidated financial statements and for the opinion expressed about the statements.

Report to the audit committee

We hereby submit a report to the audit committee which presents the extent of the audit work done and the program implemented as well as the conclusions of our work. We also inform the committee, if applicable, of any significant weaknesses in internal control which we identified with respect to the procedures used to prepare and process the accounting and financial information.

The information provided in the report to the audit committee includes the risks of significant misstatements which we believe are most significant for the audit of the consolidated financial statements for the financial year and which are, therefore, key points of the audit. These points are described in this report.

We have also provided the audit committee with the statement required by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France, as they are defined in Articles L.822-10 to L.822-14 of the French Commercial Code and the code of ethics for Statutory Auditors. If need be, we will meet with the audit committee to discuss any threats to our independence and the safeguard measures applied.

Paris and Villeurbanne, on July 24, 2018

The Statutory Auditors

Auditeurs & Conseils Associés

ACA Nexia

Represented by

Olivier Juramie

Premier Monde

Represented by

Arnaud Malivoire

20.3 Date of last financial information audited

The Company's last audited financial statements are the consolidated financial statements for the financial year ended March 31, 2018.

20.4 Statutory Auditors' fees

Fees paid to the Statutory Auditors for the financial statements of EuropaCorp and its subsidiaries for the financial years ended March 31, 2017 ("N-1") and March 31, 2018 ("N"):

(In thousands of euros)	ACA/Réseau Nexia				Ledouble SA				Arnaud Malivoire / Premier Monde			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1
Audit												
Statutory audit, certification, review of the separate and consolidated financial statements			95%	82%			100%	100%			100%	98%
- EuropaCorp	145	141	61%	53%					134	130	48%	45%
- Fully consolidated subsidiaries	79	76	33%	29%	2	7	100%	100%	143	154	52%	53%
Other verifications and services directly related to the statutory audit			5%	18%							0%	2%
- EuropaCorp	12	39	5%	15%						5	0%	2%
- Fully consolidated subsidiaries												
- Other services than certification of the financial statements		10		3%								
TOTAL	236	266			2	7			277	290		

20.5 Dividend allocation policy

20.5.1 Dividends paid out over the past three financial years

Concerning the appropriation of profits for the financial years ended March 31, 2015, 2016 and 2017, the General Meeting of Shareholders resolved not to pay out any dividend.

20.5.2 Company dividend allocation policy

The amount of the dividend allocations envisaged for the upcoming financial years is in the range of 20% to 40% of the Company's distributable annual profits.

This objective does not represent a commitment on the part of the Company. The dividends will depend, in particular, on the Company's operating results and financial position.

20.6 Legal and arbitration proceedings

The Group may from time to time be involved in legal, administrative or regulatory proceedings in the normal course of its business. Except as set out below, to the Group's knowledge, there are no pending or looming governmental, legal or arbitration proceedings, which may have, or have had over the past 12 months, a significant unfavorable impact on the Group's business, financial position or results.

- *Avalanche Productions*

On January 25, 2016, Avalanche Productions summonsed EuropaCorp to have its role as co-producer of the live film *Valerian and the City of a Thousand Planets* recognized and to assert its right to 10% of net producer receipts with immediate provisional payment of €15 million (plus, and/or additionally, damages and involvement in the film's production).

The request is based on the terms of a contract signed on August 21, 2002 by EuropaCorp and Dargaud-Marina, in the presence of Avalanche. The contract set the production conditions for an animated television series adapted from the comic strip "Valérian" to which Dargaud-Marina held the animation adaptation rights. Article 16.2 of the contract also defined the rules applicable in the event of any future co-production by EuropaCorp and Dargaud-Marina of a live feature film based on "Valérian".

The Court of Commerce, in its decision of October 12, 2016 dismissed all of Avalanche Productions' claims and sentenced it to pay EuropaCorp €10,000 under Article 700 of the French Civil Procedure Code. Avalanche Productions appealed the decision.

- *Messrs. Rouchier, Bouchelaghem, Cepo and Fructus (Arthur & the Invisibles trilogy)*

In its decision of January 19, 2018, the Paris Court of Appeal dismissed all of the claims brought by the four artists who had worked on *Arthur & the Invisibles*.

The Court of Appeal thereby invalidated the decision in first instance of the District Court of Paris handed down on January 8, 2016 which had canceled the copyright sales contracts for a lump sum. The Court of Appeal therefore acknowledged that the contribution of the plaintiffs did not constitute an essential aspect of *Arthur & the Invisibles* and confirmed the validity of all contracts and the absence of any illegality. The secondary designers were sentenced to bear the costs of the proceedings and to €12,000 of damages. They have lodged an appeal in cassation to the French Supreme Court.

A note on the main disputes is included in the Notes to the consolidated financial statements (Appendix 1) and the Notes to the separate financial statements (Appendix 2).

20.7 Stability of the financial and business position

There has been no significant change in the Group's financial or business position since March 31, 2018.

20.8 Non-deductible expenses and charges

Pursuant to the provisions of Article 223 quater of the French General Tax Code (CGI), the Company specifies that, for the financial year ended March 31, 2018, (i) the total of all expenses and charges which are not deductible from the Company's taxable income pursuant to Article 39-4 of the CGI, amounts to €25,612 and that (ii) pursuant to Article 39-5 of the CGI, no non-deductible overhead expenses were added back to taxable income by the tax authorities during the financial year just ended.

21. ADDITIONAL INFORMATION

The Company is a French public limited company (*société anonyme*) governed by applicable French laws and regulations and the Company's Articles of Association.

21.1 General information concerning the Company's share capital

21.1.1 Amount of share capital

On the Registration document filing date, the Company's share capital amounted to €13,932,353.06. It is divided into 40,977,509 fully paid-up ordinary shares of the same category, with a par value of €0.34 each.

21.1.2 Securities held by EuropaCorp, for its own account, or by its subsidiaries

The General Meeting granted the Board of Directors the following authorizations, in force during the financial year:

Authorizations granted to the Board of Directors	Ceiling	Term of authorization	Date of the AGM and resolution number
Authorization to purchase Company shares or have them purchased within the framework of a share buyback program capped at 10% of the share capital	10% of the Company's share capital	18 months Canceled on 09/27/2017	09/28/2016 No. 10
Authorization to purchase Company shares or have them purchased within the framework of a share buyback program capped at 10% of the share capital	10% of the Company's share capital	18 months	09/27/2017 No. 6
Authorization, subject to a condition precedent, to reduce the share capital through the cancellation of shares	10% of the Company's share capital per 24-month period	24 months Canceled on 09/27/2017	09/28/2016 No. 24
Authorization, subject to a condition precedent, to reduce the share capital through the cancellation of shares	10% of the Company's share capital per 24-month period	24 months	09/27/2017 No. 24

It will be proposed that the General Meeting called to approve the financial statements closed on March 31, 2018 renew these authorizations.

On November 9, 2009, within the framework of the share buyback program, the Company signed a liquidity agreement with Natixis in compliance with the ethics charter approved by the AMF.

During financial year 2017/2018, only the authorizations to purchase Company shares or have them purchased within the framework of a share buyback program have been used.

A. Special Report pursuant to Article L.225-211 of the French Commercial Code

I. Description of the share buyback program implemented during financial year 2017/2018

Legal framework

The Combined General Meeting of September 28, 2016, in its tenth resolution, authorized the Board of Directors to implement a share buyback program in accordance with the provisions of Articles L.225-209 et seq. of the French Commercial Code.

The Combined General Meeting of September 27, 2017, in its sixth resolution, canceled the existing

authorization and granted a new authorization to the Board of Directors for a period of 18 months.
Characteristics of the share buyback program

The conditions for the implementation of the authorizations granted by the tenth resolution of the Combined General Meeting of September 28, 2016 and by the sixth resolution of the Combined General Meeting of September 27, 2017 are identical.

By virtue of the authorizations, the maximum purchase price is set at €15.50 and the total amount of the purchases is capped at €20 million.

EuropaCorp's Board of Directors is authorized to buy a number of shares representing no more than 10% of the Company's share capital on the date of the actual purchases, with the understanding that the number of shares purchased with a view to their retention or their future use for payment or exchange purposes in any external growth operations cannot exceed 5% of the Company's share capital.

In accordance with applicable regulations and AMF approved market practices, the objectives of the share buyback program are the following:

- cancellation of shares to reduce the share capital by virtue of a cancellation authorization granted to the Board of Directors by the Extraordinary General Meeting;
- buoyancy of the secondary market or liquidity of Company securities within the framework of a liquidity contract signed with an independent investment service provider in accordance with the code of ethics recognized by the AMF;
- allocation of shares to the employees and officers of the Company and/or companies linked to it or which shall be linked to it under the terms and conditions defined by applicable legal provisions, for the exercise of purchase options, the award of free shares or participation in the Company's profit-sharing scheme;
- delivery or exchange of shares upon the exercise of rights attached to marketable or debt securities which entitle their holders, in any manner, immediately or in the future, to the allocation of Company shares;
- retaining of shares or their future use for payment or exchange purposes in any external growth operations;
- any other practice that would come to be accepted or acknowledged by law or by the AMF, or any other objective that would comply with current regulations.

Moreover, the Combined General Meeting of September 28, 2016, in its twenty-fourth resolution, authorized the Board of Directors to reduce the share capital through one or more operations, over a period of 24 months, in the proportions and at the times it deems fit, through the cancellation of all or part of the shares purchased by the Company under any share buyback programs within the limit of 10% of the share capital per 24-month period.

The Combined General Meeting of September 27, 2017, in its twenty-fourth resolution, canceled the existing authorization and authorized the Board of Directors to reduce the share capital under the same conditions for a period of 24 months.

II. Share buybacks by EuropaCorp during the financial year ended March 31, 2018

The table below summarizes the transactions completed during the financial year ended on March 31, 2018.

Share transactions from April 1, 2017 to March 31, 2018

	Liquidity agreement	Share buyback outside the liquidity agreement
Number of shares purchased	356,243	-
Number of shares sold	335,032	-
Weighted average price	€2.57	-
Trading fees	-	-
Reason	Supporting the share price	Possible external growth operations
On the financial year closing date / At March 31, 2018		
Number of shares registered in the Company's name	26,293	14,229
Value of the shares at the average purchase price	€69,334.27	€37,521.67
Value of the shares at the closing price	€50,745.49	€27,461.97
Par value of the shares	€0.34	€0.34
% shares/capital	0.06%	0.03%

Outside the liquidity agreement, the Company carried out no transactions on its own shares under the share buyback program during the financial year ended March 31, 2018.

On March 31, 2018, the Company held 40,522 shares, representing 0.10% of its share capital, valued at €78,207 based on the closing price of EuropaCorp stock on March 29, 2018 (i.e. €1.93). In accordance with applicable legal and regulatory requirements, these shares do not carry dividend rights or voting rights.

No treasury share was canceled by the Company during the 24 months preceding the close of the financial year. No Company shares are directly or indirectly held by Company subsidiaries.

B. Description of the share buyback program submitted to the Combined General Meeting of September 27, 2018

The Combined General Meeting of September 27, 2017 authorized the Board of Directors to implement a new share buyback program under the terms of the sixth resolution.

The main characteristics of this program are identical to those of the program approved by the General Meeting of September 28, 2016. In particular, the new program authorizes the Board of Directors, with the possibility of sub-delegation of authority, to purchase Company shares or have them purchased within the limit of the number of shares representing 10% of the share capital on the actual date of these purchases, with the understanding that the total number of shares held after these purchases may not exceed 10% of the Company's share capital.

The maximum purchase price is set at €15.50 per Company share. The maximum amount of the purchases authorized under the share buyback program is capped at €20 million. However, in the event of share capital transactions, such as the capitalization of reserves, the award of free shares, stock splits or reverse stock splits, the above-stated price can be adjusted accordingly.

The acquisition, sale or transfer of these shares may be carried out by any means, in one or more transactions, on the market or over-the-counter, including through block purchases or sales, public offerings, by using derivative instruments or bonds or marketable securities giving rights to Company shares, or through the set-up of option plans, under the conditions set by the market authorities and in compliance with applicable regulations.

The Company can use this authorization for the purposes set out below, in compliance with the above-mentioned texts and the market practices approved by the AMF:

- cancellation of shares to reduce the share capital by virtue of a cancellation authorization granted to the Board of Directors by the Extraordinary General Meeting;
- buoyancy of the secondary market or liquidity of Company securities within the framework of a liquidity contract signed with an independent investment service provider in accordance with the code of ethics recognized by the AMF;
- allocation of shares to the employees and officers of the Company and/or companies linked to it or which shall be linked to it under the terms and conditions defined by applicable legal provisions, for the exercise of purchase options, the award of free shares or participation in the Company's profit-sharing scheme;
- delivery or exchange of shares upon the exercise of rights attached to marketable securities that entitle their holders, in any manner, immediately or in the future, to the allocation of Company shares;
- retaining of shares or their future use for payment or exchange purposes in any external growth operations;
- any other practice that would come to be accepted or acknowledged by law or by the AMF, or any other objective that would comply with current regulations.

Notwithstanding the above, the number of shares acquired by the Company for their retention or future use for payment or exchange purposes in any merger, spin-off or asset transfer may not exceed 5% of its capital.

This authorization is granted for a period of 18 months as of the date of the General Meeting.

The Board of Directors may carry out transactions involving the purchase, sale or transfer of Company shares at any time, in compliance with legal and regulatory provisions, including during a takeover bid or public exchange offer initiated by the Company or targeting Company securities.

The General Meeting granted all powers to the Board of Directors, with the right to sub-delegate as defined by Article L.225-209, paragraph 3, of the French Commercial Code, in order to decide on how to implement this authorization and set the terms thereof, in particular to adjust the aforementioned purchase price in the case of transactions that alter shareholder's equity, the capital stock or the par value of the shares, place all orders on the stock exchange, sign all agreements, complete all declarations and formalities, and generally do everything necessary.

Moreover, the Combined General Meeting of September 27, 2017 authorized the Board of Directors to reduce the share capital through one or more operations, over a period of 24 months, in the proportions and at the times it deems fit, through the cancellation of all or part of the shares purchased by the Company under any share buyback programs within the limit of 10% of the share capital per 24-month period.

21.1.3 Delegations of power and financial authorizations

The Combined General Meeting of September 27, 2017 granted the Board of Directors the following powers and authorizations, which are still valid:

Delegations of power granted to the Board of Directors for capital increases	Maximum nominal amount of the capital increase	Use of the delegation during the year	Term of the delegation	Date of the AGM and resolution number
Delegation of power for the purposes of deciding on the issue, while maintaining shareholders' preferential subscription rights, of ordinary shares and/or marketable securities giving access to the Company's share capital, either immediately or in the future, or the issue of debt securities	€4,000,000*	Nil	26 months	09/27/2017 No. 11
Delegation of power for the purposes of deciding on the issue, by means of public offering while canceling shareholders' preferential subscription rights, of ordinary shares and/or marketable securities giving access to the Company's share capital, either immediately or in the future, or the issue of debt securities	€4,000,000*	Nil	26 months	09/27/2017 No. 12
Delegation of power for the purposes of deciding on the issue, while canceling shareholders' preferential subscription rights, of ordinary shares and/or marketable securities giving access to the Company's capital, either immediately or in the future, or the issue of debt securities within the framework of the offering as defined in part II of Article L.411-2 of the French Monetary and Financial Code	20% of the capital per 12-month period*	Nil	26 months	09/27/2017 No. 13
Authorization to be granted to the Board of Directors for the purposes of setting the issue price of ordinary shares or marketable securities within the limit of 10% of the capital per year, while canceling shareholders' preferential subscription rights	Ceiling applicable to the resolution used (€4,000,000)*	Nil	26 months	09/27/2017 No. 14
Authorization to be granted to the Board of Directors for the purposes of increasing, in accordance with Article L.225-135-1 of the French Commercial Code, the number of securities to be issued in operations carried out while maintaining or canceling shareholders' preferential subscription rights	Ceiling applicable to the resolution used (€4,000,000)*	Nil	26 months	09/27/2017 No. 15
Delegation of power to be granted to the Board of Directors for the purposes of deciding on a capital increase through the issue of shares reserved for employees subscribing to a Company Savings Plan, while canceling shareholders' preferential subscription rights in favor of these employees	2% of the share capital*	Nil	26 months	09/27/2017 No. 16
Delegation of powers to be granted to the Board of Directors for the purposes of deciding on the issue of ordinary shares within the limit of 10% of the share capital, in consideration of contributions in kind granted to the Company	10% of the share capital	Nil	26 months	09/27/2017 No. 19

Delegations of power granted to the Board of Directors for capital increases	Maximum nominal amount of the capital increase	Use of the delegation during the year	Term of the delegation	Date of the AGM and resolution number
Delegation of powers to be granted to the Board of Directors to increase the share capital through the issue of ordinary shares or marketable securities giving access to the Company's share capital in consideration of securities tendered in a public exchange offer initiated by the Company	€4,000,000*	Nil	26 months	09/27/2017 No. 18
Delegation of powers to be given to the Board of Directors to issue marketable securities giving access to the Company's share capital, without preferential subscription rights, as part of an exchange of financial securities	10% of the share capital	Nil	18 months	09/27/2017 No. 20
Authorization to grant stock options to employees or corporate officers of the Company and its affiliates	5% of the share capital	Nil	26 months	09/27/2017 No. 21
Authorization for the purposes of awarding free shares to employees or corporate officers of the Company and its affiliates	10% of the share capital	0.93%**	26 months	09/27/2017 No. 22
Delegation of power for the purposes of deciding on a share capital increase through the capitalization of premiums, reserves, profits or other sums	€3,000,000	Nil	26 months	09/27/2017 No. 23

* These amounts are deducted from the overall maximum set in the 17th resolution of the General Meeting of September 27, 2017.

** At its meetings of May 22, 2013 and December 19, 2013, the Board of Directors used this authorization to grant the employees of the Company and its subsidiaries based in France a maximum of 273,783 free shares, out of existing shares or new shares, representing about 0.93% of the share capital on the date of the Board's decision.

At the General Meeting of September 27, 2018, shareholders will be asked to renew these delegations and authorizations.

21.1.4 Other securities and rights providing access to the share capital

The Combined General Meeting of September 28, 2012 authorized the Board of Directors to award free shares to employees and corporate officers of the Company.

At its meeting of May 22, 2013, the Board of Directors resolved to award a maximum of 2,475,283 free shares to employees of the Company and its subsidiaries located in France and directly owned by EuropaCorp and to its Chief Executive Officer. However, at its meeting of December 19, 2013, the Board of Directors noted that certain changes in legal requirements, which came into force after its decision of May 22, 2013 to set up a free share allocation plan, would have an unfavorable impact on the Company by significantly increasing the cost of this plan.

Consequently, the Board of Directors recognized that the conditions set out under Article 9 of the Plan rules had been met, thereby impeding the award of free shares to the Chief Executive Officer.

The award of free shares now involves a maximum of 273,783 new or existing shares, i.e. around 0.93% of the share capital.

On May 22, 2015, the Board of Directors acknowledged the fulfillment of the award conditions and therefore the issuance of 233,783 new shares with a par value of €0.34 each, for the benefit of employees present in the Group at May 22, 2013 and eligible for the award on May 22, 2015.

21.1.5 Information on the conditions governing any acquisition rights and/or obligation(s) associated with subscribed, but not yet paid-up share capital, or any transaction intended to increase the Company's share capital

See Section 21.1.4 above.

21.1.6 Information on the share capital of any Group member which is under option or is subject to a conditional or unconditional agreement to place it under option and details of such options, including the identity of the persons to which they relate

Except for the drag-along and tag-along clauses included in the shareholders' agreement concluded on May 27, 2013 between Front Line and Lambert Capital BV (described in Chapter 18 of this Registration document), on the filing date of this Registration document there is no agreement allowing the purchase or sale of (i) all or part of the share capital of EuropaCorp or (ii) all or part of the share capital of a EuropaCorp subsidiary.

21.1.7 History of changes to the share capital

The table below shows the history of changes to the Company's share capital over the past three financial years:

	2015/2016	2016/2017	2017/2018
Opening capital	€9,967,152.36	€10,046,638.58	€13,932,353.06
Number of shares canceled during the financial year	0	0	0
Number of shares issued during the financial year	233,783	11,428,572	0
Share capital at period end			
In euros	€10,046,638.58	€13,932,353.06	€13,932,353.06
Number of shares	29,548,937	40,977,509	40,977,509

21.1.8 Stock market performance

Date	Highest price	Date of highest price	Lowest price	Date of lowest price	Closing price	Number of shares traded	Number of trading sessions
July 17	€4.04	07/12/2017	€3.45	07/25/2017	€3.53	733,293	21
August 17	€3.59	08/17/2017	€3.15	08/02/2017	€3.20	448,690	23
September 17	€3.20	09/01/2017	€1.95	09/29/2017	€1.99	1,563,117	21
October 17	€2.24	09/10/2017	€1.25	10/27/2017	€1.43	2,302,875	22
November 17	€1.54	11/01/2017	€1.05	11/30/2017	€1.05	1,478,652	22
December 17	€1.14	12/06/2017	€1.02	12/20/2017	€1.05	900,863	19
January 18	€1.81	01/19/2018	€1.04	01/02/2018	€1.60	4,844,931	22
February 18	€3.40	02/08/2018	€1.70	02/01/2018	€2.57	26,651,606	20
March 18	€2.66	03/01/2018	€1.93	03/29/2018	€1.93	4,257,881	21
April 18	€3.06	04/24/2018	€2.22	04/05/2018	€2.79	8,505,822	20
May 18	€3.39	05/07/2018	€2.20	05/21/2018	€2.47	13,136,981	22
June 18	€2.66	06/01/2018	€2.51	06/29/2018	€2.20	3,501,466	21
Summary/Total	€4.04		€1.02			68,326,177	254

21.1.9 Pledges and sureties

On the filing date of the Registration document, the Company is aware of the following pledges: Front Line holds 12,935,903 EuropaCorp shares, of which (a) 4,340,278 have been pledged as collateral to the Neuflyze OBC bank until the repayment of the associated loan on November 30, 2023, and (b) 8,595,625 are free of any commitment.

21.2 Memorandum and Articles of Association

The provisions described below stem from the Company's Articles of Association updated on November 29, 2016.

21.2.1 Corporate purpose

Article 3 of the Articles of Association

The Company's purpose, in France and in any other country, is:

- all film-related businesses and, in particular, the production of feature length and short films by any technical and artistic processes, the distribution, purchase, rental, import, export, exploitation and marketing of films, the operation of movie theaters, as well as consultancy, management and organizational services in connection with all of these businesses;
- all businesses connected with audiovisual works in the broadest sense of the term (including works mainly intended for television or the Internet) and in particular, the production of feature and short films by any technical and artistic processes, and the distribution, purchase, rental, import, export, exploitation and marketing of audiovisual works;
- all businesses connected with videograms within the meaning of Article L.215-1 of the Intellectual Property Code and in particular, the production of videograms (feature length and short films) by any technical and artistic processes, and the distribution, purchase, rental, import, export, exploitation and marketing of videograms;
- all businesses connected with book and music publishing, the production of recordings on all image and/or sound reproduction media in existence or to be developed in the future, the production and publishing of video and multimedia works (including video games, interactive CD-ROM, etc.) on all types of media, and the marketing of such media;
- administrative services for actors, authors, singers and musicians, the acquisition and sale of literary and film rights and commissions in France and abroad, and brokerage deals in connection with those businesses; and more generally;
- all commercial, industrial, advertising, financial, real estate and movable property transactions, directly or indirectly related to the corporate purpose or likely to contribute to the pursuit thereof, both on the Company's own behalf and on behalf of third parties, or any form of investment whatsoever, in particular, through the creation of companies or through share subscriptions, partnerships, mergers, takeovers, the advance of funds, the purchase or sale of securities or rights, the sale or rental of all or part of its real estate and movable property or rights thereto, or through any other means.

21.2.2 Financial year

Article 21 of the Articles of Association

The Company's financial year starts on April 1 and ends on March 31 of each year.

21.2.3 Main provisions of the Articles of Association concerning the Board of Directors and Chief Executive Officer

Summary of Articles 8 to 17 of the Articles of Association

- *Board of Directors*

The Board of Directors determines the Company's business policies and sees to their implementation. It performs the verifications and controls it deems appropriate. Within the limits of the corporate purpose, it examines and settles all matters relating to the proper functioning of the Company, subject to the powers expressly attributed to Shareholders' Meetings.

The Board of Directors is composed of a minimum of three and a maximum of eighteen members, appointed, reappointed and dismissed by the Ordinary General Meeting.

The members of the Board of Directors are appointed for a renewable term of four years.

The Board of Directors elects a Chairman and a Deputy Chairman among its members. In the absence of the Chairman, the Deputy Chairman fulfills his role and has the same powers.

The Board of Directors meets as often as required in the Company's interest and at least once every three months, and whenever deemed appropriate.

For the deliberations of the Board of Directors to be valid, at least half of the members must be present. Decisions are taken by a majority vote of the members present or represented. In the event of a tie, the Chairman of the Board of Directors has the casting vote.

The Board of Directors may set up one or more specialized internal committees of which it determines the composition and duties. Such committees perform their activities under the Board's responsibility.

The members of the Board of Directors may be granted Directors' fees in the form of a fixed annual compensation set by the General Meeting and maintained until a new General Meeting decision. This compensation is freely distributed among the Board members.

The Board decides on the compensation to be allocated to the Chairman and Deputy Chairman.

- *Choice of Senior Management method*

The Board of Directors decides whether the Company's Senior Management is to be assumed by the Chairman of the Board of Directors or by another natural person appointed as Chief Executive Officer. The management method may be modified at any time. The Board of Directors shall review the management method upon expiry of each term of office of the Chairman of the Board of Directors or Chief Executive Officer.

Where the Company's Senior Management is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to the Chairman.

- *Chief Executive Officer*

The Chief Executive Officer has the widest powers to act on behalf of the Company in all circumstances. The Chief Executive Officer exercises these powers within the limit of the corporate purpose, subject to the powers expressly attributed, by law or by these Articles of Association, to Shareholders' Meetings or to the Board of Directors.

In the event of the temporary incapacity of the Chief Executive Officer, the Board of Directors may appoint a Director to perform the Chief Executive Officer's duties.

The Chief Executive Officer must be a natural person under the age of sixty five.

The Chief Executive Officer is appointed for a period of four years and may be reappointed without restriction. The Chief Executive Officer is appointed, reappointed or dismissed by the Board of Directors.

If the dismissal of the Chief Executive Officer is decided without good reason, damages may be payable.

The Board of Directors determines the method of compensation of the Chief Executive Officer and its amount. It also sets the number and subscription price of the stock options granted to the Chief Executive Officer, as well as, where applicable, the number of free Company shares awarded to the CEO.

- *Deputy Chief Executive Officers*

On the Chief Executive Officer's proposal, the Board of Directors may appoint a maximum of five (5) natural persons as Deputy CEOs to assist the CEO. The extent and duration of the powers of the Deputy CEOs, which may not exceed those of the CEO, are set by the Board of Directors in agreement with the Chief Executive Officer. The Board sets the compensation of each Deputy CEO. In the event of termination of the Chief Executive Officer's duties, unless otherwise decided by the Board, the designated Deputy CEO shall remain in office until the appointment of the new Chief Executive Officer.

The Deputy CEOs may be reappointed. The age limit applicable to them is the same as for the Chief Executive Officer.

21.2.4 Rights and obligations attached to shares

Summary of Article 7 of the Articles of Association

Each share entitles its holder to one vote at General Meetings of Shareholders, under the conditions set by the French Commercial Code.

Each share entitles its holder to a portion of the corporate profits, assets and liquidation surplus, proportional to the amount of capital it represents.

Share ownership automatically entails acceptance of the Articles of Association and decisions adopted by General Meetings.

Whenever it is necessary to own several shares to exercise a right (in particular in the event of an exchange offer, share consolidation, capital increase, capital reduction, etc.), the owners of isolated shares, or numbers of shares below that required, may only exercise such rights if they personally arrange for the consolidation of the shares and, if necessary, the purchase or sale of the required number of shares.

The shares are indivisible with respect to the Company, which recognizes only one owner for each share. With respect to the Company, the owners of jointly held shares must either be represented by one of the owners or by a single agent. In the event of a disagreement, the agent shall be appointed by a court of law, at the request of the most diligent joint owner.

The voting rights belong to the beneficial owner at Ordinary General Meetings and to the bare owner at Extraordinary General Meetings. However, joint owners of indivisible shares may agree to share voting rights at General Meetings in any other way they see fit, provided this does not deprive the beneficial owner of the voting right relative to the appropriation of the Company's profits. To be enforceable, such a voting agreement between joint owners of indivisible shares must be brought to the Company's attention by registered mail sent to the registered office, with return receipt requested. The Company shall have to comply with this agreement for any General Meeting taking place within at least three days following receipt of the notification of said agreement. However, bare owners of shares remain entitled to attend General Meetings, even if they are deprived of voting rights.

There are no legal provisions allowing for double voting rights. In accordance with Article L.225-123, paragraph 3, of the French Commercial Code, the General Meeting of the Company held on September 26, 2014 approved a change to the Company's Articles of Association intended to eliminate the automatic implementation of double voting rights.

21.2.5 Modification of the rights attached to shares

Any modification of the rights attached to the shares is subject to legal provisions, as there is no specific provision to that effect in the Articles of Association.

21.2.6 General Meetings

Summary of Article 19 of the Articles of Association

General Meetings are convened according to the conditions set by applicable laws and regulations. They may be convened by the Board of Directors.

The agenda of the Meeting is set by the party calling the Meeting. Shareholders may request the inclusion of draft resolutions on the agenda, under the conditions set by applicable laws and regulations.

The General Meetings are held in the city of the registered office or in any other city or location in France, in accordance with the decision taken in this regard by the person calling the Meeting, and at the venue stated in the notice of meeting.

All shareholders, irrespective of the number of shares they hold, have the right to attend General Meetings and take part in the vote, either in person, by proxy or by post, subject to their registration in the Company's ledgers.

These formalities must be completed by the second business day preceding the Meeting, at 00:00 Paris time. The Board of Directors may bring this deadline forward to the benefit of all shareholders.

As an alternative to personal attendance, shareholders may choose one of the following three options:

- be represented by another shareholder or by their spouse;
- vote by post; or
- forward a proxy to the Company without naming a proxy holder, under the conditions set by applicable laws and regulations.

Company shareholders who are not French residents may be registered in the Company's ledgers and be represented at the General Meeting by any intermediary registered on their behalf and holding a general power of attorney for the management of their securities. This, however, requires the intermediary to have declared its capacity to hold shares on behalf of third parties with the Company or with a financial intermediary prior to opening an account, in accordance with the applicable legal and regulatory requirements.

The Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the Chief Executive Officer. In their absence, the Meeting is chaired by the Deputy Chairman of the Board of Directors or by a specially appointed Board member.

Ordinary and Extraordinary General Meetings, ruling under the quorum and majority conditions specifically applicable to them, exercise the powers vested in them by law.

On the decision of the Chief Executive Officer, shareholders may take part in the Meeting by videoconference, and vote by any means of telecommunication or remote transmission including the Internet, under the conditions set by the applicable regulations at the time of their use. This decision is announced in the notice of meeting published in the French official gazette (BALO).

The shareholders who, within the required time limit, use the electronic voting form provided on the website set up by the organizer of the Meeting, shall be deemed equivalent to the shareholders present or represented by a proxy.

Shareholders are entitled to the same number of votes as the number of shares they hold or represent, with no limitation, except where otherwise stipulated by law or by the Articles of Association.

21.2.7 Statutory and other provisions which may delay, defer or prevent a change of control

None.

21.2.8 Crossing of statutory thresholds

None.

21.2.9 Changes in share capital

The share capital may be increased, reduced or redeemed as provided by applicable legal and regulatory provisions. There are no specific stipulations to that effect in the Articles of Association.

21.2.10 Changes to the Articles of Association

Any direct or indirect modification of the Articles of Association must be decided or authorized by Extraordinary General Meetings. These are convened and rule under the quorum and majority conditions provided by applicable laws and regulations.

22. MATERIAL CONTRACTS

The material contracts (other than those entered into in the ordinary course of business) involving the Company or any other Group entity are the following:

- The revolving credit agreements signed on October 22, 2014 modified by the amendment of September 30, 2016.

Since October 22, 2014, the Group has had (i) a revolving principal credit line enabling it to settle amounts due under contracts for a maximum amount of \$400 million, composed of a line of approximately €178 million and a line of \$160 million, accompanied by an accordion clause of \$150 million, and (ii) a secondary credit line for \$50 million.

The principal credit line was arranged by J.P. Morgan as Agent and Lead Bookkeeper, and SunTrust Bank and OneWest Bank as secondary Bookkeepers and co-arrangers. This credit line was syndicated with leading banks, notably French banks Natixis, Banque Palatine, Arkea Banque Entreprises et Institutionnels, and BRED Banque Populaire.

On September 30, 2016, the Group renegotiated the terms of those agreements as follows:

- (i) The main credit line, in the initial amount of \$400 million, was reduced to \$250 million with the accordion clause of an additional \$150 million remaining unchanged. These new amounts allow a significant decrease in the unutilized fees, the amount of the currently available collaterals being insufficient for drawing more than this amount against this line;
- (ii) The secondary credit line facility was extended from the initial amount of \$50 million to \$80 million (excluding capitalized interest), making it possible to draw an extra \$30 million. This upsize of the second lien credit facility also benefits from the guarantee of the Group companies, like previously.

The second lien credit facility henceforth bears an annual interest rate of 15% for the whole line, among which 6% are payable quarterly and 9% are capitalized and payable on the due date of the credit. This line can be paid up at any time without penalty.

On September 8, 2017, the main credit line facility was reduced by \$30 million, making it possible to reduce the unutilized fees.

The principal credit line must be repaid after a period of five years, i.e. by October 21, 2019. The secondary credit line must be repaid after a period of five years and six months, i.e. by April 21, 2020.

The two credit agreements can be terminated in the event of default in the cases covered in the two agreements.

The main provisions of these agreements are described in Section 10.2.2 of the Registration document (“Debt, borrowing terms and financial structure”).

- Relativity EuropaCorp Distribution - “RED” (joint venture)

On February 20, 2014, Relativity Media and EuropaCorp established a jointly owned distribution company in the United States named Relativity EuropaCorp Distribution LLC (RED), held at 50% by each partner. This entity gives EuropaCorp and Relativity optimized access to the distribution networks in the United States that are best suited for their respective production businesses.

On February 20, 2014, the EuropaCorp Group paid an initial contribution to the joint venture of \$30

million.

EuropaCorp agreed to pay an additional amount to Relativity Media, capped at \$100 million, equal to 15% of the income generated by the films it distributes in the United States using RED's services. However, this commitment was waived when the Participation Agreement was signed with Vine Investment Advisors on December 31, 2014 (see below). Following the signature of this agreement, Relativity Media no longer owns either 15% of the receipts generated by these films, subject to a maximum of \$100 million, or a purchase option on EuropaCorp's stake in RED.

This transaction enabled EuropaCorp to extend its investment in RED at no additional cost and Vine Investment Advisors LP therefore has a percentage of 15% on revenue generated by the films distributed by EuropaCorp Films USA Inc. with the support of the services of Relativity EuropaCorp Distribution LLC (RED) on the territory of the United States up to a maximum participation amount of \$100 million.

RED has hired the specialized teams previously working at Relativity Media and EuropaCorp has entered into distribution agreements for the United States under similar terms as those negotiated by Relativity Media. Both companies only use RED's services for the direct distribution of their films in the United States, with a granted exemption of one film per year. Each of the partners is solely responsible for decisions relating to the distribution of its films. Common management decisions will be made jointly by the two co-CEOs (one appointed by EuropaCorp and the other by Relativity Media).

Topics such as the joint venture's budget and the release date of films will be covered by specific mechanisms to avoid any blocking positions. Each partner contributes its share to the operating budget of this entity.

The Relativity Media Group has not contributed to the general expenses of the RED joint distribution platform since the third quarter of 2016. On December 14, 2016, EuropaCorp therefore took over full control of the operational budget for the joint distribution platform, which is now known as EuropaCorp Distribution LLC.

As a result, Relativity Media may no longer use the services of this platform for its new films, giving EuropaCorp the freedom to use 100% of the platform's capacity for its own films (with the exception of the obligations relating to the first cycle of exploitation of Relativity Media's two existing films) until Relativity Media has paid all amounts owed (including the outstanding general expenses along with interest).

- Participation Agreement with Vine Advisors LP

On December 31, 2014, EuropaCorp, Europacorp Films USA Inc. and Vine Investment Advisors LP, acting as agent for various investors, entered into an agreement entitled the Amended and Restated Secured Participation Agreement, under the terms of which EuropaCorp grants a 15% Participation Interest in the income generated by the films distributed by EuropaCorp Films USA Inc. with the support of Relativity EuropaCorp Distribution LLC (RED) in the United States, subject to a Maximum Participation Amount of \$100 million.

No deadline is set in the contract, which can be terminated in the event of default in the cases covered in the contract entitled Amended and Restated Secured Participation Agreement.

The proceeds of this sale (\$55 million to date) enabled EuropaCorp to pay early Relativity Media for amounts due to it for the creation of RED, the joint venture for film distribution in the United States, 50% held by each partner. All amounts due to Relativity Media in connection with the formation of RED have therefore been definitively paid by EuropaCorp and Relativity Media no longer owns either 15% of the receipts generated by these films, subject to a maximum of \$100 million, or a purchase option on EuropaCorp's stake in RED. This dual transaction enabled EuropaCorp to

extend its investment in RED at no additional cost.

It is also specified that the sale price may be increased by \$15 million if certain conditions are met. This earn-out will be fully borne by Vine Investment Advisors LP, at no extra cost to EuropaCorp.

- Loan and Security Agreement signed with CIT Bank, N.A.

On December 31, 2015, EuropaCorp USA Valerian LLC, as borrower, and CIT Bank, N.A., acting as Agent for various investors, entered into an agreement entitled Loan and Security Agreement under the terms of which CIT Bank, N.A. granted a loan of \$107,129,744 for a duration of 28 months, in order to finance the film, *Valerian and the City of a Thousand Planets*, which was released in theaters worldwide during the summer of 2017.

The contract expired on April 30, 2018. EuropaCorp USA Valerian LLC repaid all amounts owed in November 2017.

23. INFORMATION FROM THIRD PARTIES, APPRAISERS' STATEMENTS AND DECLARATIONS OF INTEREST

Report on the appraisal of the audiovisual rights catalog as of March 31, 2018

The Company asked the Accuracy consulting firm (based at 41 rue de Villiers, 92200 Neuilly-sur-Seine), to conduct an independent appraisal of its catalog of audiovisual rights as of March 31, 2018. Accuracy is specialized in corporate financial advisory.

Accuracy has no ties with EuropaCorp, Front Line, their subsidiaries or their corporate officers that could call into question its independence. Moreover, it has no material interest in the Company within the meaning of the recommendations of the Committee of European Securities Regulators. It authorized the Company to disclose the conclusions of its appraisal in public documents. To the Company's knowledge, the information relating to this appraisal and stemming from a third party was faithfully reproduced and there are no omissions liable to make the information reproduced inaccurate or misleading in any significant respect.

EuropaCorp's catalog (including that of Roissy Films) was appraised as of March 31, 2018 based on the discounted future cash flows generated by the production and distribution of the films after April 1, 2018. The cash flow forecasts are based on:

- historical information and forecasts communicated by the EuropaCorp Group;
- an extrapolation of this information by Accuracy based on its own knowledge of the audiovisual market and the historical average performance of the films in the EuropaCorp Group catalog.

Pursuant to the assignment entrusted to Accuracy, the information communicated to Accuracy by EuropaCorp did not undergo an independent verification.

The conclusions of the evaluation report produced by Accuracy are the following:

"We appraised the value of the EuropaCorp Group's catalog using the discounted future cash flow method. The appraisal below reflects the market value of the catalog for EuropaCorp, that is, the value in use for EuropaCorp as a going concern.

On that basis, we valued the EuropaCorp Group's catalog at €144 million as of March 31, 2018. The breakdown is as follows:

Appraisal of the EuropaCorp Group catalog (€ millions)	March 31, 2018
Catalog of EuropaCorp films	90
Licenses	1
Income tax savings on film catalog assets	38
Non-invested financial subsidies generated	10
Value of the EuropaCorp film catalog - Signed & estimated future cash flows	139
Value of the Roissy Films catalog - Signed & estimated future cash flows	5
TOTAL	144

Neuilly-sur-Seine, June 14, 2018"

At March 31, 2017, the Group's catalog was valued at €141 million by Accuracy.

24. DOCUMENTS AVAILABLE TO THE PUBLIC

Copies of this Registration document are available free of charge from EuropaCorp at 20 rue Ampère - 93413 Saint-Denis Cedex, or from the Company (<http://www.europacorp.com>) and AMF websites (<http://www.amf-france.org>).

The Company's Articles of Association, the minutes of the General Meetings and other corporate documents, as well as the Company's historical financial information and any evaluation or declaration drawn up by an appraiser at the Company's request for their release to shareholders pursuant to applicable legal requirements, may be examined at the Company's registered office.

Moreover, the financial information and, in general, all publications issued by the Company, are available on the Company's website (<http://www.europacorp.com>).

The person responsible for investor information is:

Luc Besson
Chairman and Chief Executive Officer
EuropaCorp
20 rue Ampère
93413 Saint-Denis Cedex
Telephone: +33 (0)1 55 99 50 00
Fax: +33 (0)1 55 99 52 48

25. INFORMATION ON EQUITY INTERESTS

The Company holds no equity interests in companies other than those mentioned in Section 7.2 of the Registration document (“Description of subsidiaries and equity interests”).

26. GLOSSARY

Box-office: receipts stemming from the sale of movie tickets.

Budget (or cost estimate) of a film: estimated film production costs (including financial costs, a percentage of overhead expenses and a credit “extension” of approximately 10% intended to cover contingencies) as filed with the CNC. The budget filed with the CNC may be different from the final film production costs.

CASTING: the process of selecting the actors to play the roles in a film, or as more commonly used, the list of actors’ names appearing on the posters and/or the credits of a film.

Pay-TV: television channel only available to viewers paying a specific subscription charge.

Free-to-air channel: television channel available for free to all viewers over the air.

CNC: French National Cinematography and Animation Center (Centre national du cinéma et de l’image animée).

Co-producer: participant in the production process whose status is, in a general sense, that of a film producer; in this document, “co-producer” refers to a financial investor who does not play any part in film production and is not accountable to third parties for the completion of the film.

Distribution: role of the distributor which consists in ensuring the marketing of an audiovisual work to various media operators (i.e. movie theaters, television, video) in return for a pre-set remuneration. “Distribution” is a generic term, but generally refers to distribution in movie theaters and on television, while “release” is used to describe exploitation relating to video channels. The term “publishing” is sometimes used in reference to video distribution.

Merchandising or derivative rights: the right to manufacture, distribute, sell or market any product or item that incorporates, in its substance, form or packaging, any element taken from a film.

DVD (Digital Versatile Disc): a disc produced using optical storage technology with a sufficiently high capacity to store an entire feature film.

French films: films entirely produced and financed by or with a majority of French partners.

Line-up: list of films whose release in movie theaters is programmed over a specified period of time.

Feature film: film running for at least 60 minutes or which has a reel measuring over 1,600 meters.

Minimum guarantee: amount paid by the distributor or publisher to the producer *under a* distribution agreement, irrespective of the subsequent success of the film.

Multiplex: in the context of the distribution in theaters, a movie theater complex with at least eight screens, generally located in city suburbs, offering audiences a high level of comfort (e.g. air conditioning, digital sound, etc.).

Pay per view: distribution platform that enables viewers to watch a particular program on a television channel at any time in return for payment.

Showing: generic term used to refer to the contractually agreed number of showings of a film on a television platform.

Loss share: tangible property represented by the film, which serves as the basis for any distribution regardless of the media.

Pre-sale: sale of a film's distribution rights prior to its release in movie theaters.

Production: making of a film or audiovisual work.

Producer: generally speaking, the individual who produces a cinematographic or audiovisual work; in the legal sense, the natural person or legal entity in charge of and responsible for a cinematographic or audiovisual work.

Executive producer: natural person or legal entity appointed by and selected, from the co-producers, who is responsible for the management of the film, guarantees its completion and, accordingly, assumes responsibility for any budget overruns. Generally speaking, the executive producer takes full responsibility for the production vis-à-vis third parties. By extension, the term executive producer (or producer) may also be used in reference to the person who represents the executive producer on each production and ensures that its interests are safeguarded.

Line producer: person responsible for managing the entire production process *for* a film, but who does not have any distribution rights for any given film.

Associated product: consumer product derived from a film, its characters or its plot.

Net producer receipts: all receipts actually received for the distribution of the film in any format, language or process after deduction of the relevant distribution *costs*, including distribution commissions. The base used to calculate payments to persons entitled to a share of the profits from a film or audiovisual work.

Rushes: all the footage shot, only some of which is likely to be included in the final version of the film.

Second life cycle: duration of a film's distribution starting after its second or third showing on a non-encrypted channel in France.

Television series: audiovisual work comprising several episodes intended for broadcast on TV channels.

Video conversion rate: ratio (expressed as a percentage) between the number of video units sold and the number of box office admissions generated by a given film.

Television on mobile phones (TMP): television viewed on a terminal equipped with a TV broadcast receiver such as a mobile phone or other portable digital device. French TMP - as currently defined by the CSA - uses DVB-H (Digital Video Broadcasting - Handheld) technology. Unlike Mobile TV via 3G networks which now offer audiovisual content in unicast (point-to-point) mode, PMT uses the DVB-H mass broadcasting technology, like digital terrestrial television; it thus allows broadcasting to nomad receivers.

Video on demand (VOD): distribution platform that enables viewers to watch predetermined content (excluding traditional broadcasting networks) at their request and at the time they choose, in return for a specific fee, over any interactive online network, regardless of the means of distribution or the medium used. VOD on a rental basis, which allows viewers to watch content for a specified period of time, is distinguished from VOD on a purchase basis, which provides the downloaded file without any limitation as to viewing time.

Subscription video on demand (SVOD): a special type of VOD that provides unlimited access to a catalog of films or series in return for a monthly fee.

APPENDIX 1 – CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2018 AS PER IFRS

CONSOLIDATED PROFIT AND LOSS STATEMENT

		Year Ended March 31,		
		2018	2017 (restated)	2017 (published)
<i>(amounts in thousands of euros, except for the number and data per share)</i>				
Turnover	Note 4.1	223,659	139,831	144,159
Revenue	Note 4.1	223,659	139,831	144,159
Cost of sales		(245,603)	(212,359)	(217,087)
Operating margin	Note 4.2	(21,944)	(72,528)	(72,928)
Overheads	Note 4.3	(34,251)	(47,037)	(49,694)
Other income and expenses	Note 4.4	(17,855)	30	30
Operating profit (loss)		(74,050)	(119,535)	(122,592)
Income from financial investments / (Cost of financial debt)		(16,275)	(12,760)	(12,760)
Other financial income and expenses		8,216	(5,430)	(5,428)
Financial income	Note 4.5	(8,058)	(18,190)	(18,188)
Current income before income tax		(82,108)	(137,725)	(140,781)
Tax	Note 4.6	(4,752)	20,860	21,521
Equity in net earnings of associated companies	Note 3.5	(984)	(321)	(321)
Net income from continuing operations		(87,844)	(117,186)	(119,581)
Net income from discontinued operations	Note 2.26	5,325	(2,706)	(311)
Net income		(82,519)	(119,892)	(119,892)
Including : Net Income – Minority share		307	(4)	(4)
Net Income – Group share		(82,826)	(119,888)	(119,888)
Basic net income per share*		(2.02)	(2.93)	(2.93)
Diluted net income per share*		(2.02)	(2.93)	(2.93)

* Number of shares used for the calculation as of March 31, 2018: 40,936,987

To comply with IFRS 5, the sold activities (Multiplexes, Music Publishing and French-language TV series) have been restated within FY 2017/2018 as well as within FY 2016/2017 for a better comparison. The net income for these specific lines of business at March 31, 2018 (+5.3 M€) and at March 31, 2017 (-2.7 M€) has been directly booked in *Net income*.

STATEMENT OF COMPREHENSIVE INCOME

	03.31.2018	03.31.2017
Net income	(82,519)	(119,892)
Income or expenses recognized directly in equity		
- Foreign currency translation differences	(3,796)	1,295
- Available for sale assets		
- Cash flows hedges		
- Revaluation of assets		
- Actuarial gains and losses		
- Share of other comprehensive income of associates		
- Tax on items recognized directly in equity		
Total comprehensive income recognized directly in equity	(3,796)	1,295
Total comprehensive income for the period	(86,315)	(118,597)
Breakdown of comprehensive income for the period		
Shareholders of the entity	(86,623)	(118,593)
Minority interests	307	(4)
Total comprehensive income for the period	(86,315)	(118,597)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of euros)

		March 31, 2018			March 31, 2017
ASSETS		Gross	Amortisations / Provisions	Net	Net
Non-current assets :					
Goodwill	Note 3.1	32,799	(16,596)	16,203	28,188
Intangible assets	Note 3.2	1,609,388	(1,368,426)	240,961	323,121
Property and Equipment	Note 3.3	35,341	(22,683)	12,658	14,192
Other financial assets	Note 3.4	7,586	(26)	7,560	2,882
Investments in associates	Note 3.5	0	-	0	2,244
Deferred taxes assets	Note 3.6	30,440	-	30,440	33,351
Other non-current assets	Note 3.15	1,579	-	1,579	4,757
Total non-current assets		1,717,133	(1,407,731)	309,402	408,735
Current assets :					
Inventory	Note 3.7	5,678	(561)	5,117	1,148
Trade accounts receivable	Note 3.8	59,787	(4,398)	55,388	65,755
Other accounts receivable	Note 3.9	56,326	(901)	55,424	69,733
Other current assets	Note 3.15	6,880	0	6,880	12,736
Cash and cash equivalents	Note 3.12	33,112	-	33,112	106,979
Assets held for sale or discontinued operations	Note 2.26	-	-	-	484
Total current assets		161,782	(5,861)	155,921	256,835
TOTAL ASSETS				<u>465,323</u>	<u>665,570</u>
				March 31, 2018	March 31, 2017
LIABILITIES					
Equity - Group share					
Issued capital				13,932	13,932
Retained earnings and reserves				(4,387)	82,815
Total equity - Group share	Note 3.10			9,545	96,747
Minority interests	Note 3.10			261	(235)
Non-current liabilities :					
Provisions for pensions and similar	Note 3.11			525	827
Deferred taxes liabilities	Note 3.6			1,631	1,170
Long term borrowings and financial debts	Note 3.12			375	1,375
Deposits and guarantees received	Note 3.12			727	703
Equity investment liabilities > 1 year	Note 3.15			0	0
Other non-current liabilities	Note 3.15			8,638	20,697
Total non-current liabilities				11,897	24,772
Current liabilities :					
Short term borrowings and financial debts	Note 3.12			267,939	372,399
Provisions for risks and expenses	Note 3.11			4,838	5,425
Trade accounts payable	Note 3.14			58,969	51,997
Equity investment liabilities < 1 year	Note 3.14			399	363
Other financial liabilities	Note 3.14			74,178	91,795
Other current liabilities	Note 3.15			37,298	22,205
Liabilities held for sale or discontinued operations	Note 2.26			-	101
Total current liabilities				443,621	544,286
TOTAL LIABILITIES				<u>465,323</u>	<u>665,570</u>

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>(amounts in thousands of euros, except for the number of shares)</i>	Common shares	Capital	Share premium	Reserves	Other elements of the comprehensive income	Treasury shares	Net income	Equity Groupshare	Minority interest	Total Equity
March 31, 2016 balance	29,548,937	10,047	51,732	113,423	7,841	(97)	(27,700)	155,245	(231)	155,014
Net income appropriation in reserves				(27,700)			27,700	0		0
Transfer of a part of the share premium in reserves			(87)	87				0		0
Dividends distribution								0		0
Share-based payments								0		0
Net variation of treasury shares and stock dividends						25		25		25
Impact of the changes in the scope of consolidation				649	31			680		680
Currency translation reserve					1,295			1,295		1,295
03/31/2017 net income							(119,888)	(119,888)	(4)	(119,892)
Total of income and costs of the period				0	1,295	0	(119,888)	(118,592)	(4)	(118,597)
Capital increase	11,428,572	3,886	56,114					60,000		60,000
Capital increase expenses			(667)					(667)		(667)
Free shares allocation plan				57				57		57
March 31, 2017 balance	40,977,509	13,932	107,092	86,517	9,167	(73)	(119,888)	96,747	(235)	96,512
Net income appropriation in reserves				(119,888)			119,888	0		0
Transfer of a part of the share premium in reserves								0		0
Dividends distribution								0		0
Share-based payments								0		0
Net variation of treasury shares and stock dividends						(6)		(6)		(6)
Impact of the changes in the scope of consolidation				(80)				(80)	188	108
Currency translation reserve					(3,796)			(3,796)		(3,796)
03/31/2018 net income							(82,826)	(82,826)	307	(82,519)
Total of income and costs of the period				0	(3,796)	0	(82,826)	(86,623)	307	(86,315)
Capital increase								0		0
Capital increase expenses								0		0
Free shares allocation plan				(495)				(495)		(495)
March 31, 2018 balance	40,977,509	13,932	107,092	(33,946)	5,371	(78)	(82,826)	9,545	261	9,805

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended March 31,	
	2018	2017
<i>(amounts in thousands of euros)</i>		
Operations		
Net income - Group share without discontinued operations	(88,151)	(117,182)
Net income - Minority share	307	(4)
Net income from discontinued operations	5,325	(2 706)
Depreciation and amortization	165,022	96,803
Unrealised gains and losses relating to changes in fair value	(246)	8,193
Change in the fair value of securities-related liabilities	(15)	82
Capital gains or losses on the disposal of assets	(19,467)	(2,390)
Share of income from associates consolidated using the equity method	984	321
Income and expenses due to share-based payments and similar	0	57
Operating cash flow after net financial debt cost and taxes	63 759	(16 826)
(Income from financial investments) / Cost of financial debt	16 275	12 760
Taxes (Income) / Cost	4 752	(20 860)
Operating cash flow before net financial debt cost and taxes	84 786	(24 926)
Change in working capital requirement :		
Inventory	(3,969)	(586)
Trade accounts and notes receivable	33,488	7,262
Deferred costs	5,406	8,571
Trade notes and accounts payable	(18,538)	13,542
Deferred income	5,322	(2,145)
Tax paid	923	518
Net cash flow from operations	107 417	2 236
	Note 5.1	
Investment activities		
Acquisition of intangible assets	(90,161)	(133,699)
Acquisition of other intangible assets	(819)	(45)
Acquisition of property and equipment	(183)	(2,809)
Income on disposal of intangible assets and property, plant and equipment	28,003	17,510
Net change in financial assets	2,849	(1,411)
Change in liabilities on long-term investment	36	(2,816)
Change in minority reserves	0	0
Impact of the changes in the scope of consolidation	0	(11)
Net cash flow from investment activities	(60 275)	(123 281)
	Note 5.1	
Financing activities		
Dividends paid	0	0
Increase in capital	0	60,000
Capital increase expenses	0	(667)
Net increase in bank borrowings and overdrafts	16,044	64,177
Net decrease in bank borrowings and overdrafts	(117,703)	0
Net change in treasury shares	67	25
Interest expenses paid	(19,561)	(17,766)
Interest income received and net gain/loss from disposals	(5)	49
Net cash flow from financing activities	(121 158)	105 817
	Note 5.1	
Overall change in cash position	(74 016)	(15 227)
Opening cash position	107 128	122 207
Cash position at the end of period	33,112	106,979
broken down into:		
Marketable securities	678	1 684
Cash and cash equivalents	32 434	105 295

For further information, please refer to Chapter 3.12 on net financial debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE EUROPACORP GROUP

1.1 The Group's business

The core business of EuropaCorp, a *Société Anonyme* (public limited company) governed by French law, and its subsidiaries, is the production and distribution of cinematographic work.

1.2 Scope of consolidation

1.2.1 *Changes in the scope of consolidation*

Between April 1, 2017 and March 31, 2018, four companies were excluded from the consolidation scope of EuropaCorp group, with no impact on the financial statements:

- Pass Pass La Cam SAS
- Les Studios de Paris SAS
- Valerian Holding LLC
- Valerian LLC

Creation of T5 Production SAS and Orchestra SAS on July 7, 2017 and June 16, 2017 respectively. T5 Production is intended to produce the fifth *Taxi* film and the primary activity of Orchestra is music publishing and the exploitation of musical works.

1.2.2 *Consolidated companies*

All the companies within the scope prepare their financial statements in euros (excluding EuropaCorp Films USA, EuropaCorp Television USA, which prepare their financial statements in US dollars, and Valerian NZ, which prepares its financial statements in New Zealand dollars).

			<i>Financial year ended March 31, 2018</i>				
Company	Registered office	SIREN No.	Inclusion in scope	Exclusion of scope	Consolidation method	% of interest	% of control
EuropaCorp	20, rue Ampère, 93200 Saint-Denis	384 824 041	Parent company				
EuropaCorp Distribution	20, rue Ampère, 93200 Saint-Denis	434,969,861	April 1, 2001		FC	100%	100%
EuropaCorp Home Entertainment	20, rue Ampère, 93200 Saint-Denis	438,619,512	April 1, 2001		FC	100%	100%
Dog Productions	20, rue Ampère, 93200 Saint-Denis	422 132 829	April 1, 2002		FC	100%	100%
Intervista	20, rue Ampère, 93200 Saint-Denis	395 246 408	April 1, 2002		FC	100%	100%
EuropaCorp Music Publishing	20, rue Ampère, 93200 Saint-Denis	482,467,859	April 1, 2005		FC	100%	100%
EuropaCorp TV	20, rue Ampère, 93200 Saint-Denis	502,039,274	January 14, 2008		FC	100%	100%
Sofica EuropaCorp	3, avenue Hoche, 75008 Paris	452 204 381	April 1, 2004		FC	99,50%	100%
Ydéo	20, rue Ampère, 93200 Saint-Denis	434 677 688	May 16, 2007		FC	100%	100%
Roissy Films	20, rue Ampère, 93200 Saint-Denis	388,859,340	January 1, 2008		FC	100%	100%
SCI Les Studios de Paris	20, rue Ampère, 93200 Saint-Denis	514 118 611	August 13, 2009		EM	40%	40%
Pass Pass la Cam' Productions	231, rue St Honore, 75001 Paris	512 350 828	May 13, 2009	March 31, 2018	EM	40%	40%
EuropaCorp Television	20, rue Ampère, 93200 Saint-Denis	441 532 801	April 1, 2010		FC	95,20%	95,20%
Cipango Music	20, rue Ampère, 93200 Saint-Denis	478 952 781	April 1, 2010		FC	100%	100%
Société d'exploitation des studios de Paris	2, avenue de l'Europe, 94360 Bry sur Mame	521 290 296	April 1, 2010	March 31, 2018	EM	40%	40%
EuropaCorp Aéroville	20, rue Ampère, 93200 Saint-Denis	533 700 373	July 19, 2011		FC	100%	100%
Blue Advertainment	20, rue Ampère, 93200 Saint-Denis	508 804 911	March 1, 2013		FC	100%	100%
Blue Event	20, rue Ampère, 93200 Saint-Denis	752 828 947	March 1, 2013		FC	95%	95%
Digital Factory	20, rue Ampère, 93200 Saint-Denis	792 019 002	March 1, 2013		FC	100%	100%
EuropaCorp Films USA, Inc.	335-345 North Maple Drive, Beverly Hills, CA 90210		April 1, 2013		FC	100%	100%
EuropaCorp Television USA, LLC	335-345 North Maple Drive, Beverly Hills, CA 90210		September 23, 2015		FC	100%	100%
Valerian Holding	20, rue Ampère, 93200 Saint-Denis	814,810,982	November 20, 2015		FC	100%	100%
Valerian SAS	20, rue Ampère, 93200 Saint-Denis	814,899,738	November 25, 2015		FC	100%	100%
ECUSA Valerian Holdings, LLC	335-345 North Maple Drive, Beverly Hills, CA 90210		September 21, 2015	March 31, 2018	FC	100%	100%
ECUSA Valerian, LLC	335-345 North Maple Drive, Beverly Hills, CA 90210		September 23, 2015	March 31, 2018	FC	100%	100%
Valérien NZ	Level 4, Royal Sun Alliance Building, 52 Swanson Street, Auckland NZ	NZBN : 9429042096429	December 11, 2015		FC	100%	100%
T5 Production	20, rue Ampère, 93200 Saint-Denis	830,827,531	July 7, 2017		FC	100%	100%
Orchestra	20, rue Ampère, 93200 Saint-Denis	830,318,952	June 6, 2017		FC	100%	100%

1.3 Events that occurred during the fiscal year

1.3.1 Sale of past Music Publishing activity and of French television activity

In June 2017, the EuropaCorp group via its subsidiaries EuropaCorp Music Publishing and Cipango Music sold its catalogue of music copyrights to Sony/ATV Group, the world number one music publishing company, and has signed an agreement for Sony/ATV to administer its music royalties for future film and television titles.

In January 2018, the French television activity carried by the subsidiary EuropaCorp Television was sold to the company Storia Television whose President is Thomas Anargyros. EuropaCorp has kept its US television activity and will continue to produce and distribute English-language series with strong international potential.

Today, the Group's strategy is primarily to refocus on its core business which is the production and distribution of films and series around the world.

1.3.2 Events related to management: departure of Edouard de Vésinne and Marc Shmuger

In September 2017, Edouard de Vésinne left EuropaCorp to develop his own production company. Marc Shmuger left EuropaCorp on December 31, 2017, in accordance with the terms of his contract.

Luc Besson has been Chief Executive Officer since January 1st, 2018. His term of office as CEO is unlimited.

1.3.3 Implementation of an Employment Preservation Plan

On January 15, 2018, the Group announced by press release the beginning of an information-consultation procedure of its employee representative bodies in order to implement an Employment Preservation Plan. On April 3, 2018, the governmental agency DIRECCTE approved the plan including the elimination of 22 positions in France leading to an organization that fits the new strategy of the Group refocusing on its core business. As to this Employment Preservation Plan, the company recognized provisions and accrued liabilities of up to €2.9 million as of March 31, 2018.

1.4 Vine - Amended and Restated Secured Participation Agreement

On December 31, 2014, EuropaCorp, Europacorp films USA, Inc. and Vine Investment Advisors, LP, acting as agent for various investors, entered into an agreement entitled the Amended and Restated Secured Participation Agreement, under the terms of which EuropaCorp grants a 15% participation interest (Participation Interest) in the income generated by the films distributed by EuropaCorp Films USA, Inc. with the support of Relativity EuropaCorp Distribution, LLC (RED) in United States territory, subject to a maximum participation amount (Maximum Participation Amount) of \$100 million.

As security for the payment of this amount, EuropaCorp and some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted third-lien guarantees on all of their assets, as specified in the notes to the consolidated financial statements (Appendix 1), to the exclusion of any other guarantee.

The Company's Board of Directors considered it to be in the corporate interests of these subsidiaries to be signatories to the Participation Agreement and to arrange the third-lien security requested, in view of the general financial strategy deployed by the Group as a whole.

The proceeds from this disposal (\$55 million) enabled EuropaCorp to repay early the outstanding balance due to Relativity Media for the distribution joint venture formed in the United States, Relativity EuropaCorp Distribution, LLC (RED), 50% owned by each partner.

All amounts due to Relativity Media in connection with the formation of RED have therefore been paid by EuropaCorp and Relativity Media no longer owns either 15% of the receipts generated by these films, subject to a maximum of \$100 million, or a purchase option on EuropaCorp's stake in RED. This dual transaction enabled EuropaCorp to extend its investment in RED at no additional cost and Vine Investment Advisors, LP, therefore has a percentage of 15% on revenue generated by the films distributed by EuropaCorp Films USA, Inc. with the support of the services of Relativity EuropaCorp Distribution, LLC (RED) on the territory of the United States up to a maximum participation amount of \$100 million.

It is also specified that the sale price may be increased by \$15 million if certain conditions are met. This earn-out will be fully borne by Vine Investment Advisors, LP, at no extra cost to EuropaCorp.

NOTE 2 - ACCOUNTING POLICIES AND METHODS

2.1 General accounting policies

In accordance with European Regulation No. 1606/2002 of July 19, 2002, EuropaCorp's consolidated financial statements for the year closed on March 31, 2018 have been prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable at said date.

The accounting policies adopted to prepare the consolidated financial statements are compliant with IFRS and their interpretations as adopted by the European Union on March 31, 2018, which are available on the following site:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_fr

These accounting policies are consistent with those used to prepare the annual consolidated financial statements for the financial year ended March 31, 2018.

Consequently, EuropaCorp's accounts are prepared in accordance with IFRS standards and their interpretations as published by the IASB.

2.2 Changes in the IFRS framework

New standards and interpretations that came into force as of January 1, 2017

The new standards, amendments to standards and interpretations that came into force for financial years opened after January 1, 2017 had no significant impact on the Group's financial statements:

- Amendments to IAS 12 "Recognition of deferred tax assets for unrealised losses";
- Amendments to IAS 7, "Disclosure initiative and changes in liabilities arising from financing activities";
- Amendments to IFRS 12 "Disclosure of interests in other entities: clarification of the scope of the Standard";

Standards, amendments to standards and interpretations issued by the IASB but not applied early

The Group has chosen not to apply early the standards and interpretations published by the IASB and adopted by the European Union whose application date is posterior to January 1st 2017. It mostly concerns the following standards and amendments:

- IFRS 15 "Revenues from contracts with customers" and its amendments: the Group does not expect any material change concerning how and when it will recognise revenue. The principles specified by IFRS 15 are consistent with the current principles of recognition applied by the Group.
- IFRS 9 "Financial instruments" whose application will be mandatory as of January 1st 2018;
- IFRS 16 "Leases". Synthetically, this standard will cause the lessee to recognize in his balance sheet an asset for the right to use the leased item and a liability for the present value of its future lease payments. The Group has launched a project of assessment and implementation of new rules including the identification of transition methods.

The consolidated financial statements are presented in thousands of euros unless otherwise stated.

The consolidated financial statements have been reviewed and approved by the Board of Directors during its meeting on June 26th, 2018.

2.3 Consolidation methods

The consolidated financial statements include the financial statements of EuropaCorp and of its subsidiaries. According to IAS 27, a subsidiary is an entity controlled by the parent company. Control is defined as the power to steer an entity's financial and operational policies to acquire future benefits from its activities.

The consolidated financial statements include the financial statements of EuropaCorp and of its subsidiaries to ensure compliance with the accounting principles adopted by the Group and after the exclusion of intragroup balances and transactions.

2.3.1 Full consolidation

Companies directly or indirectly controlled by EuropaCorp are fully consolidated.

The full consolidation method applied entails the full consolidation of assets, liabilities, income and expenses. The share of net assets and net income of minority shareholders is presented separately in the consolidated statement of financial position and profit and loss statement as non-controlling interests.

2.3.2 Equity accounting

When the Group exercises significant influence over an associate, the investment is accounted for using the equity method. Significant influence is presumed to exist when the parent company holds, directly or indirectly through subsidiaries, 20% or more of the voting power of the investee, unless it can be clearly demonstrated that the Group's influence is not significant.

2.4 Business combinations

In accordance with IFRS 3, business combinations are accounted for using the acquisition method. Thus, the assets and liabilities of the acquired company are measured at their fair value from the first consolidation of a controlled company. The fair value of the identifiable intangible items of the assets is calculated based on generally accepted methods, for instance on the basis of income, costs or market value.

Any differences in value resulting from this calculation are accounted for under the assets and liabilities concerned (including the share of non-controlling interests). The remaining amount, corresponding to the difference between the purchase price of the securities (including any earn-out payments if applicable) and the portion of net assets measured at fair value, is reported under goodwill.

The difference between the purchase price of the securities (including any earn-out payments estimated at the date control is taken) and the fair value of any identifiable assets and liabilities of the acquired company is posted in the consolidated statement of financial position under "Goodwill" for fully consolidated subsidiaries and under "Investments in associates" for subsidiaries consolidated using the equity method.

2.5 Translation method for currency items

2.5.1 Financial statements of foreign subsidiaries

The accounts of all the subsidiaries of the Group whose functional currency is different from the consolidated accounts currency are translated into euros according to the following standards:

- assets and liabilities are translated at the closing spot rate at the date of that balance sheet;

- profits, losses and cash flows are translated using the average exchange rate over the period;
- any exchange differences are reported as a separate component of the equity under “Other elements of the comprehensive income” and are stored as equity in the foreign exchange reserves.

2.5.2 Foreign currency transactions

Foreign currency transactions are accounted for and measured in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”. Pursuant to said standard, expense and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction.

Liabilities, Receivables and Cash and cash equivalents in foreign currencies appear in the balance sheet at their exchange value at the closing date.

Unrealized exchange gains and losses are recognized in financial income in the profit and loss statement. Exchange differences arising from the conversion of net investments in a foreign operation are recognized as a distinct component of equity, as required by IAS 21. When a foreign activity is sold, these differences of conversion are recognized in the profit and loss account as gains or losses on sale of assets.

2.6 Goodwill

In accordance with IAS 36, goodwill is tested for impairment at least once a year at the end of the financial year or when required in the event impairment indicators are identified.

The impairment test is carried out by the cash generating unit to which the goodwill has been allocated, by comparing its net book value and its recoverable amount. The recoverable amount is the higher of the amounts calculated under the fair value less cost of disposal and value in use approaches based on discounted future cash flows.

Goodwill is allocated to the smallest identifiable set of assets or cash generating units (“CGU”). CGUs are represented by the activities of the different Group companies, i.e.:

- for **the Production and Distribution of films CGU**: EuropaCorp, EuropaCorp Distribution, EuropaCorp Home Entertainment, Roissy Films, Sofica EuropaCorp, Blue Advertainment, Digital Factory, EuropaCorp Films USA;
- for the **Production and Distribution of TV drama and series CGU**: EuropaCorp Television, Cipango Music and EuropaCorp TV (themed channels and audiovisual productions);
- for the **Event CGU**: Blue Event;
- for **the CGU that represents ancillary activities, not directly related to the exploitation of cinema films**: Dog Productions (advertising production), Intervista (literary publishing), EuropaCorp Music Publishing (revenue from music publishing), Ydéo (marketing)...

The method used to estimate the value in use of the catalogue for **the Production and Distribution of films CGU** is based on the discounted future cash flows generated primarily by the exploitation of films for which the Group holds production rights. Future cash flows largely depend on the assumptions used to estimate revenues and on the time horizon. Estimated proceeds correspond to the revenues of France and US Theaters, France and US TV, France and US Video, International Sales, Financial subsidies, less the payment of net revenues to officers or third parties and other general marketing expenses.

Future cash flows have been calculated over a period of up to 15 years, taking into account a yearly inflation rate of 1.5% and a tax rate of 23% in the United States and of 34.43% in France for 2019, 31% for 2020, 28% for 2021, 26.5% for 2022 and 25% from 2023, in accordance with the rate decrease decided by the tax administration.

For a few rare high-potential intangible assets (films), perpetual inflow has been considered based on the most recent television sale, with a rate of decline comprised between 11.1% and 16.3% before inflation every three years.

All of the estimated cash flows combined are discounted at March 31, 2018. The rate used to discount estimated cash flows is the opportunity cost of capital (7.55%), deemed to be the profitability rate expected by shareholders.

Measurement tests for the **Events** CGU are based on the unit's future cash flows. Future cash flows are based on five-year estimates extrapolated beyond this period to infinity by applying a growth rate and then discounted using a rate that is appropriate for this type of activity.

At March 31, 2018, the perpetual growth rate applied was 1% and the discount rate after tax was 15.46%; this rate takes into account the specific features of this activity.

Any depreciation is recorded under "Other operating income and expenses". Depreciation recognized in relation to goodwill is irreversible.

2.7 Intangible assets

In accordance with IAS 38 "Intangible Assets", only items whose cost can be measured reliably and that are likely to generate future economic benefits for the Group are posted under intangible assets.

2.7.1 Films and audiovisual rights

The gross value of films and audiovisual rights comprises the following components:

- films produced by EuropaCorp Group as Executive producer, intended to be exploited in France or abroad by any audiovisual means;
- shares in French or foreign co-productions;
- acquisition of rights to exploit audiovisual work;

The gross value of films recorded in the statement of financial position includes the following (from the end date of shooting):

- investments made, after the contributions of the films' co-producers if the Group acted as Executive producer;
- the value of the acquisition of tangible and intangible rights if the Group did not take part in production;

Capitalized cost of a film includes interest expenses incurred during the production period (capitalized borrowing costs for each production, if paid in their entirety by the Company), as well as a portion of overheads that is directly attributable to the production. Payroll costs included in investment costs only concern staff that is directly involved in the production process.

Costs for the release of films in theaters in France (marketing, distribution and copying expenses) are accounted for directly under expenses when incurred.

2.7.2 Production costs

Production costs comprise all direct and financing costs incurred to produce a film up to the end of shooting and post-production, as well as a portion of overheads directly attributable to production.

2.7.3 Preliminary expenses

Preliminary expenses recognized under intangible assets in compliance with IAS 38 are essentially

the fees paid to acquire existing film rights (option agreements) and adaptation costs in view of securing a script that the Group intends to produce in the mid-term. They are reported separately and reviewed project by project at each period closing.

Preliminary costs that do not lead to a decision to shoot within five years from their first recognition are depreciated. However, this principle does not apply to projects having been recognized for more than five years, if there are specific production commitments or genuine expressions of interest, or when the Company believes that the development timeframe does not call into question the start of shooting in the long term.

2.7.4 Depreciation and amortization of intangible assets

Amortization of a finished film or TV drama starts upon recognition of the first proceeds associated to their exploitation (in accordance with the accounting principles described below in Section 2.19), if the exploitation rights have vested. Yearly amortization is posted in the statement of financial position under "cost of sales".

Films and audiovisual productions are amortized individually using the film forecast method, i.e. by applying to the cost of the film the ratio resulting from the comparison of actual net revenues and total estimated net revenues. During the films exploitation, the revenues perceived as renewals of licenses or royalties indicate the audience's continuous interest or progressive disinterest for the films and therefore represent the future economic benefits expected from the asset. The group therefore considers the film forecast method as the best suited method for amortization.

Total net revenues include i) net revenues acquired over the period, notably including income and distribution expenses for films on US territory, and ii) projected net revenues over a period of 12 years maximum from the premier date.

The time frame used for estimating future revenue is not fixed and may be reviewed if future income from international operation or TV France is considered significant and spread over a longer period. To date, given i) the fact that EuropaCorp itself now distributes the great majority of its films in the territory of the United States, and ii) histories of sales of TV rights in France, and lastly, iii) the practices of the main competitors of the Group, the use of a maximum period of 12 years to determine projected net revenue appears justified and compliant with industry practice. The Senior Management regularly reviews and adjusts the expected net revenue, if required, taking into account the performance of film exploitation, of new or expected agreements and the evolution of the audiovisual market at the closing date of the accounts.

If net amortization of the investment as calculated with this method is higher than the net income forecast, additional exceptional depreciation is recorded to cover the shortfall.

Insofar as a significant portion of net revenue from international films is currently generated at the start of exploitation (in particularly thanks to international presales), in general the amortization expense accounts for over half of their gross value in the year they were first exploited. In addition, as generally international films are more expensive, they also generate higher amortization expenses. The review of expected future net revenues may lead to significant fluctuations in the amortization rate applied to the remainder of the production costs to be amortized.

Likewise, a depreciation provision may be recorded for ongoing productions at the end of the period, if the initial budget is exceeded by a significant amount or if ultimate's estimates made by operational teams are below our net investment in the film at closing date. A provision is also created for films exploited between the closing date of the accounts and their approval, if the estimated value of future revenues is lower than the amount invested. The value of depreciation provisions is reviewed at each period end.

2.8 Property, plant and equipment

In accordance with IAS 16 "Property, Plant and Equipment", property, plant and equipment are recognized under assets in the statement of financial position at their acquisition cost, and depreciated using the straight-line method, with any components of individual significance reported and depreciated separately.

The following amortization periods have been applied:

- Buildings: 25 years
- Furniture: 3 to 10 years
- Office and IT equipment: 3 to 10 years
- Transport equipment: 5 years

2.9 Other financial assets

Investments in non-consolidated companies are measured at their historical cost, which at March 31, 2018 is equivalent to their market value.

Other financial assets, comprising mainly deposits and guarantees paid and payables associated with equity interests are recorded at their amortized cost.

2.10 Inventory

Inventory is accounted for at its initial cost, which corresponds to its acquisition value. A write-down is recognized when the acquisition value is inferior to the market value.

2.11 Trade and other receivables

Receivables are recognized at their nominal value. A depreciation provision is established for receivables under dispute or unusual late payments, where there is a high probability that it won't be possible to recover the payable amount in full. The depreciation percentage is determined case by case.

2.12 Cash and cash equivalents

Cash and cash equivalents include bank deposits (film bank accounts or bank accounts considered to be "corporate"), cash, short-term deposits with an initial maturity lower than 3 months, and cash UCITS units which are readily available and are not exposed to a material risk of depreciation.

The Group has analyzed and verified that marketable securities are eligible to be classified as IFRS "cash equivalents" under IAS 7 criteria and the AMF's recommendations.

In accordance with IAS 39 "Financial Instruments", these items are measured at their fair value. Changes in fair value are recognized in profit (loss).

2.13 Deferred tax

In accordance with IAS 12 "Income Tax", deferred tax is recorded against any time difference between the book and tax value of assets and liabilities in the consolidated statement of financial position. The Group applies the liability method to account for all deferred tax assets and liabilities whether the unrecognized tax position of a consolidated entity shows net deferred liabilities or net deferred assets, provided the deferred tax assets is likely to be recovered from a taxable profit. In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are recognized based on the expected tax rate for the period of realization of the assets or settlement of the liabilities, in accordance with the tax rates in force at the end date of the period.

In the event that deferrable tax liabilities are available at the end of a financial year, they may be recognized in full or in part, provided that the available business forecasts to that date, covering a reasonable period, guarantee that the recognized tax losses are very likely to be recovered.

In the event of full or partial recognition of deferrable tax losses, it is the Business Units' Managers and Senior Management who are responsible for the business forecasts used for this purpose. In addition, the forecasts need to be consistent with the projections used for the impairment test of goodwill.

2.14 Derivative instruments

To mitigate its foreign exchange risk on future currency transactions, EuropaCorp signs forward currency or currency option contracts with financial institutions when required.

At March 31, 2018, EuropaCorp had 22 foreign-exchange hedging contracts.

These financial instruments, linked to commercial transactions, are posted in the statement of financial position under current assets and liabilities and are measured at period end at their fair value based on market conditions and data.

The Group has chosen not to apply hedge accounting to these financial instruments. Therefore, changes in fair value are recognized in financial income.

2.15 Provisions for risks and expenses

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision for risks is created when the Group has an obligation toward a third party and it is likely that this will entail an outflow of resources without consideration and equivalent at least to the profit for the third party, and the amount of the obligation can be estimated reliably.

Since provisions are estimated based on future risks and expenses, the amounts include an element of uncertainty and may be adjusted in subsequent periods.

2.16 Pensions and other post-employment benefits

In accordance with IAS 19 "Employee Benefits", pensions and other post-employment benefits part of defined-benefit plans are valued by independent actuaries based on the projected unit credit method.

Provisions for severance payments cover the Group's pension benefit obligations vis-à-vis its employees. Said obligation is limited to the severance payments provided for in the Cinematographic Distribution Collective Agreement. It is calculated using the retrospective method based on the final salary, i.e. by valuing projected entitlements at the estimated date of retirement prorated based on length of service over the period these entitlements were acquired. More in particular, it takes into account:

- rights under agreements in relation to the seniority acquired by the various categories of personnel;
- an estimated date of voluntary retirement set at 63 years of age for all employees, across all job classifications;
- a turnover rate of 14% across the EuropaCorp Group. This rate is reviewed periodically on the basis of actual departures;
- wages and salaries including an employer's social security contribution coefficient of 45%;
- a yearly salary increase rate of 4%;

- the life expectancy of employees based on statistical tables;
- a discount rate for the pension benefit obligation, reviewed at the end of each financial year. The tax rate used for all companies in the EuropaCorp Group was 1.34% as of March 31, 2018.

Changes in actuarial gains and losses over the financial year are accounted for directly in the profit and loss statement.

2.17 Debt

In accordance with IAS 39, debt and other financial liabilities are valued at their amortized cost. At March 31, 2018, debt under one year mainly comprises lines of credit and bank overdrafts bearing interest.

Bank commissions related to the different credit lines used by the Company are recognized as transaction costs, in accordance with IAS 39.9, and are taken to profit or loss over the life of the loan (effective interest method).

2.18 Other non-current liabilities and equity investment liabilities

The Group has granted a put option to quota holders of Sofica EuropaCorp. In accordance with IAS 32, put options over a non-controlling interest are considered debt, even if the obligation to purchase is subject to the counterparty exercising its right to being refunded. The fair value of the debt associated with this obligation to buyback is posted under "Other non-current liabilities" (against the reduction in non-controlling interests when the company is fully consolidated). Any changes in the fair value of this debt are reported under financial income.

2.19 Revenues

Revenues from the exploitation of TV dramas and films are recognized once rights have vested in accordance with the following criteria.

2.19.1 Theaters - France

Revenues from the films distribution to theaters in France are recognized when sold to the ticket offices, based on a weekly report submitted by each theater stating revenues for the previous week. Generally, the corresponding revenues are collected during the quarter following the film's release.

2.19.2 Television - France

In accordance with IFRS, revenue from the sale of French TV broadcasting rights to pay and free-to-air French channels are recognized in their entirety after signature of the sale agreements, after acceptance of the broadcasting material and from the time the broadcasting window opens.

2.19.3 International

Most "multiple rights" contracts allow the commercial exploitation of a film or TV drama in a specific region through multiple distribution channels, including theaters, the video market, television and, in certain cases, VOD.

Revenues from these right assignment contracts are royalties and are recognized upon physical delivery to the local distributor of the items covered under the contract for the relevant film(s) (or TV series), when exploitation rights for the local distributor are accounted for.

If the one contract with a foreign distributor provides for different deliveries with corresponding

benefits and revenues which are measurable (in general, a guaranteed minimum), discrete, separable and vested on EuropaCorp at the time of the deliveries, the proceeds of each delivery are recognized when the following deliveries are made and accepted by the foreign distributor. In addition, any payable amount in excess of the minimum guarantee is posted under revenue only when finally acquired, i.e. when the amount has been confirmed by the local distributor.

Any contract entered into before delivery entails the recognition of "Deferred income" under liabilities in the statement of financial position (if income has been billed and the corresponding amount due is payable), or under "Off-Statement of financial position commitments received" (if no invoice has been issued or the amount is not due yet), until delivery.

2.19.4 Video and VOD

Proceeds from the exploitation of video rights are accounted for based on monthly sales. At the end of the financial year, a provision is created for estimated returns and rebates granted contractually to clients (notably for large quantities). This provision is deducted from the year's revenue. Videos are distributed by the Fox Pathé Europa EIG created in conjunction with Twentieth Century Fox Home Entertainment S.A. and Pathé Video S.A. The Group receives a bill issued by the Fox Pathé Europa EIG at the end of each month, which is paid in 60 days.

Revenues from VOD and pay-per-view film offers are recognized upon receipt of the reports prepared by the operators, generally on a monthly basis. In general, this revenue is equally shared between the Group and the operator. The former, however, receives a minimum amount per view.

2.19.5 Licensing and partnerships

Income from licenses and partnership agreements is recognized in accordance with the contractual provisions. Any royalties received above the guaranteed minimums are accounted for under income upon issuance of the invoice, i.e. upon receipt of the report prepared by the licensee.

2.19.6 Music publishing

Income from the sale of soundtrack CDs comprises the guaranteed minimums of licensed distributors and any royalties. It is reported in accordance with contractual provisions. Any royalties received above the guaranteed minimums are accounted for under income upon issuance of the invoice, i.e. upon receipt of the report prepared by the licensee.

Income from international music publishing agreements is recognized at the date royalties are billed. Income from publishing in France is collected by third parties, which send sales report to the Group. The corresponding income is reported when the Group issues the invoice for the amount payable by the third parties.

2.19.7 Line production

Commissions received by EuropaCorp for its services as line producer are recognized under income based on the progress of each production at the closing date.

Until all of the conditions above are met, revenues are posted in the consolidated statement of financial position under "Other non-current liabilities" and "Other current liabilities".

2.19.8 Events

The main component of the revenues of this business is service provision fees under contracts whose benefits are recognized in revenue upon realization.

2.20 Automatic subsidies fund of the National Cinematographic Center

The Group receives subsidies funds from the CNC (*Centre National du Cinéma et de l'image animée*) for the exploitation of the films classified as European works that receive production approval from the CNC. This funding is then used to finance the production of films satisfying the conditions laid down by the CNC. Revenue is recognized for each share corresponding to stage of the exploitation of the film, which includes distribution in theaters, the sale of television broadcasting rights, and the video market. The subsidies funding received by EuropaCorp Distribution and EuropaCorp Home Entertainment for their distribution and video editing activities is thus recognized in revenue as the receipts from the activities are recorded. The claim against the CNC is listed in the balance sheet under the category "Other receivables". The subsidies funding is not deposited by the Group until it is invested in the production of new films that meet the conditions set by the CNC. Funds not re-invested within a period of five years are prescribed and recognized in the income statement as other operating expenses. For the production of audiovisual drama, the Group enjoys a comparable subsidies system also managed by the CNC called an audiovisual industry subsidies account (COSIP), which is recorded using the same principles as the subsidies funding. The subsidies funding generated and other similar subsidies amounted to €4,377 thousand and €3,941 thousand respectively for the years ended March 31, 2018 and 2017, or 1.9% and 2.6% respectively of total revenue for those periods.

2.21 Cinema tax credit

The tax credit for the production of French films or French TV series in France aims to encourage production companies to write and produce their works within the national borders.

For the year ended March 31, 2018, the company benefited from €9.8 million of cinema tax credit. In accordance with the IFRS standards, those credits were assigned to the related films proportionally to their amortization and appear in the profit and loss statement under the item "cost of sales" for €7,835 thousand.

2.22 Operating expenses

Operating expenses are divided between cost of sales and overheads.

Cost of sales includes the following expenses:

- amortization and provisions (net of reversals) of films and TV dramas, as well as provisions for preliminary costs: **see the above section 2.7.4 Depreciation and amortization of intangible assets** ;
- Printing and Distribution costs (P&A): these correspond essentially to technical, promotional and advertising costs and are recognized in the consolidated profit and loss statement under expenses in "Cost of sales". Costs for the reproduction or copying of films or TV dramas in a format that is suitable for delivery/broadcasting and the cost of video reproduction are reported under expenses when incurred. Marketing and advertising costs are accounted for as expenses in "Cost of sales" when incurred ;
- technical costs for equipment use ;
- payments to third parties recognized as revenues come in ;
- contributions and taxes directly attributable to films ;

In addition, overheads include property lease expenses. Leases under which the lessor retains substantially all risks and rewards of ownership are classified as operating leases. Payments under these contracts are expensed on a straight-line basis over the term of the lease.

2.23 Profit (loss) per share

The basic earnings per share is calculated by dividing the net income Group share by the average weighted number of outstanding ordinary shares over the period, excluding treasury shares.

Earnings per share after dilution is calculated based on the average weighted number of outstanding shares during the period, plus the number of shares that would be generated by the exercise of all share subscription options awarded at the reporting date and entailing dilution.

2.24 Information by operating segment

The impact of IFRS 8 "Operating Segments" on EuropaCorp's consolidated statements is disclosed in Note 6 of these notes to the consolidated financial statements to March 31, 2018.

2.25 Estimates of Senior Management

Preparing the financial statements involves making estimates and assumptions concerning the valuation of certain assets and liabilities booked to the consolidated statement of financial position, and certain elements of the profit and loss statement. The Management may also have to exercise its judgment when applying the group's accounting methods.

These estimates and judgments are based firstly on historical information and secondly on the anticipation of future events judged reasonable given the circumstances. Given the share of uncertainty concerning the realization of assumptions about the future, the resulting accounting estimates may differ from actual future results.

The main assumptions in relation to future events and other sources of uncertainty associated with the use of estimates at the reporting date entailing a material risk of changes in the net book values of assets and liabilities during a future financial year relate to:

- the appraisal of the net book value of films, in particular based on estimated future revenues;
- the appraisal of estimated costs, taking into account the Senior Management's assessment of the likelihood of start of production for the films concerned;
- the appraisal of the recoverable amount of future film rights (remakes, prequels, sequels, etc.), based on Senior Management's assessment of the likelihood of start of production for the films concerned;
- the appraisal of the recoverable amount of goodwill and other intangible assets with an indefinite useful life and assets generating independent cash inflows, in particular by determining the future cash flows of the activities concerned, the long-term growth rate and discount rate;
- the appraisal of the recoverability of deferred tax assets, in particular in relation to tax payable in future periods;
- the appraisal of risks linked with legal actions involving the Group;
- the estimate of the provision for pensions and other post-employment benefits based on financial assumptions such as the discount rate, and demographic assumptions such as the salary increase rate and staff turnover rate;

2.26 Application of the standard IFRS 5 on the presentation of the activities held for sale and discontinued operations

During FY 2017/2018, the EuropaCorp group sold the business assets relating to its music publishing activity and those of its French television activity.

In accordance with the standard IFRS 5, the presentation of those flows in the consolidated profit and loss statement appears in the item "Net income of the activities held for sale and discontinued operations".

The details of those reclassified flows are as follows:

<i>(amounts in thousands of euros)</i>	<u>3/31/2018</u>	<u>3/31/2017</u>
Turnover	2,868	11,868
Revenue	2,868	11,868
Cost of sales	(1,200)	(8,997)
Operating margin	1,668	2,871
Overheads	(2,783)	(5,855)
Other income and expenses	6,441	278
Operating profit (loss)	5,325	(2,706)
Current income before income tax	5,325	(2,706)
Net income	5,325	(2,706)

NOTE 3 - NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.1 Goodwill

<i>(in thousands of euros)</i>	03.31.17	Movements of the period			03.31.18
		+	-	<i>Other ⁽¹⁾</i>	
Roissy Films	15,762				15,762
EuropaCorp Television	11,984		(11,984)		0
Digital Factory	442				442
Total net value	28,188	-	(11,984)	-	16,203

(1) Changes in scope, transfers between items, forex effect

For further details on the accounting and measurement methods and ratios used to carry out impairment tests on goodwill, please refer to Sections 2.6 *Goodwill* and 2.4 *Business combinations* hereof.

The business projections and estimates of operations used to carry out the impairment test on the different CGUs are prepared by the Managers of the respective CGUs and approved by Senior Management.

In addition, a sensitivity analysis of the assumptions used to determine recoverable amounts was also carried out. Annual impairment tests led to the following conclusions:

- a) For the Production and Distribution of films CGU:

At the end of each period, the Company compares the catalog's value with the book value of the CGU's net assets.

For the entities composing the CGU, the difference measured between the value of the Production and Distribution of films CGU and the consolidated net book value of its assets was largely positive.

The main assumptions based on which the sensitivity of the parameters would cause a change in the forecasted recoverable amounts are:

- estimated future revenues: the impact of a 5% reduction in comparison with the assumptions used would not affect the outcomes of the impairment test. Furthermore, part of the projected revenues corresponds to guaranteed revenues, having already been signed;
- the discount rate: taking into account the short-term horizon of the estimated future cash flows, the impact of a 1-point increase in the discount rate would not affect the outcomes of the impairment test;

- b) For the Production and Distribution of TV drama and series CGU:

As of March 31, 2018, following the sale of the business assets relating to the French television activity, the goodwill related to the Production and Distribution of TV drama and series CGU was totally written off.

- c) For the Events CGU:

The annual impairment test carried out at March 31, 2014 led the Group to fully depreciate the goodwill, equal to €951 thousand at March 31, 2014.

3.2 Intangible assets

<i>(in thousands of euros)</i>	03.31.17	Movements of the period			03.31.18
		+	-	Other ⁽¹⁾	
Films and audiovisual rights	1,512,327	43,895	(201,028)	98,958	1,454,152
Production costs	112,758	45,542	-	(99,487)	58,814
Preliminary expenses	19,769	724	-	(1,169)	19,324
Other	87,617	31	(31)	(10,518)	77,098
Gross amount	1,732,471	90,192	(201,059)	(12,216)	1,609,388
Films and audiovisual rights	(1,402,018)	(140,949)	192,648	1,698	(1,348,621)
Other	(7,331)	(13,145)	21	650	(19,805)
Depreciation/Provisions	(1,409,349)	(154,094)	192,670	2,348	(1,368,426)
Net amount	323,121	(63,902)	(8,389)	(9,868)	240,961

(1) Changes in scope, transfers between items, forex effect

At March 31, 2018, the net book value of intangible assets breaks down of as follows:

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Preliminary expenses	3,774	7,063
Production costs	58,709	112,655
Completed films	121,186	123,119
Other intangible assets	57,293	80,285
TOTAL INTANGIBLE ASSETS	240,961	323,121

Financing expenses capitalized against intangible assets in production for the year ended March 31, 2018 stand at €5,023 thousand (versus €4,191 thousand for the year ended March 31, 2017).

The increase in the gross value of films and audiovisual rights during the period is mainly attributable to investments in completed productions (*Coexist, I Feel Better, Carbon, Eva, Taxi 5* and *Valerian and the City of a Thousand Planets*).

Moreover, the provision for the depreciation of preliminary expenses incurred for film projects amounts to €15,550 thousand, of which €2,844 thousand were recognized during the period, relating to the projects *Sea at War, DNA* and *Underground*.

The Company emphasizes that films and audiovisual productions are amortized individually using the film forecast method, i.e. by applying to the cost of the film the ratio resulting from the comparison of actual net revenues and total estimated net revenues (refer to the paragraph 2.7.4 in the present appendix for details).

Production costs of films had a net value of €58,709 thousand on March 31, 2018 and mainly concerned the following productions: *Kursk, Anna*, and 6 episodes of the international series *Taken*.

At March 31, 2018, "other intangible assets" include:

- The initial contribution of \$30 million paid when the joint venture Relativity EuropaCorp Distribution ("RED") was established, and the additional contribution of \$55 million paid during the 2014/2015 financial year to settle the Group's obligations towards Relativity and to allow EuropaCorp to get a distribution capacity in the United States to be a distributor there. The total investment at March 31, 2017 remains at €68,988 thousand (\$85 million). This investment has allowed the Group to sign important contracts with Fox (Video), Amazon (SVOD/Pay TV) and

more recently Lionsgate (Video).

This intangible asset, which represents an entry fee, with an unspecified life is, by definition, non-depreciable and is tested annually. During the financial year, indications of impairment losses were identified requiring the implementation of an impairment test which led to the recognition of an impairment of €13 million. Taking into account this impairment, at March 31, 2018, this intangible asset shows a net value of €56.6 million.

- at March 31, 2014, exclusive rights to use the Hall, granted to the Events CGU for an amount of €874 thousand after depreciation and amortization, including non-controlling interests. Amortization for the period amounted to €87 thousand, reducing the net value of this intangible asset (including non-controlling interests) to €525 thousand at March 31, 2018. No additional impairment loss was recognized following the impairment test performed at March 31, 2018, based on business forecasts for the next five years, as stated in Note 2.6 "Goodwill";

3.3 Property, plant and equipment

<i>(in thousands of euros)</i>	03.31.17	Movements of the period			03.31.18
		+	-	Other ⁽¹⁾	
Plant, machinery and equipment	11,425	119	(16)	(1)	11,526
Land, buildings	19,934	50	(2)	-	19,983
Other property, plant and equipment	4,380	14	(491)	(72)	3,832
Gross amount	35,739	183	(508)	(73)	35,341
Plant, machinery and equipment	(7,642)	(799)	16	-	(8,425)
Land, buildings	(10,427)	(517)	2	-	(10,943)
Other property, plant and equipment	(3,479)	(215)	343	35	(3,315)
Property, plant and equipment in progress	-	-	-	-	-
Depreciation/Provisions	(21,548)	(1,531)	361	35	(22,683)
Net amount	14,192	(1,349)	(147)	(38)	12,658

(1) Changes in scope, transfers between items, forex effect

Property, plant and equipment mainly include assets held by Digital Factory (buildings, facilities and technical equipment at the Normandy site).

3.4 Other financial assets

Other financial assets mainly include deposits and guarantees maturing beyond one year and non-consolidated securities (held by Sofica EuropaCorp).

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Non-consolidated securities	500	449
Deposits and guarantees > 1 year	7,060	2,433
Net amount	7,560	2,882

These deposits and guarantees mostly include the guarantees paid to the Guilds for €5.5 million, as well as the deposit paid by EuropaCorp to the lessor for an amount of €1.4 million under the commercial lease agreement for the Cité du Cinéma premises.

Non-consolidated securities mainly relate to a non-controlling interest held by Sofica EuropaCorp in the company Elzevir Films. These equity interests are recorded at their net value, which corresponds to the acquisition value of these securities reduced by a potential depreciation calculated from the valuation of the subsidiary's stock of films.

3.5 Investments in associates

Investments in associates are presented de-netted in order to highlight the negative contributions in “Other non-current liabilities” and the positive contributions in “Investments in associates”. Investments in associates were as follows at March 31, 2018.

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Pass Pass la Cam'	-	2
SCI Les studios de Paris	-	2,242
Investments in associates	-	2,244

Les Studios de Paris closes its accounts on December 31. For the purpose of closing EuropaCorp Group’s annual financial statements, the Company presented its position at March 31, 2018. Thus, the share of net income posted in EuropaCorp’s consolidated financial statements corresponds to the company’s operations from April 1, 2017 to March 31, 2018.

As a reminder, EuropaCorp holds a 40% stake and does not control this company.

Les Studios de Paris

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Control %	40.00%	40.00%
Book value of net assets held	(663)	2,242
Share of profit (loss)	(984)	418
Contribution to consolidated equity	(6,709)	(4)

Statement of financial position	10,675	22,020
Revenue	2,388	415
Profit (loss)	(2,460)	1,045

3.6 Deferred tax

Deferred tax was determined at March 31, 2017 and at March 31, 2018 based on a standard tax rate of 34.43% for the companies located in France and a rate of 21% increased by federal taxes for the American companies. Deferred tax breaks down as follows at March 31, 2018:

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Deferred tax assets	30,440	33,351
Deferred tax liabilities	(1,631)	(1,170)
Net deferred tax	28,810	32,182
<i>Of which time difference for TV Films revenue</i>	6,733	3,367
<i>Of which Support funding generated (CNC subsidies)</i>	(4,249)	(5,483)
<i>Of which Film amortization</i>	(27,337)	(20,365)
<i>Of which fair value of forward sales in foreign currencies</i>	3,020	5,270
<i>Of which tax debt of operations</i>	10,616	30,595
<i>Of which other temporary changes</i>	40,026	23,541
Net amount	28,810	32,181

Deferred tax on other temporary changes is primarily linked to films depreciations that have yet to become tax deductibles as they relate to assets that have not been exploited yet or to provisions for amortizing films already released but with different tax and accounting rules, which thus create time differences.

The deferred tax asset of €30.4 million mainly concerns the company EuropaCorp SA for an amount of €17.9 million and EuropaCorp Films USA for €10.6 million.

Concerning EuropaCorp Films USA, it is a deferred tax asset recognized as part of the tax-loss carryforwards (\$13.1 million), relatively to a maximal theoretical amount of €35.7 million of deferred tax asset, i.e. \$44 million. The business forecasts used and updated in May 2018 to recognize these liabilities apply to a five years period from the year ended March 31, 2018. The impact of a 5% increase or decrease in the 5-year business hypotheses would be +/- €2.4 million.

Uncertainties in relation to the business forecasts used to appraise the likelihood of the recoverability of recognized deferred liabilities mainly comprise the risk of delay in production schedules (films or TV series, as applicable), in particular due to a competitive environment and periods of unavailability of talents, as well as the risk that budget limits may be exceeded (see Chapter 4 of the Registration Document).

The theoretical tax calculated based on the standard French tax rate of 34.43% is reconciled with the actual tax imposed on the Group as follows:

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Income before tax and share of net income of associates	(64,799)	(140,431)
Cinema tax credit	(7,835)	(2,987)
Theoretical tax rate	34.43%	34.43%
Theoretical tax expense	25,008	49,379
(Increase) / Decrease of tax expense resulting from :		
<i>Permanent differences</i>	3,695	5,605
<i>Recognized tax liabilities</i>	(29,027)	(34,406)
<i>Miscellaneous</i>	(4,428)	282
Actual tax (current and deferred)	(4,752)	20,860

Permanent differences include €1.2 million of reintegration of financial charges as part of the tax measures linked to the « rabot fiscal » (cap on deductible financial charges). There are also €2.1 million coming from the decrease in the receivable from the subsidies. This decrease in the financial support receivable has no impact on the results of the fiscal year but lead to a decrease in the deferred tax liabilities recognized at the generation of this support.

3.7 Inventory

Inventory breaks down as follows at March 31, 2018:

<i>(in thousands of euros)</i>	Production costs (films)	Video (Blu-ray & DVD)	Merchandising	Books	Total
Gross amount as of March 31, 2017	850	333	101	421	1,704
Depreciation provisions	-	(51)	(101)	(405)	(556)
Net amount as of March 31, 2017	850	282	-	16	1,148
Gross amount as of March 31, 2018	4,664	484	101	429	5,678
Depreciation provisions	-	(31)	(101)	(429)	(561)
Net amount as of March 31, 2018	4,664	453	-	-	5,117

3.8 Trade receivables

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Trade receivables - nominal value	59,787	70,602
Provisions for trade receivables depreciation	(4,398)	(4,847)
Net value of trade receivables	55,388	65,755

The maturity of trade receivables at March 31, 2018 breaks down as follows:

Gross value of receivables <i>(in thousands of euros)</i>	03.31.18	Owing	Not owing (< 1 year)	Not owing (> 1 year)
EuropaCorp Group total	59,787	12,744	47,042	0

Receivables are recognized at their nominal value after deducting the depreciation provisions for non-recoverable amounts. Doubtful receivables are estimated when it is no longer likely that the amount due will be recovered in full. Non-recoverable receivables are accounted under losses if identified as such.

As previously mentioned, at March 31, 2014, the Group recognized annual revenue of €29.7 million (or \$42.7 million) resulting from the buy-out agreement signed with Fox in March 2014. At March 31, 2018, the balance of the receivable related to this agreement was reduced to \$11.8 million, or €9.5 million, following payments received of \$3.4 million, or €2.7 million, received during the financial year. The remaining balance will be paid in installments as statements are received and, in any event, will be settled in full no later than March 31, 2024. Note also that this receivable was discounted at the closing date based on a four-year recovery estimate, taking into account the improved cash flow on other films with this distributor and by applying a discount rate of 2.1%.

No additional revenue was recognized under this agreement during the period. Foreign exchange gains and losses linked to the US dollar movements have been recognized in operating income in accordance with the rule ANC n°2015-05 of July 2, 2015.

Trade receivables owing at March 31, 2018 mainly consist of receivables for which a collection procedure has been initiated, with a proposal for new payment schedules, as well as receivables, which were settled in the first months of the 2017/2018 financial year. Doubtful debt stands at €4,887 thousand and is depreciated at 90%.

Receivables beyond one year are due primarily by television channels.

The reconciliation of the trade receivables depreciation provision is presented in the table below:

<i>(in thousands of euros)</i>	03.31.17	Charge	Reversal		Other*	03.31.18
			With use	Without use		
Provisions for trade receivables depreciation	(4,847)	(343)	791	-	-	(4,398)

* *Impact of change in scope*

To secure the funding it requires for its business, EuropaCorp assigns receivables pursuant to the Dailly Act. However, the amounts due remain under trade receivables in the statement of financial position, as only settlement is transferred to the banks.

3.9 Other receivables

Detail of receivables by type

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Advances and downpayments on orders	2,465	5,586
Support funds & COSIP (audiovisual support)	12,342	15,645
Tax and social security credits	22,332	25,092
Other receivables	19,188	24,311
Gross amount	56,326	70,634
Depreciation provisions	(901)	(901)
Net amount	55,424	69,733

At March 31, 2018, CNC receivables (subsidies funds) include €9.1 million of “Producer” subsidy, €2 million of “Distributor” subsidy, €0.9 million of “Video publisher” subsidy and €0.4 million of “Export” subsidy.

The other receivables primarily include amounts owed by co-producers. They have a maturity of less than one year.

3.10 Equity

3.10.1 Breakdown of share capital

At March 31, 2007, EuropaCorp’s capital comprised 15,400,000 securities with a par value of €0.34.

Following EuropaCorp’s listing on Euronext Paris’ Eurolist market on July 6, 2007, the share capital included 20,310,828 fully paid-up shares with a par value of €0.34, i.e. a total capital of €6,905,681.52.

On February 28, 2013, following a capital increase in cash and contributions in kind, the share capital comprised 29,315,154 ordinary shares with a par value of €0.34 each, i.e. a total capital of €9,967,152.36.

On May 22, 2015, the Board of Directors acknowledged the fulfillment of the award conditions and therefore the issuance of 233,783 new shares with a par value of thirty-four (34) euro cents each, for the benefit of employees present in the Group at May 22, 2013 and eligible for the award on May 22, 2015.

On November 17, 2016, the Board of Directors validated a capital increase in cash of €3,885,714.48 through the creation and the issuance of 11,428,572 new shares with a par value of €0.34 each.

At March 31, 2018, the share capital stood at €13,932,353.06. It is divided into 40,977,509 fully paid-up ordinary shares of the same category, with a par value of €0.34 each
Changes in the breakdown of share capital between March 31, 2016 and March 31, 2017 are as follows:

Change in share capital ownership between 03/31/2017 and 03/31/2018

Corporate officers

Full name / Company	Position as of 03/31/17	Position as of 03/31/18	Nationality	Number of units/shares as of 03/31/2017	Percentage paid up	Number of units/shares as of 03/31/2018	Percentage paid up
Luc Besson and Front Line	Chairman of the Board of Directors	Chairman of the Board of Directors	F	12,939,938	100%	12,939,938	100%
Heirs of Christophe Lambert and Lambert Capital BV			F	2,931,416	100%	2,931,416	100%
Mark Gao	Director		C	1	100%	1	100%
Grégory Ouhanon		Director	F	0		1	100%
Virginie Besson-Silla	Director	Director	F	28,407	100%	28,407	100%
Coralie de Fontenay		Director	F	0	100%	1	100%
Didier Kunstlinger	Permanent representative of Front Line, director	Permanent representative of Front Line, director	F	1	100%	1	100%
Charles Milhaud	Deputy Chairman of the Board of Directors	Deputy Chairman of the Board of Directors	F	1	100%	1	100%
Patrice Gassenbach	Director	Director	F	1	100%	1	100%
Lisa Leboff		Director	F	1	100%	1	100%
Rhyzlène Nusse	Director	Director	G	1	100%	1	100%

Other shareholders or uniholders

Full name / Company	Nationality	Number of units/shares as of 03/31/2017	Percentage paid up	Number of units/shares as of 03/31/2018	Percentage paid up
Public / Autres actionnaires	F	9,925,284	100%	10,228,923	100%
FF Motion Invest	C	11,428,572	100%	11,428,572	100%
Equitis Gestion ¹	F	1,019,025	100%	1,019,025	100%
Habert Dassault Finance (+ Benoît Habert)	F	2,685,540	100%	2,360,698	100%
Actions détenues par EuropaCorp	F	19,311	100%	40,522	100%

TOTAL	40,977,499	100%	40,977,509	100%
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¹ Bearer shares as at March 31, 2018, under a trust/management agreement between Pierre-Ange Le Pogam and Equitis Gestion, to allow their transfer (notices 211C0251 et 211C0254 published by the AMF on March 1 and 2, 2011).

Lambert Capital BV and Christophe Lambert declared to be acting in concert with Front Line and Luc Besson by virtue of a shareholders' agreement signed on May 27, 2013 (Notices 213C0631 and 213C0686 published by the AMF on June 5 and 14, 2013 and Notice 214C0413 dated March 18, 2014).

The equity and the share of non-controlling interests are detailed as follows at March 31, 2018 and 2017:

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Equity - Group share	9,545	96,747
Issued capital	13,932	13,932
Reserves and earnings brought forward	(4,387)	82,815
Non-controlling interests	261	(235)

EuropaCorp's Senior Management aims to maintain a level of consolidated equity, which ensures that:

- A reasonable debt/equity ratio is maintained;
- Insofar as possible, a dividend is paid regularly to shareholders.

However, this amount may vary, in particular if investments of strategic interest for the Group emerge (e.g. the acquisition of a film catalog generating high future income) or based on profit or loss.

By debt the Group refers to all financial liabilities, including financial instrument liabilities linked to financial investments and debt, minus cash and cash equivalents, and the associated financial instruments.

At March 31, 2013, expenses directly attributable to the capital increase in cash had been accounted for as a deduction from equity in accordance with IAS 32 (€654 thousand). At March 31, 2017, such expenses recognized as a deduction from equity stood at €667 thousand.

3.10.2 Dividends

The Group did not pay out any dividend during 2017/2018.

3.10.3 Award of free shares

On September 1, 2015, the single shareholder of EuropaCorp Television approved the establishment of a plan to assign free shares to the two CEOs of this company.

The plan is intended to strengthen the links existing between the company and its CEOs, by offering them the possibility to be more closely associated with the development and future performance of the company.

For each of the beneficiaries, the freely-assigned shares were definitively acquired during FY 2017/2018 corresponding at the end of an acquisition period of two years from the award decision taken on September 1, 2015. They must be retained in registered form and may not be transferred during a retention period of two years from expiration of the acquisition period.

During the financial year closed March 31, 2017, Edouard de Vésinne resigned from his position of Chief Executive Officer at EuropaCorp Television to become Deputy Chief Executive Officer of the EuropaCorp group. Thus, he did not benefit from the free shares plan.

3.11 Provisions for risks and expenses

Changes in the provisions for risks and expenses during the period are detailed below:

<i>(in thousands of euros)</i>	03.31.17	Accruals	Reversal		Other	03.31.18
			With use	Without use		
Provisions for expenses		2,575				2,575
Provisions for risks	5,425	1,963	(2,695)	(2,430)		2,263
Provisions for pensions	827			(302)		525
Provisions	6,253	4,538	(2,695)	(2,732)	-	5,363

3.11.1 Provisions for risks

The €4,538 thousand allocated to provisions for risks and expenses (excluding charges for retirement benefits) correspond to the provision relating to the Employment Preservation Plan and to provisions for disputes (industrial tribunal cases and litigation notably).

The €2,695 thousand reversal of provisions for risks and expenses with use correspond primarily to reversals of provisions following the conclusion of certain disputes (industrial tribunal cases and litigation).

The €2,430 thousand reversal of provisions for risks and expenses without use correspond to the conclusion of the dispute relating to URSSAF up to €2,430 thousand. A provision had been recognized during the previous financial years relating to the risk of non-payment of a receivable due from URSSAF. This receivable arose from the cancellation of the free shares plan assigned to the CEO which had been subject to the payment of a social security contribution. Following the plea at the Administrative Court occurring on September 28, 2017, the Company won in first trial. After appealing, URSSAF finally paid back EuropaCorp in March 2018 and this provision was totally reversed as of March 31, 2018.

As of March 31, 2018, provisions for risks and expenses mainly relate to the following:

- A provision relating to the implementation of the Employment Preservation Plan for €2.6 million (cf. "Events that occurred during the fiscal year");
- A provision relating to disputes between the Company and third party co-producers for a total amount of €1.3 million. The Company was brought before courts and is awaiting a court decision.

3.11.2 Provisions for pensions

The change in actuarial liability related to the severance pay provision is summarized below:

Actuarial liability at 03.31.17	827
Actuarial liability interest	12
Cost of services provided during the financial year	106
Actuarial gains and losses	(388)
Benefits paid during the financial year	(31)
Actuarial liability at 03.31.18	525

The provision for pensions at March 31, 2018 mainly concerns the companies EuropaCorp (€321 thousand), Digital Factory (€90 thousand) and Roissy Films (€83 thousand).

3.12 Bonds and financial liabilities

The Company's net debt is as follows:

<i>(in thousands of euros)</i>	03.31.2018	03.31.2017
Bonds > 1 year	-	-
Deposits and guarantees received	727	703
Other loans and related debt > 1 year	375	1,375
Total Loans maturing > 1 year	1,102	2,078
Bonds < 1 year		
Bank loans		
Other loans and related debt < 1 year	23,564	-
Production credits	235,352	317,480
Bank loans and overdrafts	9,023	54,919
Marketable securities	(678)	(1,684)
Cash and cash equivalent	(32,434)	(105,295)
Net debt	235,929	267,498

Film production is funded notably with credit facilities allocated specifically to films by the Company (lines of credit, bank overdrafts, other, etc.). It is recalled that in terms of presentation of the consolidated financial statements, works currently in production are presented under "Non-current assets", whereas the financing of those works is presented entirely under "Current liabilities", in view of its maturity.

The interest charge included in films takes into account, on the one hand, the financial expenses of the loans taken out to fund specific films during the period and, on the other hand, the interest charged by banks on the overdrafts allocated to the various films, within the overall limit of the Group's actual financial cost during the same period.

As debit bank balances relate to the facilities and are not specifically attributable to films, the corresponding interest due does not reduce the borrowing costs included in the films' charges. Thus, they are reported under "Income from financial investments / (Cost of debt)" in financial income.

The debt amounts included in the net debt table above correspond to the no longer offset individual balances of the Group's various cash and cash equivalents accounts.

The marketable securities held by the Group are open-ended investment companies (SICAV) or money market mutual funds. The target set for these investments is a level of profitability close to the EONIA. Their assets are mainly invested in money and interest rate markets; they are readily available. They are not exposed to a material risk of depreciation. At March 31, 2018, marketable securities are composed of UCITS. The accounting date of marketable securities is the value date of the purchase transaction ("*settlement date*").

Net currency balances are in US dollars (equivalent to €11,357 thousand), in Canadian dollars (equivalent to €6 thousand).

On October 21, 2014, the EuropaCorp Group signed with an international banking pool, for which J.P. Morgan Chase Bank is the agent, a Senior credit line for a total maximum amount equivalent to \$400 million (of which 40% in dollars, i.e. \$160 million, and 60% in euros, i.e. €177.8 million). This Senior credit line is accompanied by an accordion clause that allows the maximum amount of the credit to be raised, if necessary, by an additional \$150 million.

In addition, this credit line is supplemented by a second lien credit facility, which is subordinated for a total additional amount of \$50 million.

- The maturity of the Senior credit line is five years, for a maturity date of October 21, 2019. It bears interest at the LIBOR or EURIBOR rate plus a margin of 3.25%. The margin may be reduced by 25 basis points if the guarantees cover at least 150% of the outstanding credit. This revolving line of credit is drawn down in installments (generally for periods of less than one year) to finance film production and distribution;
- The maturity of the second lien credit facility of USD 80 million is five years and six months. This credit bears interest at the rate of 13%, of which 6% is payable quarterly, with the balance being capitalized and payable on the maturity date of the credit.

On September 30, 2016, the Group renegotiated the terms of those agreements as follows:

(i) The Senior credit line, whose initial amount was \$400 million, was reduced to the amount of \$250 million, and then to \$230 million on September 8, 2017, the accordion clause of an additional \$150 million remaining unchanged. These new amounts allow a significant decrease in the non-use fees, the amount of the currently available collaterals being insufficient for drawing more than this amount against this line;

(ii) The secondary lien credit facility was extended to an amount of \$80 million (from an initial amount of \$50 million), allowing to draw an extra amount of \$30 million. This upsize of the second credit lien facility also benefits from the guarantee of the Group companies, like previously. The second credit lien facility henceforth bears an annual interest rate of 15% for the whole lien, among which 6% are payable quarterly and 9% capitalized and payable on due date of the credit. This line can be paid up at any time without penalty;

These lines supersede the previous credits, which have therefore been fully repaid, for a greater amount and longer maturity period. At March 31, 2018, €137.5 million had been drawn down against this Senior credit line. The secondary credit line has been fully drawn down.

It should be noted that all fees specifically incurred for the establishment of these credit lines are spread for accounting purposes over the duration of said lines.

3.13 Financial instruments

The Group's cash requirements are covered by its operating cash flows, as well as authorized overdrafts, the factoring of sales receivables, and specialized production loans.

The table below compares the book and fair value of all of the Group's financial instruments by category:

<i>(in thousands of euros)</i>	03.31.18		Breakdown by category of instruments				
	Net book value in statement of financial position	Fair value	Fair value through profit or loss	Assets available for sale	Loans and receivables	Debts at amortized cost	Derivatives instruments
Non-consolidated equity holdings							
Other non-current financial assets	7,560	7,560			7,560		
Other current financial assets	731	731			731		
Derivative instruments - assets							
Cash and cash equivalents	33,112	33,112	33,112				
Financial assets	41,403	41,403	33,112	-	8,291	-	-
Debt > 1 year	1,102	1,102			727	375	
Debt < 1 year	267,939	267,939	(8,771)			276,710	
Derivative instruments - liabilities							
Financial liabilities	269,041	269,041	(8,771)	-	727	277,085	-

<i>(in thousands of euros)</i>	03.31.17		Breakdown by category of instruments				
	Net book value in statement of financial position	Fair value	Fair value through profit or loss	Assets available for sale	Loans and receivables	Debts at amortized cost	Derivatives instruments
Non-consolidated equity holdings							
Other non-current financial assets	2,962	2,962			2,962		
Other current financial assets	711	711	139		572		
Derivative instruments - assets							
Cash and cash equivalents	106,979	106,979	106,979				
Financial assets	110,653	110,653	107,118	-	3,535	-	-
Debt > 1 year	2,078	2,078	(231)		703	1,606	
Debt < 1 year	372,399	372,399	(1,438)			373,837	
Derivative instruments - liabilities							
Financial liabilities	374,477	374,477	(1,669)	-	703	375,442	-

Financial assets and liabilities are already measured at their fair value in the accounts.

The revised version of IFRS 7 – “Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments” applies to assets and liabilities measured at their fair value and provides for a 3-level fair-value hierarchy:

- Level 1 includes inputs based on prices listed on an active market for identical assets or liabilities;
- Level 2 includes valuations based on directly observable market inputs other than Level 1 inputs;
- Level 3 includes inputs not based on observable market data;

The financial instruments used by EuropaCorp are all Level 1.

When carrying out its everyday business, the Group is exposed to interest rate and foreign exchange risks that may impact its net position.

- Interest rate risk:

The Group’s exposure to interest rate risk mainly concerns the amount drawn down from revolving credit lines.

The principal credit line bears interest at the LIBOR or EURIBOR rate plus a margin of 3.25%. The margin may be reduced by 25 basis points if the guarantees cover at least 150% of the outstanding credit.

The table below summarizes the maturities of financial assets and liabilities at March 31, 2018:

<i>(in thousands of euros)</i>	03.31.18	<i>Maturities</i>		
		< 1 year	1 - 5 years	> 5 years
Fixed rate financial assets	-			
Variable rate financial assets	33,112	33,112		
Financial assets not exposed	8,291	731	7,010	550
Financial assets	41,403	33,843	7,010	550
Fixed rate financial liabilities	-			
Variable rate financial assets	268,314	267,939	375	
Financial liabilities not exposed	727		727	
Financial liabilities	269,041	267,939	1,102	-

The following is a summary of the fluctuations in interest rate risk and sensitivity at March 31, 2018 (assumption used 0.5-point increase in interest rates):

<i>(in thousands of euros)</i>	Fixed rate	Variable rate	Not exposed	Total
Financial assets		33,112	8,291	41,403
Financial liabilities		268,314	727	269,041
Net equity before hedging	-	(235,202)	7,564	(227,638)
"Hedging"				
Net equity after hedging		(235,202)	7,564	(227,638)
Sensitivity	-	(1,176)		(1,176)

- Foreign exchange risk:

The Group is exposed to translation risk for the financial statements of subsidiaries whose accounts are denominated in foreign currency and to transaction risk in the event of fluctuations in exchange rates for income generated outside the Eurozone. This risk also stems from production costs in foreign currencies relating to parts of certain films shot outside the Eurozone. If a significant portion of the revenues generated on international markets is in foreign currencies, material production costs may also be expressed in the same currencies. Thus, the Group benefits from natural hedging based on the value of flows in the opposite direction.

The Group may also use financial instruments to hedge the foreign exchange risk on cash flows, notably in relation to US\$/€ fluctuations. Consequently, when the Company settles significant expenses in foreign currencies, it may sign forward currency or currency option contracts with financial institutions as required.

In accordance with IAS 39, the Group chose not to apply hedge accounting; therefore, changes in the fair value of purchase transactions and forward sales in foreign currencies completed by EuropaCorp are accounted for under financial income. The fair value of these instruments, reported in assets or liabilities in the consolidated statement of financial position under "Other receivables" or "Other financial liabilities" is calculated based on their market value measured in accordance with the closing exchange rates.

At March 31, 2018, the fair value of currency hedging instruments stood at €244,403 thousand, and consisted of the following:

03.31.18	Liquidation value (EUR)	Maturities			Market value (EUR)	Fair value adjustment (EUR)
		< 1 year	1 - 5 years	> 5 years		
Outright sale EUR/USD	99,309	99,309			100,892	1,583
Outright purchase EUR/USD	139,235	139,235			129,204	(10,031)
Total EUR / USD	238,545	238,545	-	-	230,097	(8,448)
Outright sale EUR/CAD	1,717	1,717			1,710	(7)
Outright purchase EUR/CAD						
Total EUR / CAD	1,717	1,717	-	-	1,710	(7)

03.31.18	Liquidation value (USD)	Maturities			Market value (USD)	Fair value adjustment (USD)
		< 1 year	1 - 5 years	> 5 years		
Outright sale USD/CAD	5,612	5,612			5,628	(16)
Outright purchase USD/CAD	10,265	10,265			9,892	(374)
Total USD / CAD	15,877	15,877	-	-	15,520	(390)

On March 31, 2018, the adjustment to fair value of currency hedging instruments stands at €(8,771) thousand, against €(1,530) thousand on March 31, 2017.

Thus, the net impact of the change in the fair value of currency hedging instruments on the period's financial income is equal to €(7,241) thousand at March 31, 2018.

- Liquidity risk:

The liquidity risk EuropaCorp is exposed to concerns the production and distribution of cinematographic works. As a matter of fact, in general several months pass between the date investments are made to produce and promote a film, on the one hand, and the actual collection of broadcasting revenues. This time offset can make it necessary to use bank financing. Although EuropaCorp is committed to limit its financial exposure as far upstream as possible with a presale policy of distribution rights abroad and of the TV broadcasting rights for the films it produces, EuropaCorp cannot guarantee that it will always be able to implement this policy or that this will eliminate all of the liquidity risk.

To bridge the gap between the timing of investments and the collection of revenues from film distribution under optimum conditions, EuropaCorp has a Senior credit line for a total amount of \$238 million (of which 16.8% in dollars, i.e. \$40 million, and 83.2% in euros, i.e. €160.5 million). This Senior credit line is accompanied by an accordion clause that allows the amount of the credit to be raised, if necessary, by an additional \$150 million.

In addition, this credit line is supplemented by a second lien credit facility, which is subordinated for a total additional amount of \$80 million.

The maturity of the Senior credit line is five years, for a maturity date of October 21, 2019. It bears interest at the LIBOR or EURIBOR rate plus a margin of 3.25%. The margin may be reduced by 25 basis points if the guarantees cover at least 150% of the outstanding credit. The maturity of the second lien credit facility of USD 80 million is five years and six months. This credit bears interest at the rate of 15%, of which 6% is payable quarterly, with the balance being capitalized and payable on the maturity date of the credit.

- Credit risk:

The more significant loans concern the International Sales and TV Sales France businesses.

The credit risk for TV Sales France is deemed low taking into account the size of the broadcasters and the history and good relationships between them.

For international sales, the Group's policy is to choose, in each country where its films are distributed, preferred partners with whom it has worked on several occasions in the past, while still seeking to diversify its potential partners, particularly through regular contact with various foreign players at film markets such as Cannes (Marché du Film), Los Angeles (American Film Market) or Berlin (European Film Market).

Given that the credit risk is considered low, the EuropaCorp Group has not considered it necessary so far to arrange credit insurance.

The table below shows the overall credit risk, broken down in large asset categories as of March 31, 2018:

<i>(in thousands of euros)</i>	03.31.18
Trade receivables	55,388
Marketable securities	-
Other receivables exposed to credit risk	-
Total	55,388

- Equity risk:

EuropaCorp generally invests its available cash in money market products in euros or secure products (certificates of deposit, commercial paper, term accounts, etc.). Consequently, the Company believes it is not exposed to equity risk at March 31, 2018.

In addition, at March 31, 2018, EuropaCorp holds 40,522 treasury shares with a value of €78 thousand.

<i>(in thousands of euros)</i>	Other companies' or UCITS shares portfolio	Treasury shares portfolio
Assets position	Nil	78
Off balance sheet	Nil	-
Overall assets position	Nil	78

3.14 Trade payables and other current liabilities

Breakdown of other current liabilities by type

<i>(in thousands of euros)</i>	03.31.18	03.31.17
Trade payables	58,969	51,997
Equity investment liabilities	399	363
Advances and down, payments on orders	2,493	1,442
Taxes and social security contributions payable	27,661	25,605
Miscellaneous liabilities	44,024	64,749
Total other financial liabilities	74,178	91,795
Total operating liabilities	133,546	144,155

Miscellaneous liabilities at March 31, 2018 are mainly expenses comprising repayments to third parties and costs incurred for ongoing productions, and the debt of €36,074 thousand (equivalent to \$44.4 million) used to finance the repurchase of the Group's initial obligations towards Relativity Media. This operating liability was not discounted at March 31, 2018, given the uncertainty over the exact timing of the repayment.

Taxes and social security contributions primarily comprise collected VAT and expenses payable for miscellaneous taxes and social security contributions.

All current liabilities have a maturity of less than one year.

The maturity of trade payables at March 31, 2018 breaks down as follows:

Trade payables <i>(in thousands of euros)</i>	03.31.18	Owing	Not owing (< 1 year)	Not owing (> 1 year)
EuropaCorp Group total	58,969	6,903	52,066	-

3.15 Other assets and liabilities and Equity investment liabilities (current and non-current)

3.15.1 Other assets and liabilities (current and non-current)

Other current assets at March 31, 2018 are mainly prepaid expenses in the amount of €3,594 thousand, relating to productions yet to be commercially exploited, as well as deposits and guarantees of €103 thousand.

Other current assets also include the portion of bank commissions with maturity under one year for €2,555 thousand, spread over the life of the credit lines.

The other non-current assets include, for €1,579 thousand, the amount of expenses to be divided relative to bank commissions (expenses spread over the period of the credit lines).

Other current liabilities comprise deferred income corresponding to billed revenues reported as revenue based on an event that had not occurred at the end of the period. Deferred income is posted under non-current liabilities when the maturity for revenue recognition is beyond one year. The portion of deferred income maturing under one year is equal to €37,298 thousand at March 31, 2018.

Deferred income (current and non-current) breaks down as follows:

<i>(in thousands of euros)</i>	03.31.18	03.31.17
TV rights items	27,825	11,091
Undelivered international sales	13,681	22,835
Subsidies	853	863
Other deferred income	2,041	4,077
Total deferred income	44,399	38,865

Other non-current liabilities include €7,101 thousand in deferred income on sales of TV rights (depending on the broadcasting rights schedule).

3.15.2 (Current and non-current) equity investment liabilities

The sixth period allowed for subscribers to implement the repurchase commitment began on January 1, 2017 and ended on June 30, 2017. It involved 2,100 shares. As of June 30, 2017, 2,078 shares were purchased by EuropaCorp, for a total amount of €1,766,300, relating to the exercise of the repurchase commitment for Sofica EuropaCorp shares issued in 2008. Then, there are no more equity investment liabilities as of March 31, 2018.

Maturities of other non-current liabilities and equity investment liabilities

<i>(in thousands of euros)</i>	03.31.2018	1-5 years	> 5 years
Deferred income	7,101	7,101	
Provisions for risks	874	874	
Other	663	663	
Total other non-current liabilities	8,638	8,638	-

NOTE 4 - NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

4.1 Revenue

<i>(in thousands of euros)</i>	03.31.2018	03.31.2017 (restated)	03.31.2017 (published)
Production	146,960	106,288	110,616
Distribution	40,927	13,932	13,932
Video	33,484	17,433	17,433
Events	59	1,024	1,024
Miscellaneous	2,229	1,154	1,154
Revenue	223,659	139,831	144,159
<i>Of which support funding generated (including COSIP)</i>	4,377	3,941	3,941
<i>Of which revenue from exports</i>	167,296	85,667	85,667

Net revenue totaled €223,659 thousand for financial year 2017/2018 compared to €139,831 thousand for the previous year, i.e. an increase of 60%.

“Production” revenue:

France and US Television sales produce annual revenue of €40.9 million, up by 37% compared to the previous financial year, corresponding to the various broadcasting windows opened over the period. Over the 2017/2018 financial year, seven rights windows for a unitary amount greater than €1 million opened (*Valerian and the City of a Thousand Planets*, *The Circle*, *Miss Sloane*, *Bis*, *Room(H)ates*, *Taken 3*, *Transporter Refueled*) against six in the previous financial year.

International sales stand at €76.7 million for the fiscal year, or approximately 34% of total turnover, comprised mainly of deliveries of the films *Valerian and the City of a Thousand Planets* and *Renegades*, as well as significant overages collected on films from the catalogue (notably *Lucy* and *Taken 3*).

The annual revenue for the TV Series activity (not including revenue from the sold French-speaking TV Series activity) stands at €22.6 million in 2017/2018, up by more than 17% compared to the 2016/2017 financial year.

This revenue corresponds essentially to the US delivery of the first 10 episodes (out of 16) of the 2nd season of the international series *Taken*. The revenues for the period also take into account the turnover deriving from the delivery of the last 2 episodes of the 1st season of this same series.

Revenues linked to the corresponding rights (partnerships, licenses, etc.) stand at €2.8 million at March 31, 2018, versus €1.9 million at March 31, 2017.

The other components in “Production” revenue are subsidies funding (€2.7 million, comprised of “Producer” subsidy and “Export” subsidy) as well as income generated by post-production (€1.1 million) and brand content activities.

“Distribution” revenue:

Theatrical distribution revenue in France and the United States increased by 189% to €39.6 million for the fiscal year, or 17% of total revenue.

This revenue corresponds to the sales made in theaters, in the United States and/or in France, from the main following feature films:

➤ *Theatrical Distribution in France:*

- *Room(H)ates*, released in April 2017: 673,954 admissions;
- *Bad Buzz*, released in June 2017: 51,059 admissions;

- *Valerian and the City of a Thousand Planets*, released in July 2017: 4,128,068 admissions;
- *Coexist*, released in October 2017: 673,162 admissions;
- *Carbon*, released in November 2017: 730,272 admissions;
- *Sparring*, released in January 2018: 34,410 admissions;
- *Eva*, released in March 2018: 163,998 admissions.

➤ *Theatrical Distribution in the United States:*

- *Their Finest*, released in April 2017: revenues of \$3,603,484 (Domestic Box Office “DBO”);
- *The Circle*, released in April 2017: revenues of \$20,497,844 (DBO);
- *Valerian and the City of a Thousand Planets*, released in July 2017: \$41,189,488 (DBO);

The growth in Theatrical distribution revenue is explained by the presence of *Valerian and the City of a Thousand Planets* within the line-up.

The other component of the “Distribution” annual revenue is the revenues related to the “Distributor” financial subsidies (€1.3 million).

“Video” revenue:

The video & VOD activity in France and the United States stands at €33.2 million, representing 14.9% of the annual revenue, an increase of 91% compared to the previous financial year. The activity was driven mostly by the video and VOD sales in the United States, in particular from the films *Valerian and the City of a Thousand Planets*, *The Circle* and *Their Finest*. This revenue also includes sales of films from the catalogue such as the US sales of *Miss Sloane* and *Nine Lives*.

The other component of the “Video” revenue is the revenues related to the “Video” financial subsidies (€0.3 million).

4.2 Operating margin

The operating margin totaled €(21,944) thousand (i.e. -9.8% of total revenue) for the year ended March 31, 2018, compared to €(72,528) thousand (i.e. -51.9% of total revenue) for the previous year. It is mainly explained by the poor performance of the films released in the United States: US box office revenues failed to offset the amount of investments necessary to distribute the films in this country.

4.3 Overheads

General and administrative expenses amounted to €(34,251) thousand compared with €(47,037) thousand the previous financial year, a decrease of €12.8 million (-27%).

These savings are mainly explained by the restructuring of the US distribution and by the reduction of the cost of the senior management.

It should be noted that the cost of the rent on La Cité du Cinéma is presented in the consolidated financial statements of the Group at March 31, 2018, net of the re-invoicing of the share of rent paid by Front Line in order to reflect the net rent charge for which EuropaCorp Group is responsible.

4.4 Other operating income and expenses

<i>(in thousands of euros)</i>	03.31.2018	03.31.2017
Depreciation of the EuropaCorp Distribution LLC. asset	(13,000)	-
Other	(4,855)	30
Other operating income and expenses	(17,855)	30

Other operating income and expenses mainly comprise asset write-downs recorded by the company for the year, non-recovered withholding tax, costs related to the abandonment of certain projects and the net book value of assets sold, as well as the estimated costs from the implementation of the Employment Preservation Plan.

During FY 2017/2018, an impairment of the intangible asset related to the distribution of films in the United States was recognized, for an amount of €13,000 thousand, given the revision of projected net revenues from this business. In accordance with what has already been announced, the number of English-language films to be distributed each year has been revised downwards (2 to 3 films per year), which automatically leads to a decrease in the projected net revenues.

4.5 Financial income

<i>(in thousands of euros)</i>	03.31.2018	03.31.2017
Net debt financial income	(16,275)	(12,760)
Other financial income and expenses	8,216	(5,430)
Financial income	(8,058)	(18,190)

Financial income for the period amounted to €(8,058) thousand versus €(18,190) thousand in the previous financial year. It mainly includes a foreign exchange gain of €12,342 thousand, explained by the evolution of the US dollar against the euro during the year. Financial income also includes the cost of net financial debt for €(16,275) thousand and €(2,684) thousand as the share of bank fees relating to the arrangement of credit lines, which are spread over the term of these facilities.

4.6 Tax

Breakdown of tax by type:

<i>(in thousands of euros)</i>	03.31.2018	03.31.2017
Current tax	809	(2,302)
Deferred tax	(5,561)	23,162
Total tax income / (expense)	(4,752)	20,860

The deferred tax expense for the financial year corresponds mainly to the partial impairment of the deferred tax asset from tax loss carry-forwards activated for the subsidiary EuropaCorp Films USA and to the impact of the decrease in the tax rate from 35% to 21%.

4.7 Payroll costs

The following table shows the Company's total payroll costs before recognition of part of these expenses in the cost of films.

<i>(in thousands of euros)</i>	03.31.2018	03.31.2017
Average permanent workforce	118	161
Payroll costs (including temporary personnel)	(41,495)	(40,426)
Salaries	(30,731)	(29,986)
Profit sharing	-	-
Social security contribution	(11,039)	(10,508)
Stocks-options and related expenses	-	-
Retirement benefit commitments	275	69
Post-employment benefits	-	-

The increase in personnel costs is related to the main following factors:

- The increase in production volume with the main consequence being the increase in the salaries of temporary staff, notably at EuropaCorp Television with the series *Taken* season 2 (16 episodes against 10 episodes last year);
- This increase in salaries of temporary staff is partially offset by the decrease in salaries of permanent staff following the departures which occurred during the financial year.

NOTE 5 - OTHER INFORMATION

5.1 Notes on the statement of cash flows

The presentation of components of cash and cash equivalents is covered in Note 2.12. Bank loans and overdrafts are not included in components of cash and cash equivalents. Details of this item are given in Note 3.12.

Cash flows from operations

During the year ended March 31, 2018, the Group generated a net cash flow of €107,417 thousand, an increase of €105,032 thousand from March 31, 2017.

The change in working capital requirement during the year ended March 31, 2018 is equal to €21,709 thousand versus €26,644 thousand the previous year. This variation in the working capital requirement is mainly explained by the decrease in trade receivables.

Cash flows from investments

At March 31, 2018, net investment cash flows stand at €(60,275) thousand versus € (123,281) thousand for the previous year.

This decrease is explained by the historic high amount of investments related to the productions from last year (*Valerian and the City of a Thousand Planets* in particular).

Cash flows from financing

At March 31, 2018, net cash flows from financing activities stand at €(121,158) thousand, versus €105,817 thousand as of March 31, 2017. This amount is mainly explained by the full reimbursement of the production debt relating to the film *Valerian and the City of a Thousand Planets* (CIT loan).

5.2 Related party transactions

The table below summarizes flows and balances of related party transactions.

<i>(in thousands of euros)</i>	03.31.2018	03.31.2017
Statement of financial position		
<i>Receivables</i>		
Trade receivables and other operating receivables	3,151	3,571
Debit balances and other current financial receivables	107	-
<i>Debt</i>		
Other non-current financial liabilities	585	585
Trade payables and other operating liabilities	76	4
Financial current accounts receivables	(1)	-
Profit and loss statement		
Revenue	6	-
Operating expenses	(41)	(306)
Financial expenses	-	-
Financial income	1	1

To set up the property investment company Les Studios de Paris and Société d'Exploitation des Studios de Paris, which is in charge of the operational management of studios owned by Les Studios de Paris, EuropaCorp signed a shareholders' agreement with the other partners, including Front Line, governing their shareholding in these companies. The total amount of the Company's commitments may not exceed €6 million.

With a private agreement dated February 11, 2003, Seaside Films Company, a company

incorporated under the laws of California and controlled by Luc Besson, made a retroactive commitment, from April 1, 2002, to research and develop scripts to serve as a basis for film production in the US in exchange for fixed yearly remuneration, as well as the remuneration of any subcontractors, which Seaside Films Company re-invoices to EuropaCorp at its actual cost with no margin.

In accordance with EuropaCorp's undertakings toward CDC Enterprises Elan PME and Habert Dassault Finances as part of the cash capital increase of February 2013, on March 18, 2013, the Company established an American subsidiary, EuropaCorp Films USA, now responsible for developing scripts for film productions. Previously it was Seaside Films Company that developed the scripts. Thus, this company is no longer paid for this work. Only the expenses incurred by Seaside (mainly intellectual property rights) are re-invoiced, without any profit margin, to EuropaCorp. As of March 31, 2018, the total amount invoiced by Seaside Films Company to EuropaCorp, taking into account the number and type of English-language productions during the period, led to the recognition of an expense of €34,461, versus €305,942 in the preceding financial year.

5.3 Commitments and contingent liabilities

The Group off-balance sheet commitments at March 31, 2018 are as follows (in thousands of euros):

<i>Commitments in favor of EuropaCorp (in thousands of euros)</i>	03.31.2018	03.31.2017
Commitments from clients		
<i>For the cinematographic business</i>	60,300	106,467
<i>Support funds for audiovisual activities</i>	2,266	2,693
Financial commitments for leases**	13,983	16,313
Total commitments received	76,549	125,473

** Relates to the sub-lease agreements for the Cité du Cinéma business park

<i>Commitments to third parties (in thousands of euros)</i>	03.31.2018	03.31.2017
Financial commitments for leases*	42,660	36,367
Vine Participation	36,523	42,091
Financial commitments for cinematographic investments	6,399	5,448
Total commitments made	85,582	83,906

*Relates to the lease agreement for the Cité du Cinéma business park, with a term of 12 years starting from April 6, 2012

Total net commitments (received - made)	-9,033	41,567
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EuropaCorp also entered into a collateral pledging agreement in favor of the pool of lending banks and covering the stakes it holds in property investment company Les Studios de Paris as security for the commitments of the latter stemming from a property leasing contract with a net down payment of €18 million.

To EuropaCorp's knowledge, to this date there are no litigation or arbitration proceedings that may significantly affect in the foreseeable future or have significantly affected in the recent past EuropaCorp's financial position, profit or assets.

List of security interests granted to J.P. Morgan Chase Bank N.A. for the two credit lines arranged on October 21, 2014

As security for the credit lines arranged with J.P. Morgan on October 21, 2014, EuropaCorp and some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted first-lien and second-lien guarantees on all of their assets.

On October 21, 2014, EuropaCorp arranged, for the benefit of the lenders, first-lien and second-lien personal guarantees for the commitments of EuropaCorp Films USA, Inc. in respect of the credit lines, and, as security for these personal guarantees:

- first-lien and second-lien on-demand standalone guarantees;
- first-lien and second-lien pledges of securities accounts relating to shares of the following subsidiaries:
 - o EuropaCorp Home Entertainment S.A.S.,
 - o EuropaCorp Distribution S.A.S.,
 - o EuropaCorp Music Publishing S.A.S.,
 - o Intervista S.A.S.,
 - o Dog Productions S.A.S.,
 - o Ydéo S.A.S.,
 - o Roissy Films S.A.S.,
 - o Blue Advertainment S.A.S.,
 - o EuropaCorp Films USA Inc. (pledge under US law),
 - o EuropaCorp Aéroville S.A.S.,
 - o EuropaCorp Television S.A.S.;
- first-lien and second-lien pledges of shares of the company Pass Pass La Cam SARL;
- first-lien and second-lien pledges of all of its existing or future bank accounts;
- first-lien and second-lien pledges of claims on any type of intercompany loan or advance;
- first-lien and second-lien film pledges concerning the tangible and intangible rights to the films in its catalog (except for the film *Taken 3* – see special provision below);
- first-lien and second-lien assignments of film revenue concerning revenue generated by the films in its catalog;
- first-lien and second-lien pledges of the physical elements of films stored at laboratories outside France;
- first-lien and second-lien pledges of all of its proprietary trademarks;
- first-lien and second-lien assignments of insurance covering all insurance policies except for error and omissions and third-party liability policies;
- first-lien and second-lien pledges of its business;
- first-lien and second-lien pledgeholder agreements under US law with the laboratory Éclair;
- first-lien and second-lien pledgeholder agreements under US law with the laboratory Digital Factory;
- a third-lien pledge on the collection account for the film *Taken 3*;
- a third-lien film pledge on the film *Taken 3*;
- a third-lien assignment of film revenue for revenue from the film *Taken 3*.

Finally, on October 22, 2014, Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo also arranged, for the benefit of the lenders, first-lien and second-lien personal guarantees for the commitments of EuropaCorp Films USA, Inc. in respect of the credit lines, and, as security for these personal guarantees:

- first-lien and second-lien on-demand standalone guarantees;
- first-lien and second-lien pledges of their business;
- first-lien and second-lien pledges of all of their existing or future bank accounts;
- where applicable, first-lien and second-lien pledges of securities accounts relating to shares in

- the equity interests they hold;
- where applicable, first-lien and second-lien film pledges concerning the tangible and intangible rights to the films in their catalog;
- where applicable, first-lien and second-lien assignments of film revenue for revenue generated by the films in their catalog;
- where applicable, assignments of SACEM revenue.

List of security interests granted to Vine Investment Advisors LP for the Amended and Restated Secured Participation Agreement

As security for the payments due to Vine Investment Advisors LP under an agreement drafted in English and entitled *Amended and Restated Secured Participation Agreement*, signed on December 31, 2014, between EuropaCorp S.A., as Seller, EuropaCorp Films USA, Inc. and various Guarantors, Purchasers, and Vine Investment Advisors, LP, acting as Administrative Agent (the “Participation Agreement”), *EuropaCorp and* some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted third-lien guarantees on all of their assets.

On March 18, 2015, EuropaCorp therefore signed, in favor of Vine Investment Advisors LP, third-lien personal guarantees for EuropaCorp’s commitments under the Participation Agreement and, as security for this personal guarantee:

- a third-lien on-demand standalone guarantee for a maximum amount of \$100 million;
- third-lien pledges of securities accounts relating to shares of the following subsidiaries:
 - o EuropaCorp Home Entertainment S.A.S.,
 - o EuropaCorp Distribution S.A.S.,
 - o EuropaCorp Music Publishing S.A.S.,
 - o Intervista S.A.S.,
 - o Dog Productions S.A.S.,
 - o Ydéo S.A.S.,
 - o Roissy Films S.A.S.,
 - o Blue Advertainment S.A.S.,
 - o EuropaCorp Films USA Inc. (pledge under US law),
 - o EuropaCorp Aéroville S.A.S,
 - o EuropaCorp Television S.A.S.;
- a third-lien pledge of shares of the company Pass Pass La Cam SARL;
- a third-lien pledge of all its existing or future bank accounts;
- a third-lien pledge of claims on any type of intercompany loan or advance;
- third-lien film pledges concerning the tangible rights (film material) and intangible rights to the films in its catalog (except for the film *Taken 3* – see special provision below);
- third-lien assignments of film revenue concerning revenue generated by the films in its catalog;
- third-lien pledges of the physical elements of films stored at laboratories outside France;
- third-lien pledges of all of its proprietary trademarks;
- third-lien assignments of insurance covering all insurance policies except for error and omissions and third-party liability policies;
- third-lien pledges of its business;
- third-lien pledgeholder agreements under US law with the laboratory Éclair;
- third-lien pledgeholder agreements under US law with the laboratory Digital Factory SAS;
- a third-lien pledge on the collection account for the film *Taken 3*;
- a fourth-lien film pledge on the film *Taken 3*;
- a fourth-lien assignment of film revenue concerning revenue from the film *Taken 3*.

Finally, on March 18, 2015, Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo also

signed, for the benefit of Vine Investment Advisors LP, third-lien personal guarantees of EuropaCorp's commitments under the Participation Agreement, and, as security for these personal guarantees:

- third-lien on-demand standalone guarantees;
- third-lien pledges of their business;
- third-lien pledges of all of their existing or future bank accounts;
- where applicable, third-lien pledges of securities accounts relating to shares in the equity interests they hold;
- where applicable, third-lien film pledges concerning the tangible and intangible rights to the films in their catalog;
- where applicable, third-lien assignments of film revenue concerning revenue generated by the films in their catalog;
- where applicable, third-lien assignments of SACEM revenue.

Commitments from leases

- *Film sets*

Since August 2009, EuropaCorp has partnered with EuroMediaGroup, Quinta Communications and Front Line in the property investment company SCI Les Studios de Paris, through a property lease signed with a pool of leasing companies for a group of nine studios at the Cité du Cinéma site ranging in size from 600 to 2,200 square meters each, sold by EuropaCorp Studios. EuropaCorp is a 40% shareholder of SCI Les Studios de Paris, whose studios were constructed at a cost of €30.2 million excluding tax. In addition to investments in the company's share capital, current account funds were provided, in particular to finance the construction of the studios. As of March 31, 2018, capital investments and contributions to associates' current accounts totaled €10.1 million.

EuropaCorp has also agreed for the benefit of the pool of lending banks to pledge the 300,000 shares it holds in the capital of the SCI as collateral for the SCI's commitments under the real estate lease in the amount of €18,000,000. In addition, EuropaCorp has granted, for the benefit of the pool of lending banks, a lock-up commitment pursuant to which it has agreed, during the term of the lease, not to sell without the consent of the pool of lending banks the shares it holds in SCI Les Studios de Paris.

- *Commercial lease for the premises of the Cité du Cinéma*

On May 18, 2009, the Company entered into an off-plan commercial lease with EuropaCorp Studios for an office complex (that also includes projection and reception areas, technical rooms and parking spaces) to be built on the site of La Cité du Cinéma in Saint-Denis and delivered in 2012 (the "Lease Agreement"). The Lease Agreement was concluded for a period of twelve years from the delivery of the leased premises for a rent of around €6.4 million annually, which was to be discounted until the lease took effect at 85% on the BT01 index.

The Lease Agreement was transferred to Nef Lumière, acquirer of the offices as lessor upon their delivery, which took place on April 6, 2012. Including the discount, the annual rent as of April 6, 2018 is €6.6 million, excluding charges and common areas.

Under the terms of the Lease Agreement, the Company is expressly authorized to sublet all or part of the premises that it is renting.

- *Sublease agreement with Front Line*

On May 15, 2009, the Company concluded an agreement in principle with Front Line, defining the

main terms and conditions of a subletting agreement, under the terms of which Front Line would undertake to sublease, with the option of subletting, part of the offices and workshops rented by EuropaCorp under the Lease Agreement, for the duration of the Lease Agreement, for an annual rent of around €3.9 million excluding service charges and common area maintenance fees, based on the same prices per square meter as those paid by EuropaCorp.

The subletting agreement was signed on June 21, 2013 between EuropaCorp and Front Line for a firm period of 12 years, which started on April 6, 2012 and will end on April 5, 2024. Following the acquisition of Blue Advertainment, Blue Event and Digital Factory (whose rents were paid by Front Line before February 28, 2013), a new lease was signed on December 16, 2013 between EuropaCorp and Front Line in order to modify the surface areas sublet to Front Line. Under this new lease, Front Line will be paying EuropaCorp annual rent of €2.3 million, excluding service charges and common area maintenance fees. It should be noted that an amendment was signed on February 11, 2015 to reflect changes in the occupied space following the relocation of a Front Line employee. The space formerly used by this employee will now be available for EuropaCorp.

It should be noted that the Company's decision to lease this set of offices was taken into consideration in Front Line's commitment in principle to sublet to it, under the same conditions that those enjoyed by EuropaCorp, a sizable portion of the premises of which it will have no need, provided that it in turn sublets the premises that it will not occupy, so that the Company's rental expenses would be substantially equivalent to what it paid when it was located at rue Faubourg Saint-Honoré in Paris, whilst having offices that are larger in area.

Consequently, the financial neutrality of this transaction for the Company is based on Front Line's ability to pay rent on the areas that it will sublet. As of September 29, 2017, the subletting agreement between EuropaCorp and Front Line was terminated. In the same time, the subletting agreements concluded by Front Line with sub-tenants are taken by EuropaCorp.

- *Agreement on the use of the central hall for events signed with La Nef Lumière*

On November 5, 2012, the Company formalized an agreement with La Nef Lumière (a third-party company), in the presence of Front Line and Blue Event, laying down the terms and conditions, in accordance with the Lease Agreement (described above), for the use of the Cité du Cinéma's central nave for events to be staged by Blue Event.

It is further noted that pursuant to the sublease agreement between EuropaCorp and Blue Event dated December 16, 2013, EuropaCorp will invoice Blue Event for use of the central hall for an amount of €337 thousand annually.

5.4 Remuneration of main senior executives

The table below summarizes the remuneration paid by the Group to its main senior executives during the last two financial years.

<i>(in thousands of euros)</i>	03.31.2018	03.31.2017
Short-term benefits	8,001	9,834
Termination benefits	167	
Post-employment benefits		
Other long-term benefits		
Share-based payment		

€180 thousand were also reported as Directors' fees during the year ended March 31, 2018.

5.5 Subsequent events

Effective implementation of the Employment Preservation Plan.

5.6 Other information

Fees of the statutory auditors for EuropaCorp and its subsidiaries for the fiscal years closed on March 31, 2017 ("N-1") and on March 31, 2018 ("N") in € thousand.

(In thousands of euros)	ACA/Nexia network				Ledouble SA				Arnaud Malivoire/Premier Monde			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1
Audit												
Statutory audit, certification, review of the separate and consolidated financial statements			95%	82%			100%	100%			100%	98%
- EuropaCorp	145	141	61%	53%					134	130	48%	45%
- Fully consolidated subsidiaries	79	76	33%	29%	2	7	100%	100%	143	154	52%	53%
Other verifications and services directly related to the statutory audit			5%	18%							0%	2%
- EuropaCorp	12	39	5%	15%						5	0%	2%
- Fully consolidated subsidiaries												
- Other services than certification		10		3%								
TOTAL	236	266			2	7			277	290		

NOTE 6 – OPERATING SEGMENTS AND DATA BY SEGMENT

6.1 Overview of standard

6.1.1 General context

Under IFRS 8, the Group must disclose information “to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.”

As a consequence, the Group defined its operating segments in compliance with the standard’s criteria to present separate information by segment.

6.1.2 Definition of operating segments

An operating segment is a component of the company:

- carrying out activities likely to generate income and expenses;
- whose operating profit (loss) is regularly reviewed by the main operational decision-maker in the entity to make decisions in relation to the resources to be allocated to the segment and assess its performance;
- for which separate financial information is available.

As such and taking into account the approach set out by IFRS 8, operating segments have been identified based on internal reporting.

6.2 Identification of the EuropaCorp Group’s operating segments

The Group tracks its performance by monitoring its activities and businesses.

Following the acquisition of the Blue Group, the EuropaCorp Group now operates in four different areas constituting as many “operating segments” under IFRS 8, detailed below:

- *Production and Distribution of films*: This segment includes all operations involving films, i.e.: distribution to theaters, video release, TV sales, international sales, licensing and partnerships, line production, income from coproduction, etc.
- *Production and distribution of TV films and series*: This segment covers all operations for TV films and series. They are carried out by subsidiaries EuropaCorp Television, fully owned since July 30, 2014 by EuropaCorp and EuropaCorp TV. This segment’s duration of production cycles, funding means and the elements generating the margin are different from the segment “Production and Distribution of films”, which justifies the existence of a separate operating segment.
- *Events*: This segment comprises all operations to run events inside or outside La Cité du Cinéma and corresponds to the activities of Blue Event, fully consolidated since February 28, 2013 following the capital increase through contribution in kind.
- *Other*: This segment includes all related activities not directly connected to the screening of films in theaters or their broadcasting on TV, i.e. book publishing, advertising revenue, music publishing revenue, miscellaneous revenue, etc.

6.3 Financial information by operating segment

The measurement and presentation method for the figures relating to each operating segment is compliant with the accounting policies and methods described for the preparation of consolidated financial statements.

6.3.1 Consolidated statement of financial position by operating segment

03/31/2018	Production and Distribution of films	Production and Distribution of TV films and series	Events	Other	Non allocated items	Total
Net goodwill	16,203	0	0	0		16,203
Net intangible assets	210,249	30,189	524	0		240,961
Property, Plant and Equipment (net)	12,610	5	38	5		12,658
Other financial assets (net)	7,560	0	0	0		7,560
Investments in associates	0	0	0	0		0
Deferred tax assets	30,324	84	0	32		30,440
Other non-current assets (net)	1,579	0	0	0		1,579
Total non-current assets	278,526	30,277	563	37		309,402
Inventory	5,117	0	0	0		5,117
Net trade receivables	50,360	4,122	654	252		55,388
Other net receivables	48,491	4,944	144	1,845		55,424
Other net current assets	6,523	133	2	223		6,880
Cash and cash equivalent	31,277	1,688	7	139		33,112
Total current assets	141,768	10,887	807	2,459		155,921
TOTAL ASSETS	420,294	41,164	1,369	2,496	0	465,323
<i>Equity - Group share</i>					9,545	9,545
<i>Non-controlling interests</i>					261	261
Provisions for pensions and other post-employment benefits	525	0	0	0		525
Deferred tax liabilities	737	687	125	82		1,631
Bonds and financial liabilities > 1 year	375	0	0	0		375
Deposits and guarantees received	727	0	0	0		727
Equity investment liabilities > 1 year	0	0	0	0		0
Other non-current liabilities	7,666	130	200	642		8,638
Total non-current liabilities	10,030	817	325	724		11,897
Bonds and financial liabilities < 1 year	250,048	17,886	0	4		267,939
Provisions for risks and expenses	4,703	0	0	135		4,838
Trade payables	53,192	899	26	4,852		58,969
Equity investment liabilities < 1 year	0	0	0	399		399
Other financial liabilities	67,841	5,841	138	359		74,178
Other current liabilities	27,604	8,301	0	1,393		37,298
Total current liabilities	403,389	32,926	164	7,142		443,621
TOTAL LIABILITIES	413,419	33,743	489	7,867		465,323
Films and audiovisual rights investments	53,344	36,817				90,161

03/31/2017	Production and Distribution of films	Production and Distribution of TV films and series	Events	Multiplexes	Other	Non allocated items	Total
Net goodwill	16,203	11,984	0	0	0		28,188
Net intangible assets	306,045	16,465	612	0	0		323,121
Property, Plant and Equipment (net)	14,124	15	47	2	5		14,192
Other financial assets (net)	2,487	0	0	395	0		2,882
Investments in associates	2	0	0	0	2,242		2,244
Deferred tax assets	33,234	84	0	0	34		33,351
Other non-current assets (net)	4,757	0	0	0	0		4,757
Total non-current assets	376,852	28,548	658	397	2,280		408,735
Inventory	1,132	0	0	0	16		1,148
Net trade receivables	55,180	9,454	1,068	63	273		66,039
Other net receivables	52,383	14,864	101	2,087	351		69,785
Other net current assets	11,470	977	1	0	287		12,736
Cash and cash equivalent	102,320	4,635	4	158	11		107,128
Total current assets	222,485	29,931	1,174	2,308	937		256,835
TOTAL ASSETS	599,337	58,479	1,833	2,705	3,217	0	665,570
<i>Equity - Group share</i>						96,747	96,747
<i>Non-controlling interests</i>	0	0	-235	0	0		-235
Provisions for pensions and other post-employment benefits	827	0	0	0	0		827
Deferred tax liabilities	945	14	138	68	4		1,170
Bonds and financial liabilities > 1 year	1,375	0	0	0	0		1,375
Deposits and guarantees received	703	0	0	0	0		703
Equity investment liabilities > 1 year	0	0	0	0	0		0
Other non-current liabilities	17,269	397	200	300	3,162		21,327
Total non-current liabilities	21,119	411	338	368	3,166	0	25,402
Bonds and financial liabilities < 1 year	348,154	24,084	0	0	162		372,401
Provisions for risks and expenses	4,722	0	0	0	73		4,795
Trade payables	43,222	4,304	224	3,384	872		52,007
Equity investment liabilities < 1 year	363	0	0	0	0		363
Other financial liabilities	85,080	5,874	313	248	370	0	91,885
Other current liabilities	17,439	4,411	0	69	287		22,205
Total current liabilities	498,980	38,673	537	3,701	1,765	0	543,656
TOTAL LIABILITIES	520,099	39,083	640	4,070	4,931	96,747	665,570
Films and audiovisual rights investments	112,568	21,131					133,699

6.3.2 Consolidated profit and loss statement by operating segment

03/31/2018	Production and Distribution of films	Production and Distribution of TV films and series	Events	Other	Total
Revenue	198,395	24,594	59	3,479	226,526
Cost of sales	-225,159	-20,606	-181	-857	-246,802
Operating margin	-26,764	3,988	-122	2,622	-20,276
General and administrative expenses	-34,828	-1,953	498	-752	-37,035
Other operating income and expenses	-17,201	-5,104	-100	10,991	-11,414
Operating profit (loss)	-78,793	-3,069	277	12,860	-68,725
Financial income	-8,090	31	0	0	-8,058
Income tax	1,664	-3,124	14	-3,305	-4,752
Share in results of associates consolidated using the equity method	0	0	0	-983.8368	-984
Share of non-controlling interests	0	329	-22	0	307
Net income - Group share	-85,219	-6,491	312	8,571	-82,826

03/31/2017	Production and Distribution of films	Production and Distribution of TV films and series	Events	Multiplexes	Other	Total
Revenue	118,387	24,752	1,024	5,318	2,217	151,699
Cost of sales	-193,046	-23,685	-361	-4,232	-32	-221,356
Operating margin	-74,659	1,067	663	1,086	2,186	-69,657
General and administrative expenses	-46,937	-2,660	-52	-3,115	-128	-52,892
Other operating income and expenses	490	-460	0	279	0	308
Operating profit (loss)	-121,106	-2,053	611	-1,750	2,058	-122,241
Financial income	-17,617	-571	0	-2	0	-18,190
Income tax	21,422	64	38	-14	-651	20,860
Share in results of associates consolidated using the equity method	0	0	0	0	-320.914	-321
Share of non-controlling interests	0	0	-4	0	0	-4
Net income - Group share	-117,301	-2,560	654	-1,767	1,086	-119,888

The following table shows the distribution percentages by country for international sales of EuropaCorp Group films and series for financial years 2014/2015, 2015/2016, 2016/2017 and 2017/2018.

Country	2014/2015	2015/2016	2016/2017	2017/2018
North America	63.30%	26.90%	35.94%	12.05%
Western Europe, including:	19.60%	28.10%	35.64%	40.24%
<i>Spain and Italy</i>	0.70%	2.27%	3.67%	6.69%
<i>Germany</i>	10.70%	10.11%	15.89%	13.50%
<i>Switzerland, Belgium</i>	3.60%	3.72%	5.74%	3.98%
<i>United Kingdom</i>	1.50%	6.91%	8.43%	12.51%
Central and Eastern Europe	3.90%	14.02%	4.53%	8.73%
Asia	6.60%	19.63%	9.37%	19.75%
Rest of the world	6.60%	11.34%	14.52%	19.22%
Total	100%	100%	100%	100%

APPENDIX 2 – ANNUAL FINANCIAL STATEMENTS AT MARCH 31, 2018

STATEMENT OF FINANCIAL POSITION – ASSETS

<i>Items</i>	<i>Gross amount</i>	<i>Depreciation provisions</i>	3/31/2018	3/31/2017
INTANGIBLE ASSETS				
Intangible assets	1,240,399,804	1,186,539,202	53,860,602	102,106,079
Other intangible assets	739,392	725,378	14,014	24,813
Intangible assets in progress	57,905,883	13,050,143	44,855,740	16,325,668
PROPERTY, PLANT AND EQUIPMENT				
Plant, machinery and equipment	158,582	158,582		
Other property, plant and equipment	4,510,342	2,597,865	1,912,478	2,258,729
FINANCIAL ASSETS				
Financial investments	179,357,349	79,060,388	100,296,961	111,387,470
Loans	550,000		550,000	
Other financial assets	6,418,064	32,636	6,385,427	2,577,721
NON-CURRENT ASSETS	1,490,039,416	1,282,164,194	207,875,221	234,680,481
INVENTORY AND WORK IN PROGRESS				
Work in progress - goods	4,663,674		4,663,674	849,874
Goods	100,615	100,615	(0)	(0)
Advances and down-payments to suppliers	44,716		44,716	44,716
RECEIVABLES				
Trade receivables	45,816,106	3,358,776	42,457,331	63,376,211
Other receivables	244,865,385	39,266,208	205,599,177	174,501,956
MISCELLANEOUS				
Marketable securities (incl. treasury shares)	692,042		692,042	11,037,673
Cash and cash equivalents	16,856,482		16,856,482	68,132,702
ACCRUALS				
Prepaid expenses	760,242		760,242	1,934,256
CURRENT ASSETS	313,799,262	42,725,598	271,073,664	319,877,387
Currency translation assets	16,142,625		16,142,625	13,368,848
OVERALL TOTAL	1,819,981,302	1,324,889,793	495,091,510	567,926,715

STATEMENT OF FINANCIAL POSITION – LIABILITIES

<i>Items</i>	3/31/2018	3/31/2017
Share capital (of which paid up: 13,932,353)	13,932,353	13,932,353
Additional paid-in capital	106,970,772	106,970,772
Legal reserve	1,004,665	1,004,665
Regulated reserves (including forex reserve)	180,545	180,545
Retained earnings/losses	(53,855,100)	(20,021,144)
NET INCOME FOR THE PERIOD (profit or loss)	(70,474,618)	(33,833,956)
Investment subsidies	4,602,500	4,362,500
Regulated provisions	33,604,726	42,133,488
EQUITY	35,965,844	114,729,223
OTHER EQUITY		
Provisions for risks	24,335,857	11,875,837
Provisions for expenses	4,383,339	4,616,732
PROVISIONS	28,719,196	16,492,569
DEBT		
Loans and liabilities from financial institutions	8,473,828	51,281,593
Miscellaneous borrowings and financial liabilities (including participating loans)	85,415,199	65,651,171
Advances and down-payments received		
OPERATING LIABILITIES		
Trade and other accounts payable	35,017,538	29,896,713
Taxes and social security contributions payable	6,298,757	7,861,904
MISCELLANEOUS LIABILITIES		
Other liabilities	273,262,073	265,136,233
ACCRUALS		
Deferred income	11,901,043	13,116,356
DEBT	420,368,438	432,943,969
Currency translation liabilities	10,038,032	3,760,955
OVERALL TOTAL	495,091,510	567,926,715

Profit (loss) for the period in cents -70,474,617.62
Total financial position in cents 495,091,509.85

PROFIT AND LOSS STATEMENT (LIST)

Items	France	Export	03/31/2018	03/31/2017
Sales of goods	8,241	168,016	176,257	155,523
Production sold (goods)	7,159		7,159	(9,431)
Production sold (services)	48,906,686	26,798,320	75,705,006	89,954,676
NET REVENUE	48,922,086	26,966,336	75,888,422	90,100,768
Stored production			3,813,800	297,417
Capitalized production			51,376,848	35,769,735
Reversals of depreciation, provisions (and amortization), transfers of expenses			53,149,639	46,605,694
Other income			3,380,844	18,651
TOTAL OPERATING REVENUE			187,609,553	172,792,266
Purchases of merchandise (including customs duties)			3,657	494
Other purchases and external expenses			44,482,885	52,493,398
Tax, duties and related payments			986,656	1,666,037
Wages and salaries			12,885,669	12,901,592
Social security contributions			5,029,174	5,009,873
OPERATING PROVISIONS				
For tangible and intangible assets: amortization			41,753,121	49,100,460
For tangible and intangible assets: depreciation			79,934,701	50,646,073
For current assets: depreciation				752,332
For risks and expenses: provisions			156,666	2,725,039
Other expenses			49,108,488	17,963,259
TOTAL OPERATING EXPENSES			234,341,016	193,258,558
OPERATING INCOME			(46,731,462)	(20,466,293)
JOINT OPERATIONS				
Loss incurred or profit transferred				2,563
FINANCIAL INCOME				
Income on other securities and receivables from non-current assets			3,310,824	2,563,205
Other interest and related income			19,492	23,869
Reversals of depreciation and provisions, transfers of expenses			12,045,630	9,161,342
Foreign exchange gains			516,077	5,574,583
Gain on sale of marketable securities				654
TOTAL FINANCIAL INCOME			15,892,024	17,323,654
Financial allocations to impairment, amortization and provisions			38,723,254	19,143,448
Interest and similar expenses			17,707,291	14,973,915
Foreign exchange losses			1,729,978	1,089,523
TOTAL FINANCIAL EXPENSES			58,160,523	35,206,886
FINANCIAL INCOME			(42,268,500)	(17,883,233)
INCOME FROM RECURRING OPERATIONS BEFORE TAXES			(88,999,962)	(38,352,088)
Non-recurring income from management transactions			541,924	204,498
Non-recurring income from capital transactions			3,115,835	2,506,704
Reversals of provisions and transfers of expenses			15,303,789	7,686,437
TOTAL NON-RECURRING INCOME			18,961,548	10,397,639
Non-recurring expenses on management transactions			2,966,311	1,393,353
Non-recurring expenses on capital transactions			995,983	979,380
Extraordinary allocations to impairment, amortization and provisions			9,803,818	4,422,077
TOTAL NON-RECURRING EXPENSES			13,766,112	6,794,810
NON-RECURRING INCOME			5,195,436	3,602,829
Statutory employee profit sharing				(33,926)
Income tax			(13,329,909)	(881,378)
TOTAL INCOME			222,463,125	200,513,558
TOTAL EXPENSES			292,937,742	234,347,513
PROFIT OR LOSS			(70,474,618)	(33,833,956)

ACCOUNTING PRINCIPLES AND METHODS

1. Valuation principles and methods

The annual financial statements for the financial year ended March 31 2018 have been drawn up and presented in accordance with the accounting standards and principles established in the Professional Guide to Accounting Standardization for companies producing and distributing films. The accounting rules have been applied in accordance with the provisions of the French Commercial Code and ANC Regulation No. 2016-07 of November 04, 2016, modifying the Regulation No. 2013-03 of June 05, 2014.

These general accounting rules have been applied in compliance with the prudence principle, in accordance with the following basic assumptions:

- Continuity of operations;
- Independence of financial years;
- Continued use of the same accounting methods from one period to the next.

2. Comparability of financial statements

The measurement and presentation methods used to prepare the financial statements for the period are identical to those used the previous year. In accordance with the ANC 2015-05 regulation regarding ongoing financial futures and forwards as of January, 1 2017, exchange gains and losses on commercial operations in foreign currency, except hedging, are entered into the accounts as operating income under the new 656 and 756 accounts. The 66 and 76 accounts are only used for financial operations (loans in foreign currency, cash in foreign currency ...).

The implementation of this new regulation reordered exchange gains and losses as operating income for the financial year ended March, 31 2018, as shown in the following table:

Income (Db) / Cr - Incomplete	03.31.18	03.31.17 Reprocessed	03.31.17 Published
Reversal of operating provisions			
Other Income (incl. exchange gains on trade receivables and payables)	3 380 844	1 466 241	18 651
Allocation to operating provisions			
Other expenses (incl. exchange losses on trade receivables and payables)	-49 108 488	-18 197 547	-17 963 259
Subtotal	-45 727 644	-16 731 306	-17 944 608
Pro forma impact on Operating Income		1 213 302	
Reversal of financial provisions	12 045 630	9 161 342	9 161 342
Exchange gains	516 077	4 126 994	5 574 583
Allocation to financial provisions	-38 723 254	-19 443 448	-19 443 448
Exchange losses	-1 729 978	-855 235	-1 089 523
Subtotal	-27 891 525	-7 010 348	-5 797 046
Pro forma impact on Financial Income		-1 213 302	

3. Significant events during the period

3.1 Trade receivables

As previously mentioned, at March 31, 2014, the Group recognized annual revenue of €30.9 million (\$42.7 million) resulting from the buy-out agreement signed with Fox in March 2014. At March 31, 2018, the balance of the receivable related to this agreement was reduced to \$11.8 million (€9.5 million), following payments of \$3.4 million (€2.7 million) received during the financial year. The remaining balance will be paid in installments as statements are received and, in any event, will be settled in full no later than March 31, 2024. Note also that this receivable was discounted at the closing date based on a five-year recovery estimate, taking into account the improved cash flow on other films with this distributor and by applying a discount rate of 2.1%.

No additional revenue was recognized under this agreement during the period. Foreign exchange gains and losses linked to movements in the dollar have been recognized in operating income, in accordance with ANC 2015-05 regulation of July, 2nd 2015.

3.2 Participation agreement signed with the company Vine Investment

Following the signature of a participation agreement with the company Vine Investment Advisors, during the financial year ended March 31, 2015, EuropaCorp increased the share capital of EuropaCorp Films USA by \$55,000,000. The corresponding amount was posted to the statement of financial position under "Other liabilities". Clearance of this debt is carried out based on 15% of payments by US customers taken from the Willmington bank account, the account balance at March 31, 2018 was €36,074,286 (\$44,447,128).

3.3 Sale of historical Music Publishing activity and of French television activity

In June 2017, the EuropaCorp group via its subsidiaries EuropaCorp Music Publishing and Cipango Music sold its catalogue of music copyrights to Sony/ATV Group, the world number one music publishing company, and has signed an agreement for Sony/ATV to administer its music royalties for future film and television titles.

In January 2018, the French television activity carried by the subsidiary EuropaCorp Television was sold to the company Storia Television whose President is Thomas Anargyros. EuropaCorp has kept its US television activity and will continue to produce and distribute English-language TV series with strong international potential, such as *Taken*.

Today, the Group's strategy is primarily to refocus on its core business which is the production and distribution of films and series around the world.

3.4 Events with regard to Management: Marc Shmuger and Edouard de Vésinne leaving the Group

In September 2017, Edouard de Vésinne left EuropaCorp to develop his own production company. Marc Shmuger left EuropaCorp on December 31, 2017, in accordance with the terms of his contract.

Luc Besson has been Chief Executive Officer since January 1st, 2018. His term of office as CEO is unlimited.

3.5 Implementation of an Employment Preservation Plan

EuropaCorp legally announced on January, 15th 2018 that the group initiated a consultation process with the staff representative bodies to implement an Employment Preservation Plan. On April, 3rd 2018, EuropaCorp received authorization from the governmental agency DIRECCTE on the content of its plan which will cut 22 positions in France and will result in headcount in adequation with the Group's strategy to refocus on its core activities. The Employment Preservation Plan impacts the four companies which are part of the UES EuropaCorp. The group entered a provision for risks and expenses of €2.3 million in the accounts related to the implementation of the plan.

4. Main films

Films released in French theaters over the financial year were:

- *Room(H)ates* (April 2017)
- *Bad Buzz* (June 2017)
- *Valerian and the City of a Thousand Planets* (July 2017)
- *Coexist* (October 2017)
- *Carbon* (November 2017)
- *Sparring* (January 2018)
- *Eva* (March 2018)

In addition, the film *Renegades* was already delivered to numerous territories.

5. Production costs and amortization methods of films

5.1 Licenses, patents and similar rights

This item includes all the expenses required for film-making and to acquire the corresponding exploitation rights.

Films are included in capitalized production only for the Company's share of funding. Financial investments are deducted from the cost price of the capitalized production.

The gross value of films reported in the Statement of financial position corresponds to the value of the acquisition of tangible and intangible rights if EuropaCorp did not take part in production. The capitalized cost of a film includes all of the direct costs and interest expenses incurred during the production period until the end of filming, as well as a portion of overheads directly attributable to the production. More in particular, payroll costs included in investment costs apply to staff directly involved in the production process.

5.2 Production costs

Production costs comprise all direct and financing costs incurred to produce a film up to the end of shooting, as well as a portion of overheads directly attributable to production.

€960,160 was recorded under assets as financing costs for the period. They are reported separately and reviewed project by project at each period closing. A depreciation provision may be recorded for ongoing productions at the end of the period, if the initial budget is exceeded by a significant amount or when the estimate made by operational managers for future receipts is lower than the net investment at the financial year end.

A provision is also created for films exploited between the closing date of the accounts and their approval, if the estimated value of future income is lower than the amount invested.

5.3 Preliminary expenses

Preliminary expenses are essentially the fees paid to acquire existing film exploitation rights (option agreements) and adaptation costs in view of securing a script that the Group intends to produce in the mid-term. They are reported separately and reviewed project by project at each period closing. Depreciation is then provisioned in case of uncertainty on whether the projects will go ahead.

Moreover, preliminary expenses that do not lead to a decision to shoot within five years from their first recognition are depreciated. However, this principle does not apply to projects having been recognized for more than five years, if there are specific production engagements or genuine expressions of interest, or when the company believes that the development timeframe does not call into question the start of shooting in the long term.

5.4 Production expenses, subsidies and other funds granted by the National Center for Cinema (CNC) and European Bodies

Expenses incurred during the period to make films are reported in the respective items based on the type of operating expenses. Capitalized cost is recognized under "Capitalized production" in Operating income. Subsidies invested in film production are accounted for in the statement of financial position under "Investment subsidies" when the CNC authorizes the payment.

At closing date, several CNC subsidies are expected for the following films:

- €2,415 thousand for the film *Taxi 5*;
- €1,250 thousand for the film *Coexist*;
- €937.5 thousand for the film *I Feel Better*.

The CNC production approval generates the transfer of the subsidy into the annual results.

5.5 Film amortization methods

Capitalized cost of films is amortized in accordance with the following principles:

- Economic depreciation is applied to each film using the estimated receipts method, i.e. by applying to the cost of the film the ratio resulting from the comparison of actual net receipts and total forecast net receipts of the film's first life cycle;
- The Senior Management periodically reviews and adjusts the forecast for expected net receipts, if required, taking into account the performance of film exploitation, of new or expected agreements and the evolution of the audiovisual market at the closing date of the accounts. Forecast net receipts are estimated over a maximum period of 12 years;
- If net amortization of the investment as calculated with this method is higher than the forecast net receipts, additional exceptional depreciation is recorded to cover the shortcoming.

If applicable, exceptional depreciation is applied if the charge, calculated pursuant to Tax Directive 4D-2-97 of April 23, 1997, is higher than the economic depreciation described above. Otherwise, if the charge calculated in accordance with tax principles is less than the economic depreciation, the surplus depreciation is recognized as a provision for asset impairment and not in a depreciation account.

These impairment provisions are not tax-deductible.

For the year ended March 31, 2018, the provision for impairment of intangible assets showed:

- a net charge of €26,677,057, corresponding to the provision for film impairment and reversal
- a net charge of €2,843,683 for preliminary expenses

The total negative impact on net income for the period is €29,520,740.49.

6. Property, Plant and Equipment

Property, plant and equipment are recognized at their acquisition cost. They are depreciated over their estimated life of use.

Assets are amortized based on their likely life and conditions of use. The Company uses the straight-line method and the rates applied are as follows:

Items	Period	Rate
Machinery and equipment	5 - 10 years	10 to 20%
Vehicles	4 - 5 years	20 to 25%
Furniture	3 - 10 years	10 to 33.33%
Office equipment	3 - 10 years	10 to 33.33%
Fixtures and fittings	10 years	10%
IT equipment	3 years	33.33%

Provisions are created based on the depreciation of assets or the likelihood of risks or expenses included in liabilities.

7. Financial assets and related receivables

Financial investments are recognized at their acquisition cost. If the value in use of the investment and related receivables is lower than the acquisition cost, an impairment provision is recorded. Value in use is determined, in particular, based on the portion of the net assets held.

The value in use of the securities is appreciated on the basis of different methods, amongst which the share of net asset held, the future prospects or the future cash flows estimated by the Management for 5 years maximum.

The treasury shares held by the Group on March, 31, 2018 stand at €105,794 (40,522 shares) against €61,781 (19,311 shares) on March 31, 2017.

8. Inventory

The Company's inventory is recognized at the acquisition price of the elements comprising the inventory.

On March, 31, 2018, the Company's inventories stand at €4,764,288.25. The inventory includes fully depreciated goodies for an amount of €100,614.41 and productions in progress held for sale for an amount of €4,663,674.

9. Receivables and depreciation provisions

Receivables are valued at their nominal value. Where necessary, they have been depreciated to take into account any difficulties with recovery they might be subject to.

A depreciation provision is established for receivables under dispute or unusual late payments. The provision percentage is determined case by case.

Moreover, a provision for the depreciation of miscellaneous receivables is established based on the estimated risk of default.

10. Foreign currency transactions

Expense and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction.

Foreign-currency receivables and payables outstanding at the reporting date are translated at the rates prevailing at that date. The translation adjustments are recorded in the statement of financial position under "currency translation differences".

In accordance with the accounting recommendations, the currency translation assets only lead to a provision in the absence of hedging. At the individual level, the company beneficiaries from a contractual currency hedge based on forward contracts completed by a natural currency hedge thanks to the international minimum guarantees (linked to the sale of the distribution rights on different territories) paid in foreign currencies.

11. Marketable securities

Marketable securities are measured at their acquisition cost. If their book value is lower than the acquisition cost, a provision is created.

12. Provisions for risks and expenses

Risks and expenses - which are clearly described - are provisioned if likely to materialize due to past or current events. These provisions are calculated based on the appraisal of the risks existing at the reporting date. The amounts include an element of uncertainty and may be adjusted in subsequent periods.

Provisions for risks and expenses relate primarily to the following:

- A provision relating to a dispute between the Company and a third party co-producer for a total amount of €1.3 million was recognized as of March 31, 2017. The Company was brought before the court and is still waiting for a decision. The provision remains unchanged.
- A provision related to the implementation of the Employment Preservation Plan was recognized over the period for €2.3 million. Cf significant events during the period.
- A provision relating to the risk of non-payment of a receivable due from URSSAF, following the cancellation of the free share plan for the CEO, on which a social security contribution had been paid for €2.4 million. Following the plea for the hearing at the Administrative Tribunal that took place on September 28, 2017, the company won in first trial. After appealing the court's decision, the URSSAF eventually reimbursed EuropaCorp in March 2018 and the provision was entirely reversed over the period.

The provisions for risks and expenses also include €8.2 M of provisions related to the subsidiaries' net positions.

13. Revenue recognition

13.1 Accrual of production receipts

Receipts coming from the sale of the broadcasting rights to pay or free TV channels are recognized as revenue when the TV channel officially accepts the material, whenever may be the beginning of the broadcasting rights.

When the deal plans multiple broadcasting rights, consequently allowing the exploitation of a film on a whole territory through multiple distribution channels, including in theaters, in video, on TV and on VOD in some cases, related revenue is recognized as such when the physical delivery is completed towards the local distributor, and when the exploitation rights are opened to the local distributor.

When a deal with a foreign distributor plans different deliveries, and when a clearly defined income is related to each delivery (minimum guarantee, most of the time), each income is recognized as revenue on the completion and the acceptance of the related delivery by the local distributor.

Any payable amount in excess of the minimum guarantee is posted under revenue only when finally acquired, i.e. when the amount has been confirmed in writing by the local distributor.

Any agreement executed before delivery entails the recognition of "Deferred income" under liabilities if revenue has been billed and the corresponding amount due is payable, or under "Off-statement of financial position commitments" (if no invoice has been issued), until the delivery is made.

13.2 Accrual of revenue from line production

Commissions received by EuropaCorp for its services as line producer are recognized under revenue based on the progress of each production at the closing date. Until these conditions have been met, revenue is recognized in deferred income.

14. Corporate Income tax

14.1 Tax consolidation

Since April 1, 2007, the Company has opted to apply tax consolidation to its subsidiaries:

- EuropaCorp Home Entertainment
- EuropaCorp Distribution
- Intervista
- Dog Productions
- EuropaCorp TV
- EuropaCorp Music Publishing
- Ydéo
- Roissy Films
- EuropaCorp Aéroville
- Blue Advertainment (parent company of Blue Event and Digital Factory, de facto integrated as well)
- EuropaCorp Television
- Cipango Music
- Valerian Holding
- Valerian SAS

As a contribution to the payment of the Group's income tax and irrespective of the actual amount of said tax, the subsidiaries will pay EuropaCorp an amount equal to the tax imposable on their net profit and/or long-term capital gain for the period if they had been taxed individually, after deduction, by consequence, of all the tax credits they would have been entitled to if not consolidated.

In case of a tax loss recorded for the year, the subsidiaries cannot claim any credit from EuropaCorp, even if they would have been entitled to a tax credit from the Government by choosing the carry-back option for the overall loss. The tax savings, coming from the Group's tax regime and equal to the difference between the sum of all the tax amounts payed by each subsidiary to the group and the tax amount actually paid by the group to the Treasury, should remain the Group's property.

EuropaCorp recognized a tax revenue of €6,554 K, which corresponds to the tax integration gains.

14.2 Cinema tax credit

The tax credit mechanism is eligible for the production companies which have to pay corporate taxes and which produce fictional, documentary and animation full-length feature films which (i) are mainly French-speaking films, (ii) obtained both the investment and the production CNC agreements, (iii) are mainly created on French soil and (iv) contribute to the development and the diversity of the French and European cinema creations. An agreement process by the CNC must be initiated to benefit from the tax credit.

The tax credit is 30% of the eligible expenses and cannot be more than 80% of the film budget. EuropaCorp recognized for the period a cinema tax credit of €6,015 thousand.

15. Other information

EuropaCorp's financial statements are consolidated using the full consolidation method in the consolidated statements prepared by Front Line.

A Group profit-sharing agreement (with Front Line SAS as parent company) has been in place since 2004. No provision for the special profit-sharing reserve was recognized over the period.

16. Competitiveness and employment tax credit

At March 31, 2018, EuropaCorp recorded a competitiveness and employment tax credit of €128,562 deducted from payroll costs. The use of the competitiveness tax credit is allowed under current regulations.

17. Subsequent events

Implementation of the Employment Preservation Plan.

18. Default clause or "Covenant"

The Group's cash requirements are guaranteed by operating cash flows, as well as authorized overdrafts, factoring of sales receivables, and specialized production credits.

When carrying out its everyday business, the Group is exposed to interest rate, liquidity, foreign exchange and credit risks that may impact its net position.

OFF-STATEMENT OF FINANCIAL POSITION COMMITMENTS

List of security interests granted to J.P. Morgan Chase Bank N.A. for the two credit lines arranged on October 21, 2014

As security for the credit lines arranged with J.P. Morgan on October 21, 2014, EuropaCorp and some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted first-lien and second-lien guarantees on all of their assets.

On October 21, 2014, EuropaCorp arranged, for the benefit of the lenders, first-lien and second-lien personal guarantees for the commitments of EuropaCorp Films USA, Inc. in respect of the credit lines, and, as security for these personal guarantees:

- first-lien and second-lien on-demand standalone guarantees;
- first-lien and second-lien pledges of securities accounts relating to shares of the following subsidiaries:
 - EuropaCorp Home Entertainment S.A.S.,
 - EuropaCorp Distribution S.A.S.,
 - EuropaCorp Music Publishing S.A.S.,

- Intervista S.A.S.,
- Dog Productions S.A.S.,
- Ydéo S.A.S.,
- Roissy Films S.A.S.,
- Blue Advertainment S.A.S.,
- EuropaCorp Films Inc. (pledge under US law),
- EuropaCorp La Joliette S.A.S.,
- EuropaCorp Aéroville S.A.S,
- EuropaCorp Television S.A.S.;
- first-lien and second-lien pledges of shares of the company Pass Pass La Cam SARL;
- first-lien and second-lien pledges of all of its existing or future bank accounts;
- first-lien and second-lien pledges of claims on any type of intercompany loan or advance;
- first-lien and second-lien film pledges concerning the tangible and intangible rights to the films in its catalog (except for the film *Taken 3* – see special provision below);
- first-lien and second-lien assignments of film revenue concerning revenue generated by the films in its catalog;
- first-lien and second-lien pledges of the physical elements of films stored at laboratories outside France;
- first-lien and second-lien pledges of all of its proprietary trademarks;
- first-lien and second-lien assignments of insurance covering all insurance policies except for error and omissions and third-party liability policies;
- first-lien and second-lien pledges of its business;
- first-lien and second-lien pledgeholder agreements under US law with the laboratory Éclair;
- first-lien and second-lien pledgeholder agreements under US law with the laboratory Digital Factory;
- a third-lien pledge on the collection account for the film *Taken 3*;
- a third-lien film pledge on the film *Taken 3*;
- a third-lien assignment of film revenue for revenue from the film *Taken 3*.

Finally, on October 22, 2014, Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo also arranged, for the benefit of the lenders, first-lien and second-lien personal guarantees for the commitments of EuropaCorp Films USA, Inc. in respect of the credit lines, and, as security for these personal guarantees:

- first-lien and second-lien on-demand standalone guarantees;
- first-lien and second-lien pledges of their business;
- first-lien and second-lien pledges of all of their existing or future bank accounts;
- where applicable, first-lien and second-lien pledges of securities accounts relating to shares in the equity interests they hold;
- where applicable, first-lien and second-lien film pledges concerning the tangible and intangible rights to the films in their catalog;
- where applicable, first-lien and second-lien assignments of film revenue for revenue generated by the films in their catalog;
- where applicable, assignments of SACEM revenue.

List of security interests granted to Vine Investment Advisors LP for the Amended and Restated Secured Participation Agreement

As security for the payments due to Vine Investment Advisors LP under an agreement drafted in English and entitled *Amended and Restated Secured Participation Agreement*, signed on December 31, 2014, between EuropaCorp S.A., as Seller, EuropaCorp Films USA, Inc. and various Guarantors, Purchasers, and Vine Investment Advisors, LP, acting as Administrative Agent (the "Participation Agreement"), EuropaCorp and some of its subsidiaries (Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo) granted third-lien guarantees on all of their assets.

On March 18, 2015, EuropaCorp therefore signed, in favor of Vine Investment Advisors LP, third-lien personal guarantees for EuropaCorp's commitments under the Participation Agreement and, as security for this personal guarantee:

- a third-lien on-demand standalone guarantee for a maximum amount of \$100 million;
- third-lien pledges of securities accounts relating to shares of the following subsidiaries:
 - EuropaCorp Home Entertainment S.A.S.,
 - EuropaCorp Distribution S.A.S.,
 - EuropaCorp Music Publishing S.A.S.,
 - Intervista S.A.S.,
 - Dog Productions S.A.S.,
 - Ydéo S.A.S.,
 - Roissy Films S.A.S.,
 - Blue Advertainment S.A.S.,
 - EuropaCorp Films Inc. (pledge under US law),
 - EuropaCorp La Joliette S.A.S.,
 - EuropaCorp Aéroville S.A.S.,
 - EuropaCorp Television S.A.S.;
- a third-lien pledge of shares of the company Pass Pass La Cam SARL;
- a third-lien pledge of all its existing or future bank accounts;
- a third-lien pledge of claims on any type of intercompany loan or advance;
- third-lien film pledges concerning the tangible rights (film material) and intangible rights to the films in its catalog (except for the film *Taken 3* – see special provision below);
- third-lien assignments of film revenue concerning revenue generated by the films in its catalog;
- third-lien pledges of the physical elements of films stored at laboratories outside France;
- third-lien pledges of all of its proprietary trademarks;
- third-lien assignments of insurance covering all insurance policies except for error and omissions and third-party liability policies;
- third-lien pledges of its business;
- third-lien pledgeholder agreements under US law with the laboratory Éclair;
- third-lien pledgeholder agreements under US law with the laboratory Digital Factory SAS;
- a third-lien pledge on the collection account for the film *Taken 3*;
- a fourth-lien film pledge on the film *Taken 3*;
- a fourth-lien assignment of film revenue concerning revenue from the film *Taken 3*.

Finally, on March 18, 2015, Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo also signed, for the benefit of Vine Investment Advisors LP, third-lien personal guarantees of EuropaCorp's commitments under the Participation Agreement, and, as security for these personal guarantees:

- third-lien on-demand standalone guarantees;
- third-lien pledges of their business;
- third-lien pledges of all of their existing or future bank accounts;

- where applicable, third-lien pledges of securities accounts relating to shares in the equity interests they hold;
- where applicable, third-lien film pledges concerning the tangible and intangible rights to the films in their catalog;
- where applicable, third-lien assignments of film revenue concerning revenue generated by the films in their catalog;
- where applicable, third-lien assignments of SACEM revenue.

PENSION COMMITMENTS

Commitments made in terms of pensions, additional pensions and other post-employment benefits subject to an off-balance sheet commitment or contracted for the benefit of executives

Severance payments are calculated based on the Projected Unit Credit method.
The present value of expected future benefits at retirement is calculated for each employee.
French Act of November 9, 2010 reformed the conditions for retirement.

Average retirement age: 63
Rate of social security contributions: 45%
Discounting rate: 1.34%
Salary increase rate: 4%
Turnover rate: 14%

The off-balance sheet commitment stands at €321,186 at the end of the period.

TANGIBLE AND INTANGIBLE ASSETS

Items	Start of period	Revaluation	Acquisitions, contributions
INTANGIBLE ASSETS	1,247,935,044		51,749,528
<i>Components</i>			
Plant, machinery and equipment	158,582		
General plant, fixtures and fittings	3,807,383		44,237
Vehicles	89,274		8,840
Office and IT equipment, furniture	527,988		38,294
PROPERTY, PLANT AND EQUIPMENT	4,583,226		91,371
Other investments	177,783,961		1,577,388
Loans and other financial assets	2,584,319		6,330,944
FINANCIAL ASSETS	180,368,280		7,908,332
OVERALL TOTAL	1,432,886,550		59,749,231

Items	Transfer	Disposal	End of period	Initial value
INTANGIBLE ASSETS		639,493	1,299,045,079	
Plant, machinery and equipment			158,582	
General plant, fixtures and fittings			3,851,620	
Vehicles		5,673	92,440	
Office and IT equipment, furniture			566,283	
PROPERTY, PLANT AND EQUIPMENT		5,673	4,668,924	
Other investments		4,000	179,357,349	
Loans and other financial assets		1,947,199	6,968,064	
FINANCIAL ASSETS		1,951,199	186,325,413	
OVERALL TOTAL		2,596,365	1,490,039,416	

AMORTIZATION

Items	Start of period	Charges	Reversals	End of period
INTANGIBLE ASSETS	1,069,314,758	41,315,499		1,110,630,258
Plant, machinery and equipment	158,582			158,582
General plant, fixtures and fittings	1,666,601	394,863		2,061,464
Vehicles	81,762	9,149	5,673	85,237
Office and IT equipment, furniture	417,554	33,610		451,164
PROPERTY, PLANT AND EQUIPMENT	2,324,498	437,622	5,673	2,756,447
OVERALL TOTAL	1,071,639,256	41,753,121	5,673	1,113,386,704

BREAKDOWN OF MOVEMENTS OF SPECIAL AMORTIZATION PROVISION

Items	Charges			Reversals			Net amortization change at period end
	Differential for duration	Declining-balance method	Exceptional tax amortization	Differential for duration	Declining-balance method	Exceptional tax amortization	
Other items under intangible assets			2,418,528			10,947,289	(8,528,761)
TANGIBLE							
TOTAL			2,418,528			10,947,289	(8,528,761)

Accrued expenses	Start of period	Increases	Charges	End of period

PAYABLES AND RECEIVABLES

RECEIVABLES	Gross amount	≤ 1 year	> 1 year
Loans	550,000	550,000	
Other financial assets	6,418,064	105,794	6,312,270
Doubtful or disputed trade receivables	3,447,774		3,447,774
Other trade receivables	42,368,332	35,884,047	6,484,285
Staff	2,983	2,983	
Social Security and other welfare institutions	31	31	
National Government, other authorities: Income tax	8,973,689	8,973,689	
National Government, other authorities: value-added tax	2,584,709	2,584,709	
National Government, other authorities: miscellaneous receivables	76,811	76,811	
Group and associates	227,469,303	216,502,659	10,966,644
Miscellaneous receivables	5,757,860	5,757,860	
Prepaid expenses	760,242	760,242	
OVERALL TOTAL	298,409,797	271,198,824	27,210,973
Loans granted during the period	550,000		

PAYABLES	Gross amount	≤ 1 year	1 - 5 years	> 5 years
Borrowings originally ≤ 1 year	8,473,828	8,473,828		
Miscellaneous borrowings	835,063	0	835,063	
Trade payables	35,017,538	35,017,538		
Staff	910,653	910,653		
Social Security and other welfare institutions	975,163	975,163		
National Government: value-added tax	3,826,797	3,826,797		
National Government: other taxes and duties	586,143	586,143		
Group and associates	84,580,136	84,580,136		
Other liabilities	273,262,073	150,842,421	122,419,652	
Deferred income	11,901,043	11,901,043		
OVERALL TOTAL	420,368,438	297,113,722	123,254,715	
Loans taken out during the period	1,847,156			
Loans repaid during the period	1,847,156			

PROVISIONS AND DEPRECIATION

<i>Items</i>	<i>Start of period</i>	<i>Charges</i>	<i>Reversals</i>	<i>End of period</i>
Exceptional amortization	42,133,487	2,418,528	10,947,289	33,604,726
REGULATED PROVISIONS	42,133,487	2,418,528	10,947,289	33,604,726
Provisions for litigation	5,291,447	4,187,467	5,050,860	4,428,055
Provisions for foreign exchange losses	6,359,788	16,142,625	6,359,788	16,142,625
Other provisions for subsidiaries' risks and expenses	4,841,333	3,354,489	47,306	8,148,516
PROVISIONS FOR RISKS AND EXPENSES	16,492,569	23,684,581	11,457,954	28,719,196
Depreciation of intangible assets	60,163,725	79,934,701	50,413,960	89,684,465
Depreciation of equity holdings	66,396,491	13,273,397	609,500	79,060,388
Depreciation of other financial assets	6,597	32,636	6,597	32,636
Depreciation of inventory and work in progress	100,615			100,615
Depreciation customer accounts	3,441,314		82,538	3,358,776
Other depreciation	35,061,356	9,274,596	5,069,744	39,266,208
DEPRECIATION	165,170,099	102,515,330	56,182,340	211,503,088
OVERALL TOTAL	223,796,155	128,618,439	78,587,583	273,827,010
Charges and reversals of operating provision		80,091,367	51,238,165	
Charges and reversals of financial provision		38,723,254	12,045,630	
Extraordinary allocations		9,803,818	15,303,789	

PROVISIONS FOR RISKS AND EXPENSES

<i>Items</i>	<i>Position and movements</i>				
	<i>Provisions at start of period</i>	<i>Increases during period</i>	<i>Reductions</i>		<i>Provisions at period end</i>
			<i>Amounts used during the period</i>	<i>Amounts not used during the period</i>	
Provision for risks and expenses	5,291,447	4,187,467	2,620,403	2,430,456	4,428,055
Net position provision	6,359,788	16,142,626		6,359,788	16,142,626
Provision for foreign exchange losses	4,841,333	3,354,489		47,306	8,148,516
TOTAL	16,492,569	23,684,582	2,620,403	8,837,550	28,719,197

ACCRUED EXPENSES

At 3/31/2018

Accrued expenses	33,065,590.82 €
Trade payables	29,321,103.06 €
Accrued credit notes	1,418,370.62 €
Taxes and social security contributions payables	1,750,539.11 €
Other financial liabilities	476,181 €
Interest on overdrafts	99,397.03 €
TOTAL ACCRUED EXPENSES	33,065,590.82 €

DEFERRED INCOME

At 3/31/2018

Deferred income	18,599,845.25 €
Trade receivables	18,509,246.51 €
Other receivables	76,810.78 €
Banks, financial institutions	13,787.96 €
TOTAL ACCRUED INCOME	18,599,845.25 €

NON-RECURRING INCOME AND EXPENSES

<i>Type of expense</i>	<i>Amount in euros</i>
Other non-recurring expenses	2,036,367
Fines and penalties	250,880
Net book value of fixed assets sold	928,378
Subsidiary depreciation provisions	3,354,489
Non-recurring expenses - Memorandums of understanding	679,064
Regulated provisions - Exceptional amortisation	2,418,528
Provisions for risks and expenses	4,030,801
Net book value of financial assets sold	67,605
TOTAL	13,766,112

<i>Type of income</i>	<i>Amount in euros</i>
Income from disposal of fixed assets	928,544
Natixis capital gains	12,290
Reversal of exceptional amortization	10,947,289
Subsidies taken to profit (loss)	2,175,000
Reversal of provision for risks and expenses	4,309,194
Other non-recurring income	541,924
Reversal of provision for subsidiary depreciation	47,306
TOTAL	18,961,547

TRANSFERS OF EXPENSES

<i>Type of transfer</i>	<i>Amount</i>
Afdas (performing arts training insurer) and other reimbursements	
Miscellaneous	
Transfer of general and administrative expenses to films	1,620,615
Re-invoicing of loge rentals to films	290,859
Deferred expenses	
TOTAL	1,911,474

IMPACT OF SPECIAL TAX VALUATIONS

<i>Items</i>	<i>Charge</i>	<i>Reversal</i>	<i>Amount</i>
NET INCOME FOR THE PERIOD			(70,474,618)
Income tax			(13,329,909)
INCOME BEFORE TAX			(83,804,527)
REGULATED PROVISIONS	2,418,528	10,947,289	(8,528,761)
OTHER SPECIAL VALUATIONS			
INCOME EXCLUDING SPECIAL TAX VALUATIONS (before tax)			(92,333,288)

FINANCIAL COMMITMENTS

<i>Commitments made</i>						
<i>Type of commitments</i>	<i>Total</i>	<i>In favor of</i>				
		<i>Executives</i>	<i>Subsidiaries</i>	<i>Equity interests</i>	<i>Other related companies</i>	<i>Other</i>
Rent	42,660,456					42,660,456
Coproductions and acquisitions	6,399,000					6,399,000
TOTAL	49,059,456					49,059,456

<i>Commitments received</i>						
<i>Type of commitments</i>	<i>Total</i>	<i>from</i>				
		<i>Executives</i>	<i>Subsidiaries</i>	<i>Equity interests</i>	<i>Other related companies</i>	<i>Other</i>
Subsidies funding generated	1,962,216					1,962,216
TV presales	10,346,763					10,346,763
International sales	39,762,499					39,762,499
Partnership and licencing	750,000					750,000
Coproductions	361,000					361,000
Rent	13,982,858				13,982,858	
TOTAL	67,165,336				13,982,858	53,182,478

<i>Mutual commitments</i>						
<i>Types of commitments</i>	<i>Total</i>					
		<i>Executives</i>	<i>Subsidiaries</i>	<i>Equity interests</i>	<i>Other related companies</i>	<i>Other</i>
TOTAL						

BREAKDOWN OF INCOME TAX

<i>In thousands of euros</i>	<i>March, 31 2018</i>	<i>March, 31 2017</i>
Tax on income from recurring operations	0	0
Tax on short-term non-recurring income	0	0
Consequences of tax consolidation	6,554	767
Cinema tax credit	6,015	2,595
Other tax expenses	-14	-2,537
Other tax credits	775	57
TOTAL	13,330	881

DEFERRED AND LATENT TAX POSITION

<i>In thousands of euros</i>	Tax base			
	March, 31 2018		March, 31 2017	
	Assets	Liabilities	Assets	Liabilities
I. CONTINGENT OR ASSURED MISMATCHS IN CONSOLIDATION				
Temporarily non deductible expenses				
To be deducted next year				
- employees' participation	0		0	
- Organic	128		152	
To be deducted later on				
- provisions for film depreciations	89,684		60,164	
- provisions for risks and expenses	2,314		693	
- provisions for trade receivables & inventory	3,317		3,329	
- provision for foreign exchange losses	16,143		6,360	
- Others	51		91	
Temporarily non taxable income	0		0	
Fiscally deducted expenses (or already taxed income) not yet entered into the accounts				
- Exchange differences asset		16,143		13,369
- Exchange differences liability	10,038		3,761	
- Film amortization		2,210		1,083
Total	121,676	18,353	74,550	14,452
II. CONSTITUENTS YET TO ALLOCATE				
Loss carryovers	29,179		26,905	

CHANGE IN EQUITY

<i>Start-of-period position</i>	<i>Balance</i>	
Equity before distribution of previous earnings		114,729,223
Equity after distribution of previous earnings		114,729,223
<i>Changes during the period</i>	<i>Negative</i>	<i>Positive</i>
Changes in investment subsidies		240,000
Changes in regulated provisions	8,528,762	
Other changes	70,474,618	
BALANCE	78,763,380	
<i>End-of-period position</i>	<i>Balance</i>	
Equity before dividends		35,965,843

MAKE-UP OF SHARE CAPITAL

<i>Categories of securities</i>	<i>Number of securities</i>			<i>Par value</i>
	<i>At period end</i>	<i>Created during the year</i>	<i>Reimbursed during the year</i>	
Ordinary shares	40,977,509			0.34

BREAKDOWN OF REVENUE IN THOUSANDS OF EUROS

	Revenue France	Revenue Export	Total March 31, 2018	Total March 31, 2017	% 2018/2017
Film production business (the Company only has one business)	48,922	26,966	75,888	90,101	-15.77 %
TOTAL	48,922	26,966	75,888	90,101	-15.77 %

PARENT COMPANIES CONSOLIDATING THE COMPANY'S FINANCIAL STATEMENTS

Legal name - Registered office	Legal status	Share Capital	% held
Front Line - 20 RUE AMPERE - 93200 ST-DENIS	SAS	2,242,240	31.57 %

AVERAGE HEADCOUNT

Headcount	Salaried employees	Staff made available to the company
Managers at March 31, 2018	40	
Non-managers at March 31, 2018	22	
TOTAL	62	

REMUNERATION OF EXECUTIVES

Items	Total executives	Bodies		
		Administration	Management	Surveillance
Financial commitments				
Remuneration paid	476,544		476,544	
Conditions of loans granted during the year				
Repayments made during the year				

LIST OF SUBSIDIARIES AND EQUITY INTERESTS

<i>Company name Registered office</i>	<i>Share capital Equity</i>	<i>Stake held Dividend received</i>	<i>Gross value Securities Net value Securities</i>	<i>Loans, advances Deposits</i>	<i>Revenue Profit (loss)</i>
SUBSIDIARIES (more than 50%)					
Dog Productions - 422132829 20 rue Ampère - 93200 St-Denis	46,200 (592,050)	100.00 %	2,647,750		(8,158)
Intervista - 395246408 20 rue Ampère - 93200 St-Denis	46,200 (1,109,631)	100.00 %	2,082,074		9,580 (65,281)
EuropaCorp Distribution - 434969861 20 rue Ampère - 93200 St-Denis	324,100 (6,984,542)	100.00 %	27,945,000		18,643,490 1,780,280
EC Home Entertainment - 438619512 20 rue Ampère - 93200 St-Denis	38,500 33,176,614	100.00 %	7,700 7,700		6,563,942 (3,661,462)
EuropaCorp Music Publishing - 482467859 20 rue Ampère - 93200 St-Denis	167,400 11,590,726	100.00 %	201,808 201,808		850,000 5,940,801
Ydéo - 434677688 20 rue Ampère - 93200 St-Denis	37,000 (2,379,483)	100.00 %	676,188		3,271,220 (332,312)
Europacorp Télévision 20 rue Ampère -93200 St Denis	113,233 11,593,473	95.00%	7,975,136 7,975,136		24,292,507 9,930,320
Europacorp TV 20 rue Ampère 93200 Saint Denis	37,000 (329,946)	100.00 %	37,000		(4,998)
Europacorp Aéroville 20 rue Ampère 93200 Saint Denis	1,000 (13,590,381)	100.00 %	1,000		57,256 (313,178)
Roissy Films 20 rue Ampère 93200 Saint Denis	10,000 22,927,110	100.00 %	41,279,073 22,927,110		1,638,566 609,500
Valérien Holding 20 rue Ampère 93200 Saint Denis	45,000 (2,682)	100.00 %	45,000		(66,495)
Blue Advertainment 20 rue Ampère 93200 Saint Denis	75,182 (3,519,380)	100.00 %	6,832,434		(158,085)
Europacorp Film USA 335-345 Maple Drive Beverly Hills	9,354 (42,285,644)	100.00 %	67,306,068 56,507,658		75,968,718 46,528,331
Orchestra 20 rue Ampère 93200 Saint Denis	1,000 (22)	100.00 %	1,000 1,000		(1,022)
EQUITY INTERESTS (10% to 50%)					
Pass Pass la cam Productions 231 rue Saint Honoré - 75001 Paris	14,200 4,404	40.00 %	5,680		
SCI Les Studios de Paris 137 rue du Fbg St Honoré-75008 Paris	9,825,000 6,287,675	40.00 %	6,045,938 3,930,000		2,387,987 (2 459,592)
OTHER FINANCIAL INTERESTS					
SOFICA EuropaCorp 3 avenue Hoche - 75 008 Paris	19,294,000 8,938,743	99.50 %	16,268,500 8,746,550		258,747 102,082

BREAKDOWN OF PREPAID EXPENSES AND DEFERRED INCOME

	At 03/31/2018
PREPAID EXPENSES	760,241.79 €
OPERATING EXPENSES/INCOME	760,241.79 €
48600000 CCA FRAIS SOCIETE (« Prepaid Expenses Company »)	237,447.08 €
4866xxx CCA FILMS (« Prepaid Expenses Films »)	522,794.71 €
DEFERRED INCOME	(11,901,042.96)
487xxxxx PCA FRAIS SOCIETE (« Deferred Income Company »)	(843,598.91)
487xxxxx PCA FILMS (« Deferred Income Films »)	(11,057,444.05)
TOTAL OF PREPAID EXPENSES AND DEFERRED INCOME	(11,140,801.17)

APPENDIX 3 – STATUTORY AUDITORS’ REPORT ON THE ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

To the General Meeting of EuropaCorp,

1. *Opinion*

In pursuance of the mission entrusted to us by your General Meeting, we conducted the audit of the annual financial statements of EuropaCorp for the financial year ended on March 31, 2018 as attached to this report.

In our opinion, the annual financial statements give a true and fair view of the results of the operations of the company for the year ended in accordance with the French rules and accounting principles.

The opinion provided above is consistent with the content of our report to the Audit Committee.

2. *Basis of our opinion*

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that the items we have collected form a sufficient and appropriate basis for our opinion.

The responsibilities incumbent upon us by virtue of the standards are listed in the Section “Responsibilities of the Statutory Auditors with respect to the audit of the annual financial statements” of this report.

Independence

We conducted our audit in accordance with rules of independence applicable to us for the financial year from April 1, 2017 to the date of issue of our report and, notably, we did not provide any of the services forbidden by Article 5, paragraph 1, of Regulation (EU) No. 537/2014 or by the code of ethics of the statutory auditors’ profession.

3. *Observation*

Without reconsidering the opinion above, we draw your attention on the following, displayed in the section “2. Comparability of financial statements” of the appendix on the annual financial statements, regarding the first implementation of the ANC 2015-05 regulation on how to enter futures and forwards into the accounts.

4. *Justification of our assessments – Key points of the audit*

In application of the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification of our assessments, we hereby inform you of the key points of our audit relative to the risk of material misstatements which, in our professional opinion, were most significant for the audit of the annual financial statements for the financial year and the answers we provided to these risks.

The assessments thus made are part of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of our opinion expressed above. We do not express an opinion on the elements of the financial statements considered individually.

Recognition of Television and International Sales revenue

(Note 13 of the appendix to the annual financial statements)

Risk identified

As mentioned in the note 13 of the appendix to the annual financial statements, the accrual of production receipts is different whether the receipts come from the sale of TV exploitation rights to pay or free French TV channels or whether it comes from multi-rights deals granting the exploitation rights for a whole territory, with minimum guarantees.

We decided to consider the accrual of revenue recognition as a key element of our audit due to its importance in the company's accounts.

Our answer

We reviewed the internal control procedures implemented and tested the main controls in place for revenue recognition. On a sampling of TV and International sales contracts deemed significant due to their financial impact:

- we compared contract data with management and accounting data;
- we ensured that revenue recognition principles were applied;
- We assessed the match between revenue and the right financial period

We also implemented substantial controls on a sampling of trade receivables and invoices to be created to assess Management's estimates.

Valuation of film and audiovisual rights

(Note 5.5 of the appendix to the annual financial statements)

Risk identified

On March 31, 2018, the films and audiovisual works produced, distributed or being produced by EuropaCorp consisted of intangible fixed assets in the net amount of €98.7 million.

As mentioned in Note 5.5 of the appendix to the financial statements, film and audiovisual works are amortized using the estimated revenue method. This method consists in applying to the cost of the film the ratio resulting from the comparison between the net revenue earned and the total net projected revenue for a period of 12 years maximum.

The estimate of net projected revenue is reviewed by management and adjusted, if required, based on contracts signed or planned, on the report by the independent expert appointed by the company for international territories, or on the evolution of the audiovisual market.

We therefore consider the assessment of films and audiovisual rights as a key point of the audit due to (i) their significance for the Group's financial statements, and (ii) the judgments required to determine their recoverable value.

Our answer

Our audit method consisted in verifying, on the basis of a sample of films, that the use of these estimates did not result in an over-estimation or under-estimation of the net book value of these intangible assets.

Our work consisted in:

- analyzing compliance with the accounting standards in effect and the continued use of the amortization method applied by the company and in verifying the correct implementation of the amortization calculation rule;
- reconciling (i) the amount of net revenue acquired with the management data, and (ii) the amount of revenue estimated by the experts with the estimated future revenue retained;
- assessing the consistency of revenue estimates with the history of results.

Lastly, we verified the appropriate nature of the information provided in the notes to the financial statements.

Valuation and depreciation of equity holdings

(Note 7 of the appendix to annual financial statements)

Risk identified

At March, 31, 2018, EuropaCorp holds significant equity in different French and foreign companies for a net total amount of €100.3M. Those assets are entered into the accounts at their acquisition price the day they are purchased, and depreciated following their value in use.

The determination of their value in use is the result of an analysis of the company, or of a comparison with the share of equity owned in the subsidiary at stakes, or of the discounted future cash flows method.

We deemed that the valuation of the equity holdings is a key element of the audit because of their importance in the company's accounts and of the required assessment for their valuation.

Our answer

To assess the estimates of the value in use of the equity holdings, based on the information we were given, we mainly checked the Management's justification of the valuation method used and the figures on which it conducted the valuation. We also:

- Analysed the evolution of the share of equity in the subsidiaries, compared to the historical value of equity,
- Obtained the forecasts of the operations of the companies involved and assessed their coherence with the historical data,
- Controlled the financial information communicated in the appendix of the accounts.

5. *Verification of the management report and other documentation for shareholders*

In accordance with the professional standards applicable in France, we also carried out the specific verification required by law.

Information given in the management's report and other documentation for shareholders on the financial situation and the financial statements.

We have no matters to report as to the fair presentation and the consistency of the information given in the Board of Directors' management report and in the other documents for the shareholders concerning the financial situation and the financial statements.

Information related to Corporate Governance

We confirm that the Board of Directors' report on Corporate governance states the information required under the articles L.225-37-3 and L.225-37-4 of the French commercial law.

As to the information given in compliance with the article L.225-37-3 of the French commercial law about compensation and benefits of corporate officers and commitments granted to them, we checked its compliance with the accounts or the data the accounts come from and, if applicable, with the data the company obtained from the companies controlling it or controlled by it. On this ground, we confirm the accuracy and truthfulness of the information.

Other information

In accordance with the law, we made sure that the information related to investments in equity and governance change and to the identity of shareholders were given to you in the management's report.

6. *Information resulting from other legal and regulatory obligations*

Appointment of the Statutory Auditors

We were appointed EuropaCorp's Statutory Auditors by the General Meeting of September 26, 2014.

As of March 31, 2018, the firms Auditeurs et Conseil Associés - ACA Nexia and Premier Monde were in their fourth year of continuous service.

7. *Responsibilities of management and those charged with corporate governance for the annual financial statements*

It is the responsibility of management to prepare financial statements presenting a true picture, in accordance with the French rules and accounting principles, and to implement the internal controls it deems necessary for the preparation of financial statements containing no material misstatements resulting either from fraud or errors.

At the time the financial statements are prepared, it is the responsibility of management to assess the ability of the company to continue its operations, to present in its financial statements, if required, the information necessary for continued operations and to implement the going concern principle unless plans have been made to liquidate the company or cease its operations.

It is the responsibility of the audit committee to monitor the preparation of the financial information and to track the effectiveness of internal control and risk management systems as well as, in the event of an internal audit, the procedures related to the preparation and processing of the accounting and financial information.

The financial statements have been approved by the Board of Directors.

8. *Responsibilities of the Statutory Auditors with respect to the audit of the annual financial statements*

Audit objective and process

It is our responsibility to prepare a report on the financial statements. Our goal is to obtain reasonable assurance that the financial statements considered overall do not contain any material misstatements. Reasonable assurance reflects a high level of confidence without, however, guaranteeing that an audit conducted in accordance with professional standards will ensure the consistent identification of material misstatements. Misstatements can result from fraud or errors. They are considered to be significant when it can be reasonably expected that they will, taken individually or together, impact the financial decisions the users of the financial statements take based on them.

As stated in Article L.823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist in guaranteeing the viability or quality of the management of your company.

As part of an audit conducted in accordance with the professional standards applicable in France, the Statutory Auditors exercise their professional judgment throughout the audit process. In addition:

- they identify and assess the risk that the financial statements contain material misstatements whether they are the result of fraud or errors, define and implement audit procedures to address the risks and collect the information they believe is sufficient and appropriate to found their opinion. The risk of non-identification of a significant misstatement resulting from fraud is greater than that of a significant misstatement resulting from an error given that fraud can imply collusion, falsification, voluntary omissions, false statements and the bypassing of internal controls;
- they review the internal control system relevant to the audit in order to define the appropriate audit procedures for the circumstances and not for the purpose of expressing an opinion on the effectiveness of internal control;
- they assess the suitability of the accounting methods used and the reasonable nature of the accounting estimates made by management and the information about them provided in the financial statements;
- they assess the suitability of the application by management of the going concern principle and, based on the information collected, whether or not there is significant uncertainty related to events or circumstances with the potential to negatively impact the ability of the Company to continue operating. The assessment is based on all of the information collected up to the time of the report, being noted that subsequent circumstances or events may prevent the Company from continuing to operate. If they conclude that there is significant uncertainty, they will draw the attention of the readers of their report to the information provided in the financial statements regarding the uncertainty or, if the information is not provided or not relevant, they will issue a qualified opinion or refuse certification;
- they assess the overall presentation of the financial statements and assess whether the financial statements reflect underlying operations and events in a way that provides a truthful picture.

Report to the audit committee

We hereby submit a report to the audit committee which presents the extent of the audit work done and the program implemented as well as the conclusions of our work. We also inform the

committee, if applicable, of any significant weaknesses in internal control which we identified with respect to the procedures used to prepare and process the accounting and financial information.

The information provided in the report to the audit committee includes the risks of significant misstatements which we believe are most significant for the audit of the annual financial statements for the financial year and which are, therefore, key points of the audit. These points are described in this report.

We have also provided the audit committee with the statement required by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France, as they are defined in Articles L.822-10 to L.822-14 of the French Commercial Code and the code of ethics for Statutory Auditors. If need be, we will meet with the audit committee to discuss any threats to our independence and the safeguard measures applied.

Paris and Villeurbanne, on July 24, 2018

The Statutory Auditors,

Auditeurs & Conseils Associés
ACA Nexia
Represented by
Olivier Juramie

Premier Monde
Represented by
Arnaud Malivoire

**APPENDIX 4 – FINANCIAL SUMMARY AND OTHER COMPANY INFORMATION FOR THE
LAST FIVE FINANCIAL YEARS (IN EUROS) AS PER FRENCH ACCOUNTING STANDARDS**

Type of information	2018	2017	2016	2015	2014
<u>I. Share capital at period end</u>					
- Share capital	13,932,353	13,932,353	10,046,639	9,967,152	9,967,152
- Number of existing ordinary shares	40,977,509	40,977,509	29,548,937	29,315,154	29,315,154
- Number of existing preferred shares	0	0	0	0	0
- Maximum number of future shares:					
<i>through the conversion of bonds</i>	0	0	0	0	0
<i>through the exercise of subscription rights</i>	0	0	0	0	0
<i>through the exercise of share warrants</i>	0	0	0	0	0
<u>II. Operations and net income for the period</u>					
- Revenue excluding taxes	75,888,422	90,100,768	95,336,711	168,298,827	169,488,312
- Revenue before tax, profit-sharing, and amortization and provision charges	7,979,451	32,333,103	41,203,112	119,312,090	99,313,911
- Income tax	(13,329,909)	(881,378)	(3,203,932)	(1,535,102)	(3,462,242)
- Profit sharing for the period		(33,926)	102,163	16,637	6,485
- Profit (loss) after tax, profit-sharing, and amortization and provision charges	(70,474,618)	(33,833,956)	(18,458,659)	2,248,742	(38,419,406)
- Distributed income	0	0	0	0	0
<u>III. Profit (loss) per share (excluding potential dilution)</u>					
- Profit (loss) after tax, profit-sharing, but before amortization and provision charges	1	1	2	4,12	3,51
- Profit (loss) after tax, profit-sharing, and amortization and provision charges	-2	-1	-1	0,08	-1,31
- Dividend per share	0	0	0	0	0
<u>IV. Staff</u>					
- Average permanent headcount during the period	62	66	215	216	109
- Headcount for the period	12,885,669	12,901,592	9,068,138	18,468,178	9,934,369
- Amounts paid as social security benefits during the period (government and corporate welfare benefits, etc.)	5,029,174	5,009,873	4,074,067	7,410,223	4,156,704

APPENDIX 5 – CROSS-REFERENCE TABLE

This Registration Document contains all the elements of the EuropaCorp management report, as required by Articles L.225(100) *et seq.*, L.232(1) II and R.225(102) of the French Commercial Code. It also contains the disclosures contained in the annual financial report referred to in Article L.451(1)(2) of the French Monetary and Financial Code and Article 222(3) of the AMF General Regulations, as well as the schedule of fees paid to the Company’s Statutory Auditors, as referred to in Articles 222(7) and 222(8) of the AMF General Regulations.

To facilitate the reading of the management report and the annual financial report mentioned above, the cross-reference table below can be used to identify the different section headings. The cross-reference table also mentions the other reports prepared by the Board of Directors and auditors, and includes the schedule of fees paid to the Company’s Statutory Auditors.

No	Information	Reference
I	Management report	
1	Location and activities of EuropaCorp and EuropaCorp Group during the financial year and, if applicable, its subsidiaries and the companies it controls	Chapter 6 Sections 9.1 and 9.4
2	Changes to the method of presentation of the financial statements or valuation methods used in previous years	Note 2 of Appendix 1
3	Results of operations of EuropaCorp and EuropaCorp Group, its subsidiaries and the companies it controls	Sections 9.1 and 9.4 Appendix 1
4	Financial key performance indicators for EuropaCorp and EuropaCorp Group	Chapter 3
5	Environmental and social key performance indicators	Chapter 17
6	Analysis of the business, earnings and financial position of EuropaCorp and EuropaCorp Group	Sections 9.2 and 9.4
7	Progress made or difficulties encountered by EuropaCorp and EuropaCorp Group	Section 9.4 Appendix 1
8	Description of the main risks and uncertainties faced by EuropaCorp and EuropaCorp Group (including the exposure of EuropaCorp and EuropaCorp Group to financial risks)	Chapter 4
9	Guidance on the use of financial instruments and objectives and policies of EuropaCorp and EuropaCorp Group in terms of financial risk management	Chapters 4 and 10
10	Significant events since the reporting date for EuropaCorp and EuropaCorp Group	Sections 9.1, 9.4 and 5.1.5; Note 5.5 of Appendix 1
11	Foreseeable development and outlook for EuropaCorp and EuropaCorp Group	Chapters 12 and 13
12	Group cash and debt	Chapter 10
13	Research and development activities of EuropaCorp and EuropaCorp Group	Chapter 11
14	List of positions and terms of office held by each corporate officer during the financial year	Section 14.1
15	Total compensation and benefits of any kind paid to each corporate officer during the financial year ¹⁸	Chapter 15
16	Executive share ownership commitment	Chapter 18.2

¹⁸ This includes the compensation and benefits awarded by EuropaCorp and its subsidiaries, including equity securities, debt securities or securities giving access to the share capital. A distinction should be made between the fixed, variable and exceptional elements comprising compensation and benefits, as well as the criteria by which they are calculated or the circumstances under which they were established. This also applies to the share ownership requirement for executives who receive stock options or free shares.

No	Information	Reference
17	Commitments of any kind made by EuropaCorp and EuropaCorp Group to their corporate officers, corresponding to compensation, indemnities or benefits payable or likely to be payable upon taking, leaving or changing office or subsequent thereto.	Chapter 15
18	Transactions carried out by executives in EuropaCorp securities	Sections 14.1 and 18.1
19	Information on the workforce	Sections 17.1 and 17.4
20	Status of employee profit sharing in the share capital	Sections 17.1.3 and 17.4.2
21	Environmental information	Section 17.1
22	Information on the risk prevention policy for technological accidents, EuropaCorp's ability to cover its third-party liability for property damage and personal injury arising from classified facilities, and resources set aside for victim compensation in the event of technological accident for which liability attaches to EuropaCorp	<i>Not applicable</i>
23	Holdings acquired in companies whose headquarters are in France and accounting for over one-twentieth, one-tenth, one-fifth, one-third or one-half of the share capital or voting rights of those companies	Chapter 25, Section 7.2 and Note 1 of Appendix 1
24	Share disposals arising from the regularization of reciprocal shareholdings	<i>Not applicable</i>
25	Individuals or legal entities directly or indirectly holding more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the share capital or voting rights at EuropaCorp General Meetings ¹⁹	Sections 18.1 and 18.4
26	Penalties or fines for anti-competitive practices ²⁰	<i>Not applicable</i>
27	Factors likely to have an impact in the event of a public offer:	
	Structure of EuropaCorp's capital;	Sections 18.1 and 21.1
	Restrictions on exercising voting rights and transferring shares provided for in the Articles of Association – Clauses of agreements brought to the notice of EuropaCorp under Article L.233(11) of the French Commercial Code;	<i>Not applicable</i>
	Direct or indirect equity interests in EuropaCorp that exist to its knowledge pursuant to Articles L.233(7) and L.233(12) of the French Commercial Code;	Sections 18.1 and 18.4
	List of owners of any securities containing any special rights of control and description of these;	Section 18.1
	Control mechanisms envisaged by employee share-ownership schemes, if any, where employees do not exercise control themselves;	<i>Not applicable</i>
	Shareholder agreements known to EuropaCorp and that could lead to restrictions on the transfer of shares or the exercise of voting rights;	Sections 18.1 and 18.4
	Rules governing the appointment and replacement of members of the Board of Directors and amendment of the Articles of Association of EuropaCorp;	Chapter 16, Sections 21.2.3 and 21.2.10
Powers of the Board of Directors, particularly to issue or buy back shares;	Sections 21.1.2 and 21.1.3	
Agreements entered into by EuropaCorp that are amended or terminate upon a change in control ²¹ ;	Sections 10.2.2, 10.2.3 and 18.4	
Agreements to compensate members of the Board of Directors or employees if they resign or are unfairly dismissed, or if their employment is terminated due to a public offer	<i>Not applicable</i>	
28	EuropaCorp senior management model	Section 21.2.3

¹⁹ This information also includes, where applicable, the percentage of treasury shares held by the Company.

²⁰ Only if the French Competition Council requires its inclusion in the management report as an additional measure.

²¹ Unless this disclosure, except where legally required, would seriously harm EuropaCorp's interests.

No	Information	Reference
29	Information on share buyback programs ²²	Section 21.1.2
30	Calculations and results of the adjustment of securities giving access to the share capital	<i>Not applicable</i>
31	Summary of extant delegations of power to increase the share capital	Section 21.1.3
32	Financial summary for EuropaCorp and EuropaCorp Group over the past five financial years	Appendix 4
33	Amount of dividends paid out over the past three financial years ²³	Section 20.5.1
34	Amount of sumptuary expenses and the corresponding tax	Section 20.8
35	Adjustments made to taxable income by the authorities to reflect certain financial expenses under Article 39(5) of the French General Tax Code	Section 20.8
36	Information on supplier payment times	Appendix 1 Note 3.14
II	Annual Financial Report	
1	Annual financial statements	Appendices 2 and 3
2	Consolidated financial statements	Section 20.2, Appendix 1
3	Statutory Auditors' report on the separate financial statements	Appendix 3
4	Statutory Auditors' report on the consolidated financial statements	Section 20.2
5	Management report containing as a minimum the disclosures referred to in Articles L.225(100,) L.225(100)(2,) L.225(100)(3) and L.225(211)(2) of the French Commercial Code Declaration of persons responsible for the management report and the annual financial report	See management report referred to in Section I above Chapter 1
6	Statutory Auditors' fees	Section 20.4
III	Other reports	
1	Statutory Auditors' special report on regulated agreements	Section 19.2

²² This information includes the average buying and selling price, the amount of brokerage fees, the number of shares registered in the name of EuropaCorp at the end of the financial year and their value based on the purchase price, as well as their par value, the reasons for the purchases made and the percentage of the share capital they represent.

²³ This information also includes the amount of distributed income eligible for the allowance, as well as the ineligible amount, for each share class.