



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 27, 2017, 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, Cité du Cinéma, 93413 Saint-Denis Cedex, as well as from the company's website ([www.europacorp-corporate.com](http://www.europacorp-corporate.com)) and the AMF website ([www.amf-france.org](http://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, 2017

## 1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

### 1.1 Person responsible for the Registration document

Edouard de Vésinne, Deputy 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, 2015, on page 195 of the Registration document filed with the AMF on July 20, 2015 under number D.15-0753 contains the following observation:*

*[Without calling into question the opinion expressed above, we would like to draw your attention to Section 3.8 "Trade receivables" of the Notes to the consolidated financial statements, which outlines, on the one hand, the recognition method applied to the buy-out contract signed with Fox in March 2014, about which the previous Statutory Auditors had made an observation and, on the other, the impacts of this recognition on the Group's main financial aggregates over the last two financial years.]*

*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:*

*[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 169 of this Registration document, contains the following observation:*

*["Without calling into question the opinion expressed above, we would like to draw your attention to Note 2.26 "Application of IFRS 5" in the Notes to the consolidated financial statements, which outlines the way operations held for sale have been processed and their impact on the consolidated financial statements."]*

Saint-Denis, July 27, 2017

Edouard de Vésinne  
Deputy 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, 2015, prepared in accordance with IFRS, featuring on pages 222-277 of the Registration document filed with the AMF on July 20, 2015 under number D.15-0753, as well as the related Statutory Auditors' report on pages 195-197 of the same Registration document;
- 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.

## 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 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 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 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 Paris

Date of appointment: September 26, 2014  
Date of expiry of current term of office: after the General Meeting of Shareholders 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 are involved in the following: 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 draws up the Group's marketing plans for theater and video releases in France; Roissy Films manages the exploitation of a film catalog. The primary activity of EuropaCorp Television is the production of television dramas. Fox Pathé Europa, 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 information<sup>1</sup>*

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, 2015, 2016 and 2017.

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

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<sup>1</sup> These consolidated financial statements to March 31, 2017 include the Multiplexes business until the date it was sold in December 2016 (see Appendix 1 for an IFRS 5 presentation)

which accompany this Registration document and the 2014/2015 and 2015/2016 Registration documents.

### Consolidated profit and loss statements (IFRS)

	Year ended		
<i>(in thousands of euros)</i>	March 31, 2017	March 31, 2016	March 31, 2015
<b>Revenue</b>	151,699	147,340	226,937
<b>Operating margin</b>	(69,657)	37,334	71,513
<b>Operating profit (loss)</b>	(122,240)	(22,314)	19,497
<b>Income before tax and goodwill impairment</b>	(140,431)	(41,906)	24,214
<b>Net income - Group share</b>	<b>(119,888)</b>	<b>(27,700)</b>	<b>16,248</b>

### Consolidated statement of financial position (IFRS)

	Year ended		
<i>(in thousands of euros)</i>	March 31, 2017	March 31, 2016	March 31, 2015
<b>Non-current assets</b>	408,735	399,957	289,159
<i>of which intangible assets</i>	323,121	312,630	208,164
<b>Current assets</b>	256,835	285,030	243,590
<b>TOTAL ASSETS</b>	<b>665,570</b>	<b>684,987</b>	<b>532,748</b>
<b>Equity - Group share</b>	<b>96,747</b>	<b>155,245</b>	<b>186,426</b>
<b>Non-controlling interests</b>	<b>(235)</b>	<b>(231)</b>	<b>(153)</b>
<b>Non-current liabilities</b>	25,402	32,670	33,170
<i>of which bonds and financial liabilities &gt; 1 year</i>	1,375	1,696	2,230
<b>Current liabilities</b>	543,656	497,303	313,306
<i>of which bonds and financial liabilities &lt; 1 year</i>	372,401	310,191	154,426
<b>TOTAL LIABILITIES</b>	<b>665,570</b>	<b>684,987</b>	<b>532,748</b>

## Consolidated statement of cash flows (IFRS)

<i>(in thousands of euros)</i>	Year ended		
	March 31, 2017	March 31, 2016	March 31, 2015
Cash flow from operating activities after net financial debt and taxes	(16,677)	48,984	127,551
Cash flow from operating activities before net financial debt and taxes	(24,777)	42,978	137,211
Net cash flow from operations	2,385	81,675	145,786
Net cash flow from investments	(123,281)	(180,016)	(104,268)
Net cash flow from financing activities	105,817	148,720	(32,730)
<b>Overall change in cash position</b>	<b>(15,079)</b>	<b>50,379</b>	<b>8,789</b>
<b>Cash position at the start of the period</b>	<b>122,207</b>	<b>71,827</b>	<b>63,038</b>
<b>Cash position at the end of the period</b>	<b>107,128</b>	<b>122,207</b>	<b>71,827</b>

The table below gives the breakdown of revenue by distribution channel for financial years ended March 31, 2015, 2016 and 2017, under IFRS:

<i>(in thousands of euros)</i>	Year ended					
	March 31, 2017		March 31, 2016		March 31, 2015	
	Revenue	%	Revenue	%	Revenue	%
International sales	48,820	32.2%	55,497	37.7%	95,747	42.2%
Theatrical distribution	13,693	9.0%	9,777	6.6%	29,247	12.9%
Video & VOD	17,389	11.5%	15,155	10.3%	13,667	6.0%
Television & SVOD	29,913	19.7%	23,846	16.2%	29,145	12.8%
Support	3,941	2.6%	4,201	2.9%	9,751	4.3%
TV Series	23,570	15.5%	21,774	14.8%	32,829	14.5%
Events	1,024	0.7%	2,593	1.8%	4,355	1.9%
Multiplexes	5,180	3.4%	7,459	5.1%	5,832	2.6%
Other activities	8,168	5.4%	7,039	4.8%	6,364	2.8%
<b>Revenue</b>	<b>151,699</b>	<b>100%</b>	<b>147,340</b>	<b>100%</b>	<b>226,937</b>	<b>100%</b>

## 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 2016, the CNC reported that at national level investment in French films rose by 18.1% compared with 2015, for 13 fewer films (-5.6%). Investment amounted to €1,208.8 million in 2016, close to the record investments made in 2008 (€1,259.2 million). This increase is mostly due to the presence of two big-budget films, both of which are EuropaCorp films: *Valerian and the City of a Thousand Planets* (€197.5 million) and *Renegades* (€66.2 million). Between 2007 and 2016, total investment in French films rose by 2.1% per year on average. In 2016, the average budget for French films was €5.5 million, compared with €4.4 million in 2015, i.e. an increase of 25%. This rise is due to the presence of the two films referred to above – *Valerian and the City of a Thousand Planets* and *Renegades*. Excluding these films, the average budget was €4.3 million. However, in the ten years from 2007 to 2016, the average budget fell by 8.8% (in constant euros).

Source: CNC – 2016 Report

Since its IPO in 2007, the Group has looked to produce an increasing 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 the 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 2016, French producers were the main sources of finance for French films, ahead of TV channels. Contributions from French producers rose by 48.7% between 2015 and 2016, reaching €462.6 million (38.3% of budgets), the highest level since 1994 (first year of the CNC's statistical series). Investments by TV channels in financing French films (pre-sales and contributions to coproductions) fell dramatically: by 15.5% in 2016, to €306.6 million. The proportion of funding provided by TV channels fell by over 10 percentage points, from 35.5% in 2015 to 25.4% in 2016, the lowest recorded level since 1994.

*Source: CNC - 2016 Report*

During financial year 2016/2017, the four 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, 2015, March 31, 2016 and March 31, 2017 amounted to €22,765 thousand, €9,824 thousand, and €2,770 thousand respectively.

For all three years, pre-sales to the Canal+ and TF1 groups accounted for 69% and 21% 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 32.2% of the Group's consolidated revenue during the financial year versus 37.7% for financial year 2015/2016 and 42.1% for financial year 2014/2015), 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, 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 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 also signed various framework agreements: with Germany's Universum in 2010, followed by Scandinavia's Scanbox in 2011. In 2012, EuropaCorp and Belga Films signed a partnership agreement for the exclusive distribution in Benelux countries for all films produced or co-produced by EuropaCorp.

Various other output deals have been agreed for key regions, notably with Gulf Film in the Middle

East, VVS Films in Canada, Deepjoy Picture in Taiwan, Times Media Group in South Africa, PVR in India, Kino Świat in Poland, Prorom for Romania and Hungary, Tanweer in Turkey, Forum Film in Israel, etc.

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 11.5% of the Group's revenue for the year ended March 31, 2017, compared with 10.3% for the year ended March 31, 2016.

In 2016, the video market in France (DVD, Blu-ray, VOD and SVOD) fell by 8.3% to €940 million, versus €1,025 million in 2015. Sales of physical media (DVD and Blu-ray) fell by 15.8%, to €595.5 million in 2016, compared with €707.6 million in 2015. Household spending on physical video formats fell for the sixth consecutive year. In ten years, income from the physical video market has fallen by more than half (-60.1%), accounting for 63.4% of the total video market in 2016, compared with 69% in 2015. Cinema continues to dominate the overall video market, with receipts of €350.8 million in 2016, or 58.9% of the total, and a 16.6% decrease compared with 2015.

Nevertheless, the paid-for VOD (FFS and subscription) market grew by 8.3% in 2016, reaching €344.1 million. FFS (fee for service) still accounts for the majority of this, at 68.3% of total sales. However, the market share of SVOD (subscription video on demand) rose significantly between 2015 and 2016, from 26.0% to 31.7%.

*Source: CNC – 2016 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. At the end of December 2016, Netflix had around 1.4 million subscribers in France (source: *FutureSource Consulting*), and CanalPlay (Canal+ group) recorded 614,000 subscribers at the end of June 2016 (source: *Vivendi HY Financial Report*). Both platforms are 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 on 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 27% of internet users 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 – February 2017*).

#### **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 the 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 €9,751 thousand for the year ended March 31, 2015, €4,201 thousand for the year ended March 31, 2016, and €3,941 thousand for the year ended March 31, 2017.

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: "suitable for all" 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 "suitable for all" when the license is issued, or take all necessary measures so that the film can be advertised as "suitable for all" 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, 2017 together held 38.73% of the company's capital and 38.75% 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 three Independent Members out of a total of seven members on the Company's Board of Directors is designed to prevent control of the company being exercised improperly.

In addition, since November 23, 2008, the positions of Chairman of the Board of Directors and Chief Executive Officer of the company have been separated.

### *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 drama production and distribution, its key 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 should 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 the Registration document), which must be signed before 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 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 the 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 *et seq.* of the Registration document.

On May 18, 2009, the Group signed an off-plan commercial lease with EuropaCorp Studios for an office complex on the Cité du Cinéma site, paying annual rent of €6.4 million for 12 years (see Chapter 19). 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 subletting agreement concluded with Front Line. However,

Front Line continues to represent EuropaCorp vis-à-vis its own tenants, it being specified that most of the premises leased by Front Line are now rented. The termination was approved by the Board of Directors on May 23, 2017.

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.

If Sofica EuropaCorp should fail to make profitable enough investments, leading to a fall in share value below the repurchase price guaranteed by EuropaCorp, the latter would be obliged to repurchase the securities from those subscribers who request it, which could have an impact on the company's earnings.

The first period allowed for 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 allowed for 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 allowed for 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 allowed for 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 allowed for 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.

For comparison, the share price, which is based on the net position of Sofica EuropaCorp at December 31, 2016, stood at €461.19.

#### 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 cannot be measured reliably.

For a description of the main litigation cases pending, see Section 20.6 of the 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 in producing and promoting a film, and the time the broadcasting revenue is actually collected. This lag may mean the Group has to take out bank loans. 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 will be 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.

At March 31, 2017, €131.5 million had been drawn down against this Senior credit line. The secondary credit line has been fully drawn down.

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

(i) the principal credit line for an initial amount of \$400 million was reduced to \$250 million; the accordion clause for an additional \$150 million remained unchanged. These new amounts result in much lower non-usage fees, with currently-available collateral meaning that it is not possible to draw down this line in excess of this amount;

(ii) the secondary credit line was increased from \$50 million to around \$80 million, enabling an additional amount of approximately \$30 million to be drawn down. This extension to the secondary credit line benefits from the Group companies' guarantee, as previously.

The secondary credit line now bears interest at the annual 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. This loan can be repaid at any time without any penalty being applied.

Consolidated net debt stood at €267,498 thousand at March 31, 2017, compared with €190,377 thousand at March 31, 2016 and €85,541 thousand at March 31, 2015. For a complete and costed description of the Group's financial debt at March 31, 2017 and March 31, 2016, and of its net

cash position on the same dates, see Chapter 10 and Appendix 1 of the Registration document. Sections 10.2.3 and 10.2.4 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 most 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.

#### *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.

**Schedule for the Group's financial assets and liabilities excluding trade receivables and trade payables  
in accordance with IFRS to March 31, 2017 (in thousands of euros)**

<i>(in thousands of euros)</i>	03/31/17	<i>Maturities</i>		
		< 1 year	1 - 5 years	> 5 years
Fixed-rate financial assets	-			
Variable rate financial assets	107,128	107,128		
Financial assets not exposed	3,674	711	2,962	
<b>Financial assets</b>	<b>110,801</b>	<b>107,839</b>	<b>2,962</b>	-
Fixed rate financial liabilities	-			
Floating-rate financial liabilities	373,776	372,401	1,375	
Financial liabilities not exposed	703		703	
<b>Financial liabilities</b>	<b>374,479</b>	<b>372,401</b>	<b>2,078</b>	-

Based on the net position due for renewal within one year (after hedging) at March 31, 2017, the Group estimates that a 0.5% rise in interest rates would result in a negative impact on net income of €1,342 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, 2017, nine currency hedges were in place.

During the year ended March 31, 2017, revenue billed in a currency other than the euro<sup>2</sup> amounted to €87,106 thousand, representing 57.4% of consolidated revenue.

<sup>2</sup> 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.

The Group's net foreign currency positions at March 31, 2017 are summarized below:

<i>(in thousands of euros)</i>	U.S. dollars
Assets	69,689
Liabilities	-261,380
Net equity before hedging	-191,690
Off-balance sheet position	53,305
Net equity after hedging	-138,386

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, 2017</i>	<i>In thousands of dollars</i>	<i>€/USD rate</i>	<i>In thousands of euros</i>	<i>Impact on EuropaCorp income (in thousands of euros)</i>
Net position in USD	-147,948	1,0691	-138,386	
Impact of a 10% fall in USD	-147,948	1,17601	-125,805	12,581
Impact of a 10% rise in USD	-147,948	0,96219	-153,762	-15,376

For further information, see Section 3.13 of Appendix 1 on currency 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 2016/2017.

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

#### 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, 2017.

- 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, 2017 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, 2017, the total amount of insurance premiums that the Group paid directly to its own insurance companies amounted to €574 thousand, including €222 thousand 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. At March 31, 2017, 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 thousand 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 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 Cité du Cinéma site ranging in size from 600 to 2,000 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, mainly to finance the construction of the studios. As of March 31, 2017, capital investments and contributions to associates' current accounts totaled €8.3 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 Section 19.1 of the Registration document for further information).

EuropaCorp has also signed a lease with La Nef Lumière, owner of the business park where the 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 the 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 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 November 20, 2012, EuropaCorp and FEW (Farrugia Entertainment Worldwide), the production company owned by Dominique Farrugia, signed a strategic agreement under which all FEW films will be produced exclusively in partnership with EuropaCorp.

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 May 16, 2014, EuropaCorp signed a commitment letter with J.P. Morgan, SunTrust Bank and OneWest Bank in which each bank confirmed to the company its commitment to participate in a new credit line in the amount of \$450 million over a period of five years. This line is to replace the existing loan. 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 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 will be 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, will distribute 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 the 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).

The purpose of this is to enable the company to accelerate its growth strategy, particularly the production of English-language full-length feature films and TV series and the direct distribution in the United States and France of these full-length feature films, as well as the acquisition of English-language films produced by third parties.

## 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, €133,699 thousand, €175,996 thousand, and €102,872 thousand for the financial years ended March 31, 2017, 2016, and 2015.

- *Relativity EuropaCorp Distribution (RED)*

On February 20, 2014, Relativity Media and EuropaCorp established a jointly owned distribution company in the USA 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 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 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.

### **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 2017/2018 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 - and specifically the company's - investments will remain focused on the production, distribution and coproduction of films and television dramas, as well as on the acquisition of operating rights to films produced outside of the Group.

## 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.

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.

In October 2013, the Group also opened its first EuropaCorp Cinemas multiplex in the Aéroville shopping mall in Tremblay-en-France. On December 16, 2016, the company announced that it had sold its Aéroville multiplex activity in Tremblay-en-France and its La Joliette multiplex project in Marseille to Cinémas Gaumont-Pathé. As mentioned above, the company intends to focus on its core activities: the production and distribution of films and series worldwide.

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, 2017, EuropaCorp had produced and distributed 113 films, distributed 151 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, 10 EuropaCorp films have featured among the world's 20 highest-grossing French films since January 1, 2000 (*source: Unifrance – June 2017*). 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. The Group has around 30 projects in development at any one time. 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. Led by a Chief Executive Officer who holds full executive powers, the Group also relies on a management team composed of experienced individuals renowned within the industry and assigned key roles within the company. 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, and Michelle Pfeiffer, not to mention Guillaume Canet, Jean Dujardin and Gaspard Ulliel, all of whom have been involved in 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 38% 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 filmmaking 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 filmmaking 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 5<sup>th</sup> place in 2014, 3<sup>rd</sup> place in 2015 and 14<sup>th</sup> place in 2016. *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, by setting up the EuropaCorp Distribution, LLC joint venture in February 2014, (formerly Relativity EuropaCorp Distribution), EuropaCorp is now able to control its distribution in the United States and maximize the international visibility of its films.

- *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 strategic areas, in line with the management rules established within the Group.

Moreover, on December 16, 2016, the company announced that it had sold its Aéroville multiplex activity in Tremblay-en-France and its La Joliette multiplex project in Marseille to Cinémas Gaumont-Pathé. As mentioned above, the company intends to focus on its core activities: the

production and distribution of films and series worldwide.

- *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 \$39 billion in 2016 (growth of 6% per year), thanks to strong growth in China, where box-office revenue is set to increase by almost 23% per year. The SVOD market is also growing; it is expected to expand by 13% per year to reach \$32.2 billion in 2021 compared with \$17.5 billion in 2016.

*Sources: MPAA Theatrical market statistics 2016 – 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 production with an international outlook.

China is one of the distribution regions for French and international films that has recorded considerable growth in recent years. EuropaCorp films have been particularly successful in China: eight out of the ten most successful French films in China since January 1, 2000 were produced by EuropaCorp (*source: Unifrance – June 2017*).

In addition to the agreements signed with the Gulf States, Germany, China, North America 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.

- *Continuing to grow the television production business*

In the global drama market, demand among broadcasters for new and exclusive content is on the increase, 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 marked a milestone in the Group's plans to expand its television production business. After its audience success, the Group intends to continue developing French and international coproductions.

- *Taking advantage of the diversity of distribution formats*

Revenue from the video market in France, which totaled €939.7 million in 2016, was down 8.3% on 2015. This was due to the decline in the physical video market, which accounts for 63.4% of the video market (-5.6 points compared with 2015). DVD remains the favorite format, with 75% of the physical video market by value; sales were down 16.8% compared to 2015 to €446.7 million. Blu-ray receipts were down for the fourth consecutive year, falling by 12.8% between 2015 and 2016 to total €148.9 million in 2016. Unlike in 2015, Blu-ray sales fell (-2.7% by volume), although the decrease in receipts is mostly due to Blu-ray retail prices being cut.

In 2016, the VOD market in France generated €344.1 million in revenue, up 8.3% on the previous year. The CNC estimates that its potential lies in subscription video on demand (SVOD), which grew significantly in 2016 (+32%) to €109 million. FFS remained unchanged over the same period at €235.2 million, accounting for 68.3% of total sales. Motion pictures generated nearly 78% of VOD receipts from FFS in 2016, still representing a real development opportunity for EuropaCorp.

*Source: CNC – 2016 Report*

To optimize the value of its films during VOD and SVOD streaming, the Group's strategy is to develop a new method of marketing rights through exclusive agreements with a handful of partners. In November 2015, the Group signed a framework agreement with Amazon for the SVOD exploitation of EuropaCorp films in the United States.

## 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 ninth consecutive year, reaching a record high in 2016 of \$38.6 billion, up 2% compared with 2015.

In 2016, Asia Pacific was the most important region in terms of box office takings (\$14.9 billion) for the fourth consecutive year, with an increase of 5% compared with 2015. After ten years of uninterrupted growth, box office takings (US dollars) in China fell by 1% in 2016 compared with 2015, although they increased slightly (+4%) in local currency.

Box-office takings in North America rose 2% to \$11.4 billion.

Latin America saw an 18% decrease, mainly due to the fall in value of several of the region's currencies in relation to the US dollar (Mexico -15%, Argentina -37%, Venezuela -31%).

The Europe, Middle East and Africa region recorded a 2% decrease in box office revenue compared with 2015, mainly due to the 10% slump in the UK market caused by the depreciation of the pound sterling in relation to the dollar, and the slowdown in the German market (-13%).

*Source: MPAA 2016, U.S. Theatrical Market Statistics*

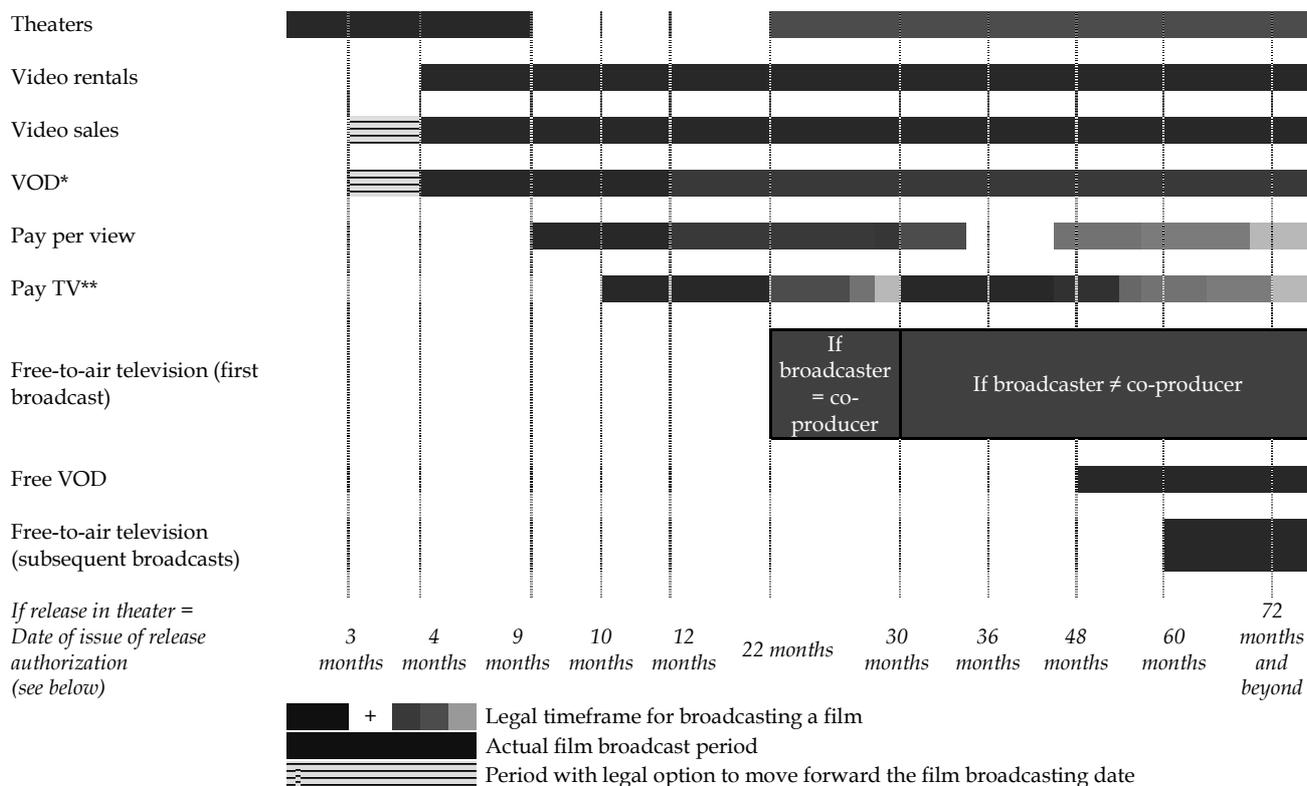
For the first time, China overtook the United States, becoming the country with the highest number of cinema tickets sold (1.37 billion, an increase of 8.9%). In the United States, admissions remained stable at 1.32 billion in 2016. Admissions to theaters in the European Union rose 1.6% to 994 million. Theater attendance was up in Italy (+5.4%), Spain (+7.8%) and France (+3.8%), but fell in Germany (-13.0%) and the United Kingdom (-2.1%). However, France is still the largest European market with a total of 213.1 million admissions, ahead of Russia, which consolidated its position as the second-largest European market with 194.7 million admissions in 2016. In France, box office receipts were at their highest level this decade: €1,387.7 million compared with €1,331.3 million in 2015, a 4.2% rise. This is mostly due to increased theater admissions (213.1 million); the average revenue per admission remained stable (€6.51 including VAT in 2016, a 0.4% rise compared to €6.48 in 2015).

*Source: CNC – 2016 Report*

In all countries, the many possible ways of broadcasting films (theaters, television, internet, video, etc.) has led governments and industry professionals to phase in a new part-conventional, part-regulatory 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.

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, although it remains at a high level overall, film production fell slightly (-5.7% i.e. 17 fewer films produced than in 2015) with 283 films approved.

Source: CNC – 2016 Report

In North America, 718 films were released in theaters in 2016, a rise compared with 708 in 2015. Fifty-two 3D films were released in theaters in the United States in 2016, i.e. 12 films more than in the previous year, with nine of these films being ranked in the box office top 10.

Source: MPAA 2016 U.S – Theatrical Market Statistics

### Number of films approved by the CNC – France

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
French films (1)	185	196	182	203	206	209	208	203	234	221
of which 100% French films	133	145	137	143	151	150	153	152	158	159
of which coproduction films	52	51	45	60	55	59	55	51	76	62
Predominantly foreign films (2)	43	44	48	58	65	70	61	55	66	62
<b>Total approved films (1) + (2)</b>	<b>228</b>	<b>240</b>	<b>230</b>	<b>261</b>	<b>271</b>	<b>279</b>	<b>269</b>	<b>258</b>	<b>300</b>	<b>283</b>

Source: CNC – 2016 Report

In France, 283 feature-length films were approved by the CNC in 2016, i.e. 17 films fewer than in 2015 and 25 more than in 2014. The decrease applies to both French films (13 fewer films, giving a total of 221 films in 2016) and predominantly foreign films (four fewer films, giving a total of 62 films in 2016).

In 2016, the average budget for French films was €5.47 million, compared with €4.4 million in 2015, i.e. an increase of 25%. This increase is due to the presence of *Valerian and the City of a Thousand Planets* and *Renegades*, both EuropaCorp films. However, in ten years, average budgets fell by 8.8% (in constant euros).

Source: CNC – 2016 Report

### Growth of investment in films approved<sup>3</sup> by the CNC

Total investments (€ million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
French films	1,003.6	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
Predominantly foreign films	197.5	231.3	171.2	326.9	260.8	276.7	234.7	195.0	200.4	179.7
<b>Total</b>	<b>1,201.1</b>	<b>1,490.5</b>	<b>1,098.7</b>	<b>1,439.0</b>	<b>1,388.4</b>	<b>1,342.3</b>	<b>1,254.9</b>	<b>994.1</b>	<b>1,224.2</b>	<b>1,388.5</b>

Source: CNC – 2016 Report

In 2016, investments in approved films rose by 13.4% to €1,388.5 million. In 2016, investments in French films, which totaled €1,208.8 million, were up 18.1% on 2015, almost matching the record 2008 levels (€1,259.2 million), with 13 fewer films than in 2015 (-5.6%). This rise is mainly due to the presence of *Valerian and the City of a Thousand Planets* and *Renegades*, both high-budget productions. Between 2007 and 2016, total investments in French films rose by 2.1% per year on average.

The French production sector remains very fragmented: the CNC reports that 206 different companies produced the 221 French films approved in 2016, which included 53 coproductions.

EuropaCorp produced four films in 2016, and, of its main competitors, Gaumont was the most active in 2016. It produced six French films (all of them co-executive productions) with an average budget of €8.90 million. The next most important competitor is Nolita Cinéma, which produced five films (one of which was a co-executive production) with an average budget of €4.40 million. Other competitors include Agat Films et Cie, Alfama Films Production, Les Films d'Ici and Les Films du 24, each having released four films. Seven companies produced three films, and thirty companies produced two in 2016. Finally, 162 companies produced just one film.

Source: CNC – 2016 Report

<sup>3</sup> Films that received, for that year, investment or production approval from the CNC.

## 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 June 26, 2016

Rank	Film	Cumulative admissions	Cumulative receipts
1*	<i>Lucy</i>	56,071,700	€314,117,671
2*	<i>Taken 2</i>	47,679,678	€272,927,705
3*	<i>Taken 3</i>	43,991,223	€263,063,300
4	<i>The Intouchables</i>	31,858,841	€220,060,559
5	<i>Taken</i>	30,157,011	€164,097,784
6	<i>Amélie</i>	23,139,709	€138,903,687
7	<i>The Pianist</i>	17,869,280	€99,210,482
8	<i>March of the Penguins</i>	19,964,375	€96,632,536
9	<i>Le Petit Prince</i>	18,173,490	€91,360,722
10	<i>The Artist</i>	13,465,856	€86,128,577
11*	<i>Transporter 3</i>	16,772,977	€81,086,920
12*	<i>Kiss of the Dragon</i>	12,183,035	€71,491,516
13	<i>Serial (Bad) Weddings</i>	9,848,118	€68,404,761
14*	<i>Transporter Refueled</i>	12,869,264	€64,654,250
15*	<i>Transporter 2</i>	12,714,103	€62,747,061
16*	<i>Malavita (The Family)</i>	10,431,309	€56,399,270
17*	<i>Colombiana</i>	9,560,925	€51,022,438
18*	<i>Arthur &amp; the Invisibles</i>	10,201,981	€49,842,635
19	<i>Asterix &amp; Obelix: Mission Cleopatra</i>	10,212,943	€47,643,778
20	<i>Babylon A.D.</i>	10,540,694	€46,472,009

\* EuropaCorp productions

Source: Unifrance – June 2017

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 on the other hand, independent distribution companies with a limited number of titles. 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 2016, four years after the record theater attendance numbers of 2012 (144.1 million admissions), there were 37.4 million admissions to theaters abroad for French films (-66.4% compared with 2015), while the corresponding box office receipts amounted to €241.2 million (-61.3%). Although there were over 111 million admissions in 2015, the number of admissions to French films fell the following year, with 2016 marking a ten-year low. The drop in admissions in 2016 is due to the absence of any box office hits such as *Taken 3*, a EuropaCorp film which generated 44 million admissions in 2015.

The average for the last ten years is 82.01 million admissions.

Despite a 34.9% fall in the number of admissions compared with 2015, Western Europe once again became the main export region for French films in 2016. With 18 million admissions, the region accounts for almost half of the admissions (48.2%). North America dropped to second position with 6.4 million admissions and market share of 17%. These results were mainly thanks to the release at the end of the year of *Shut In* and *Miss Sloane*, two English-language EuropaCorp films. Central and Eastern Europe are in third position with 11.3% market share, and after an exceptional 2015, Latin America and Asia (third and first positions respectively in 2015 with 22.4 million admissions and 29 million admissions) slumped to fourth and fifth place with 4 million and 3.5 million admissions respectively, mainly due to the absence in Asia of any box office hits such as *Taken 3* and *Transporter*

*Refueled*, two EuropaCorp films released in 2015.

Source: CNC – 2016 Report

## 6.2.4 Theatrical distribution market

### 6.2.4.1 International theatrical distribution market

For the first time, China overtook the United States, becoming the country with the highest number of cinema tickets sold (1.37 billion, an increase of 8.9%). In the United States (and Canada), admissions remained stable at 1.32 billion. Admissions to European Union theaters rose 1.6%, to 994 million admissions, the best year since 2004.

However, in terms of receipts generated, the United States is still the largest global market, worth \$11.4 billion compared with \$6.6 billion in China.

Source: CNC – 2016 Report

On a global scale, theater receipts rose by 0.5% to \$38.6 billion, driven in particular by the strong box office performance in Asia (+5% to \$14.9 billion). The North American market grew to a lesser degree (+2% to \$11.4 billion), while Europe-Middle East-Africa decreased for the third consecutive year (-2% to \$9.5 billion).

Source: MPAA 2016, 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
2007	1,400	196	179	162	125	116	117	163	107
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

Source: CNC – 2016 Report

In 2016 in the European Union (EU), gross box office receipts fell slightly (-3.6%) to €7.04 billion, with 991 million tickets sold – the highest level since 2004. This was due to the decrease in the average ticket price in the EU, which fell for the first time in five years, from €7.40 to €7.10.

According to the European Audiovisual Observatory, theater admissions in the European Union rose 1.6% in 2016. Total attendance was 994 million admissions (978 million in 2015), making it the best year since 2004. This rise is thanks to increased theater attendance in France, Spain, Poland and Italy.

Source: European Audiovisual Observatory – Press release of May 11, 2017

Outside of the European Union, the Russian Federation confirmed its position as the second largest European market, with a strong increase in attendance to 194.7 million admissions in 2016 (+11.6%). At the same time, box office receipts were up 7.4% to 47.5 billion roubles (\$790 million). Despite a slight 3.6% decrease in attendance (58.3 million admissions compared with 60.5 million in 2015), gross box office receipts also continued to increase in Turkey reaching their highest level in the last few decades, +1.5% to 692 million Turkish lira (€187.3 million).

Source: CNC – 2016 Report

According to the results disclosed by the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT), Chinese box office admissions rose 8.9% to 1.37 billion in 2016 compared with 1.26 billion in 2015 (and a growth rate of 51% compared with 2014). At the same time, receipts rose 3.7% to 45.7 billion yuan (\$6.58 billion), but due to the depreciation of the Chinese currency, the market shrank 2.9% in US dollars (\$6.77 billion in 2015). In terms of receipts, the market share of national films (China and Hong Kong) was 58.3% in 2016 compared with 61.6% in 2015. The highest-grossing film in China was the national film *The Mermaid*, which became the first film (of any origin) to exceed the \$500 million mark in receipts in China.

According to figures provided by the Motion Picture Producers Association of Japan (MPPAJ), attendance rose 8.2% in 2016, reaching the highest level since 1974. Admissions stood at 180.2 million in 2016, compared with 166.6 million in 2015. At the same time, box-office receipts were up 8.5% to ¥235.5 billion (€2.0 billion) in 2016.

Sources: CNC – 2016 Report, MPPAJ 2016

#### 6.2.4.2 The French theatrical distribution market

With 213.1 million tickets sold in 2016, the number of paid-for theater tickets rose 3.8% compared with 2015, and attendance at French theaters remains the highest in Europe. These are the highest attendance figures since 2011 (217.2 million admissions) and the second highest level since 1966 (234.2 million). For the seventh time in ten years, admissions exceeded the 200 million mark. In addition, attendance levels in 2016 were significantly above the average for the last ten years (202 million admissions).

In 2016, box office receipts were €1,387.7 million (+4.2%), the highest level this decade.

Receipts before taxes (VAT and the special tax on ticket prices) amounted to €1,165.7 million in 2016, compared with €1,118.4 million in 2015 (+4.2%).

In 2016, the increase in receipts was very slightly higher than the increase in the number of admissions. Accordingly, the average admission receipt from paid admissions was €6.51 including taxes in 2016, an increase of 0.4% compared with 2015 (€6.48 including taxes). Average admission revenue before taxes (VAT and the special tax on ticket prices) was €5.47 in 2016, compared with €5.45 in 2015.

#### Admissions and box-office receipts in France\*

	Admissions (in millions)	Box office receipts (in millions of euros)	Average receipt per admission (in euros)
2007	178.5	1,061.9	5.95
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**	213.1	1,387.7	6.51

\* 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 were almost as many viewers in 2016 as there were in 2015. 42.5 million people (over two-thirds of French people) aged three and over went to the cinema at least once during the year

(42.4 million in 2015). Each viewer went to the cinema five times on average (4.8 times in 2015). “Regulars” (regular and frequent attendees) still make up the majority of admissions, although this segment is decreasing. They accounted for 62.7% of total admissions during the year (70.7% in 2015), i.e. 133.6 million admissions. Compared with 2015, there were fewer frequent cinema attendees (-0.3 million people) and regular viewers (-0.9 million people) and more occasional viewers (+1.3 million people).

Source: CNC – 2016 Report

In 2016, the key players in the theater distribution market in France were as follows (Source: *Le Film Français* – January 27, 2017 – 2016 distributor ranking):

### 2016 ranking of the top 20 theater distributors by average number of admissions per film

Rank	Distributor	Average admissions per film	Total admissions in 2016	Number of films released in 2016	Admissions to films released in 2016	Market share
1	The Walt Disney Company France	2,202,777	31,063,996	12	26,433,328	15.00%
2	20th Century Fox	1,403,770	27,581,009	19	26,671,622	13.30%
3	Pathé Distribution	1,123,442	16,926,868	15	16,851,624	8.20%
4	Warner Bros. Entertainment France	959,688	18,511,474	19	18,234,063	8.90%
5	Gaumont Distribution	783,165	11,846,998	14	10,964,304	5.70%
6	SND	700,014	10,562,057	15	10,500,207	5.10%
7	Universal Pictures International France	575,505	13,269,063	21	12,085,613	6.40%
8	Mars Distribution	502,965	9,556,326	19	9,556,326	4.60%
9	Paramount Pictures France	441,683	5,487,687	11	4,858,511	2.60%
10	Studiocanal	435,125	7,090,592	16	6,961,994	3.40%
11	Sony Pictures Releasing France	433,310	6,932,955	16	6,932,955	3.30%
12	UGC Distribution	403,895	4,752,708	11	4,442,845	2.30%
13	Le Pacte	330,927	6,049,450	17	5,625,751	2.90%
<b>14</b>	<b>EuropaCorp Distribution</b>	<b>270,599</b>	<b>1,627,154</b>	<b>6</b>	<b>1,623,592</b>	<b>0.80%</b>
15	Metropolitan Filmexport	260,225	5,574,067	20	5,204,503	2.70%
16	La Belle Company	224,737	1,589,966	7	1,573,158	0.80%
17	Wild Bunch Distribution	220,270	4,282,479	16	3,524,312	2.10%
18	Diaphana Distribution	164,569	3,423,777	16	2,633,104	1.60%
19	Ad Vitam Distribution	111,225	1,840,254	12	1,334,703	0.90%
20	ARP Sélection	87,260	1,502,796	14	1,221,638	0.70%

## 6.2.5 The exploitation market

### 6.2.5.1 Exploitation in France

In 2016, there were 5,842 active theater screens within 2,044 establishments. There were more screens in 2016 (101 additional screens, +1.8% compared with 2015). 58.1% of the new screens are in multiplexes (theaters with over eight screens), and 23.3% of them are in movie theaters with between four and seven screens. The remaining 18.6% are in theaters with one to three screens.

Given the 3.8% rise in attendance in 2016 compared with 2015, the average number of admissions per cinema increased to 104,240, up 3.2% on 2015. The average number of admissions per screen also rose to 36,471 (+2.0%). On average, each multiplex recorded 608,645 admissions in 2016, versus 614,493 in 2015 (-1.0%). Around two-thirds of admissions were to large theaters.

In 2016, there were 209 multiplexes in France. 10.2% of French theaters are multiplexes and 59.7% of admissions are to multiplexes. Multiplex attendance rose 2.0% compared with 2015, compared with +3.8% for all cinemas. 1,212 theaters have 3D digital projection systems in France, i.e. 59.3% of all cinemas.

Source: CNC – 2016 Report

### 6.2.5.2 *International exploitation*

In Europe, the number of screens remained relatively stable in 2016. In Spain, the number of screens fell for the twelfth consecutive year (-0.9%) to 3,557 screens (compared with 3,588 in 2015). For the second consecutive year, the number of screens in Germany rose, with 1,654 theaters with 4,739 screens in 2016 (1,648 theaters for 4,692 screens in 2015). It also rose in France, with 101 new screens in 2016, giving a total of 5,842 screens. Russia had 4,397 screens, i.e. 9.9% more than in 2015. In the United States the number of screens rose slightly (+0.5%) to 40,392. In Brazil and Mexico, the number of screens continued to grow in 2016, with 155 new screens in Brazil and 248 in Mexico. China had 41,179 screens; 9,552 of these opened in 2016. China is now the country with the most screens in the world, ahead of the United States.

The number of screens in Japan rose 1.0% from 3,437 in 2015 to 3,472 in 2016.

*Source: CNC – 2016 Report*

## 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 2016, the French spent an average of 3 hours 43 minutes per day watching television, a decrease of one minute. At the end of 2016, 31 national channels were available to private digital terrestrial TV (DTT) viewers (29 of them in HD). Twenty-six of these are free-to-air channels and five are pay-TV channels.

Between 2007 and 2016, the aggregate audience share of “older” channels ceded 22.4 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 fourth year, the six new free HD channels, launched in late 2012, together accounted for a 7.8% audience share. The audience share of pay-TV and local channels, which has fallen slightly since 2007, remained stable between 2015 and 2016, at around 10%.

*Source: CSA – Le guide 2017 des chaînes numériques (The 2017 digital channel guide)*

### 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, 2,480 different films were shown on television (national free channels and Canal+), 86 titles fewer than in 2015, i.e. a decrease of 3.4%. In all, 85.0% of these films were scheduled by free French channels broadcasting 2,107 films, i.e. 89 (4.1%) fewer than in 2015.

In total, 31.0% of the films shown on television (free French channels and Canal+) were new (31.3% in 2015), i.e. scheduled for the first time on free-to-air TV. New films accounted for 32.2% on French public channels. Only 13.4% of the films broadcast by private free French channels were new (161 films in 2016). This reduced portion is due to the scheduling policy of the free private DTT channels which mostly show catalog films (90.7% film repeats on free private DTT channels). On these channels, films were being scheduled on free-to-air TV on average for the eighth time in 2016 (seventh time in 2015). Canal+ scheduled 302 film premieres in 2016, representing 77.0% of its offering (versus 83.2% in 2015).

### 6.2.6.3 Broadcasting of TV series

Dramas are the leading genre of TV shows in terms of offerings and viewing figures. In 2016, the drama offering on the traditional national channels (TF1, France 2, France 3, Canal+, M6 and Arte) fell by four evenings compared with 2015, standing at 848 evenings. 52-minute dramas make up 70.2% of drama evenings. In 2016, the drama offering on the national traditional channels fell by six evenings compared with 2015 for the 26-minute format, by five evenings for the 52-minute format and by one evening for the short format, while it rose by eight evenings for the 90-minute format.

In 2016, the drama offering on the traditional French channels fell by two evenings compared with 2015 for TV series (726 evenings) and by two evenings for single productions (102 evenings). The offering of single productions was at its lowest level. The proportion of TV series in the drama offering has reached record levels. In 2016, TV series made up 87.7% of the evenings dedicated to dramas on the national traditional channels (87.5% in 2015). For the first time since 2009, the French drama offering on the traditional national channels exceeded the US drama offering, which was at its lowest level. In 2016, French drama accounted for 39.4% of drama nights, compared with 60.6% for foreign drama. Of this, 38.2% consisted of U.S. drama, 19.1% for non-French European drama and 3.4% of other foreign drama.

In 2016, the traditional French channels offered 828 evenings of drama, four evenings fewer than in 2015 (-0.5%). TF1 remains the largest broadcaster of drama in the early evening.

Source: CNC – 2016 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)**

	2009	2010	2011	2012	2013	2014	2015	2016	Δ 2015/16
<b>Films</b>	808.4	849.6	753.6	691.9	560.1	479.4	420.8	350.8	-16.63%
<b>Non-film</b>	532.7	495.0	429.3	380.7	328.4	290.3	250.0	216.1	-13.56%
<b>Promotions</b>	43.2	40.8	40.1	43.4	40.3	37.3	36.7	28.5	-22.3%
<b>Total</b>	<b>1,384.4</b>	<b>1,385.4</b>	<b>1,222.9</b>	<b>1,116.0</b>	<b>929.1</b>	<b>807.0</b>	<b>707.5</b>	<b>595.5</b>	<b>-15.8%</b>

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.

In 2016, DVD and Blu-ray sales fell 15.8% to €595.5 million. Household spending on physical video formats fell for the sixth consecutive year. DVD remains the favorite format, with 75.0% of the market in 2016 compared with 75.9% in 2015. Blu-ray receipts fell for the fourth consecutive year by 12.8% between 2015 and 2016. They amounted to €148.9 million. Unlike in 2015, Blu-ray sales fell (13.0 million discs sold, a decrease of 2.7%), although the decrease in receipts is mostly due to Blu-ray retail prices being cut. In 2016, Blu-ray accounted for 25% of the physical video market, or +0.8 points in one year.

Source: CNC – 2016 Report

### 6.2.8 The VOD market and new distribution channels

There was an 8.3% rise in video on demand (VOD) revenue compared with 2015; it amounted to €344.1 million. It is part of a rising trend; the number of platforms continues to grow, as does the

range of programs available.

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 four months 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.

13,735 films were active during 2016, a decrease of 5.0% compared with 2015. In 2016, French films represented 30.1% of the total (versus 29.1% in 2015), U.S. films 43.6% (versus 43.7% in 2015), and films from other countries 26.4% (versus 27.0% in 2015). According to the NPA-GfK barometer, sales on the pay VOD market in France are estimated at €344.1 million in 2016, an increase of 8.3% compared with 2015. Market share in value terms of FFS cinema reached 68.3% in 2016.

*Source: CNC – 2016 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 2016/2017, the Group's investments in film and TV production or coproduction totaled €133,699 thousand, compared with €175,996 thousand in financial year 2015/2016. 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 (The Family)*), Tommy Lee Jones (*The Three Burials of Melquiades Estrada*, *The Family*, *The Homesman*), Michelle Pfeiffer (*Malavita (The Family)*), Kevin Costner (*3 Days to Kill*), Scarlett Johansson and Morgan Freeman (*Lucy*), Michelle Yeoh (*The Lady*), Liam Neeson (the *Taken* franchise), Cara Delevigne and Dane De Haan (*Valerian and the City of a Thousand Planets*). 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*, *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, 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 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.

### 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 2015/2016, the overall coverage rate of the films produced or co-produced amounted to 101% on the theatrical release date for a total investment of €22.3 million. 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.

#### *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. For example, EuropaCorp has signed several major framework agreements with: Germany's Universum in September 2010 (renewed in March 2014), China's Fundamental Films in July 2012 renewed in 2015 for five years, Belga Film for Benelux countries in October 2012, Canada's VVS in November 2014, Taiwan's Deepjoy in February 2016, Times Media in South Africa in February 2015, Jil in September 2015 for Romania and Hungary, Poland's Kino Świat in November 2015, AQS in February 2016 for the distribution of films in the Czech Republic and Slovakia, and India's PVR in March 2016. The Group has also signed with Tanweer in Turkey, Gulf Film in the Middle East, 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 83 films released in theaters

as of March 31, 2017 and for which EuropaCorp acted as executive producer or co-executive producer, 46 were sold to TF1.

Canal+ is EuropaCorp's preferred partner for the pre-sale of television broadcasting rights, and bought exclusive rights to premiere in France on pay television 78 of the 83 films released in theaters as of March 31, 2017 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 who 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, in charge of the production of animated pictures. To date, the Group has decided not 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 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 2016/2017, the Group's investment in television drama production totaled €21 million<sup>4</sup>.

The strategy and economics of television production are different to film production. The Group relies on the experience of the EuropaCorp Television team to develop projects that meet the demand from French and international broadcasters. Several EuropaCorp Television dramas have been broadcast or are scheduled for broadcast on Canal+, TF1, France Télévisions, Arte and SFR Play for France; HBO, DTT and NBC for the United States, etc.

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.

From an artistic point of view, a French TV series will be designed to satisfy the target audience of the broadcaster or broadcasters. The idea, often provided by the producer, is then developed with a broadcaster who co-finances the screenwriting of each episode in the series. Once the screenplay has been written, the broadcaster confirms its commitment to the project and generally provides, under pre-sales agreements, possibly with the participation of another broadcaster, most of the funding necessary for production. The CNC estimates that in 2016, 68.8% of the funding for French drama came from French broadcasters. Various subsidy mechanisms (COSIP, tax credit, regional subsidies, etc.) complement this funding plan. For a series filmed in English, which will have more worldwide commercial potential than a French drama, the financing plan can be supplemented through international pre-sales or funding following the development stage. Consequently, the budget will potentially be higher than for a French-language production.

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 the key to profitability when producing a TV series. EuropaCorp Television 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

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<sup>4</sup> Total investment by EuropaCorp Television in financial year 2016/2017.

second part covers the period after this (see Section 6.2.1 of the Registration document).

### Films that premiered in financial year 2016/2017

Film	Premiere in France		EuropaCorp's role	Main distribution mandates held by the Group
<i>The Nice Guys</i>	05/15/2016	Theatrical release	Distributor	All rights
<i>Nine Lives</i>	08/03/2016	Theatrical release	Executive producer	All rights
<i>Les têtes de l'emploi</i>	11/16/2016	Theatrical release	Distributor (simple)	Theaters only
<i>Shut In</i>	11/30/2016	Theatrical release	Co-executive producer	All rights
<i>The Founder</i>	12/28/2016	Theatrical release	Distributor	All rights
<i>Miss Sloane</i>	03/08/2017	Theatrical release	Executive producer	All rights
<i>The Warriors Gate</i>	03/22/2017	Theatrical release	Co-executive 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 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 2016/2017, theater distribution in France and the United States accounted for 9.0% of total Group revenue.

EuropaCorp Distribution had managed the release in French theaters of seven films at June 30, 2017, accumulating close to 1.43 million admissions at the end of the financial year.

Over the last three financial years, EuropaCorp achieved an average of 713,812 admissions per film, placing it 10<sup>th</sup> in the ranking of French distributors with the most admissions per film.

*Source: Le Film français – January 29, 2016*

During the financial year, the Group continued its distribution operations in the United States with the theater release of *Nine Lives*, *Shut In* and *Miss Sloane*, all three accumulating U.S. box office takings of \$30.1 million at June 30, 2017.

#### 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 financial year 2016/2017, 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 €17,032 thousand (compared to €7,959 thousand in 2015/2016), and now includes revenue earned from the exploitation of VOD and SVOD in the United States.

In 2016, the VOD market in France was worth around €344.1 million, up 8.3% on the previous year. Its potential is still present, particularly via subscription video on demand (SVOD), for which the

market was estimated in 2016 to be worth €109.0 million (+32.0%). 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. In future, VOD by FFS, which is currently the most popular way of viewing videos, is expected to be increasingly replaced by SVOD.

*Source: CNC – 2016 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 financial year 2015/2016, the four 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 (46 out of the 83 films for which EuropaCorp was the executive producer or co-executive producer that were released in theaters in France before March 31, 2017 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, 2017 (78 films acquired out of 83) 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 2014/2015, 2015/2016, and 2016/2017.

**Table of EuropaCorp’s global export breakdown  
for the 2014/2015, 2015/2016, and 2016/2017 financial years**

Territory	2016/2017	2015/2016	2014/2015
North America	35.9%	26.9%	63.3%
Western Europe	35.6%	28.1%	19.6%
<i>of which</i>			
<i>Spain and Italy</i>	3.7%	2.3%	0.7%
<i>Germany</i>	15.9%	10.1%	10.7%
<i>Switzerland, Belgium</i>	5.7%	3.7%	3.6%
<i>United Kingdom</i>	8.4%	6.9%	1.5%
Central and Eastern Europe	4.5%	14.0%	3.9%
Asia	9.4%	19.6%	6.6%
Rest of world	14.5%	11.3%	6.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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 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*.

#### 6.3.2.3.2 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 *Arthur* attraction. The attraction, called “Arthur – In the Kingdom of Arthur & the Invisibles”, was opened in September 2014 by Luc Besson. Europa Park received over 5.5 million visitors in 2016, proving the resounding success of the attraction, which is drawing in large numbers of visitors.

- 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. Thus, EuropaCorp acquired and distributed three films in theaters over the 2016/2017 financial year: *The Nice Guys*, *The Founder* and *Les têtes de l'emploi*.

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.

The rights to series produced in the French language are primarily intended to be pre-sold to French broadcasters who, as a general rule, finance a large part of the production. Pre-sales are mostly carried out directly by the producer as part of wrapping up of the financing arrangement for the project before filming. At the end of the first exploitation period, other sales can be made by the producer or an agent.

English-language series are, however, intended to be sold in various territories, 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 2016/2017, the sale of television series broadcast rights generated revenue of €23.6 million, representing 15.5% of total Group revenue, compared to €21.8 million, or 14.8% of revenue, in financial year 2015/2016.

## 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. The Group can also sometimes subsequently exploit these recordings as original film soundtracks, in the form of licenses granted to CD publishers. The work done in cooperation with the recording industry has made it possible for film 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 20<sup>th</sup> 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. However, contributions from TV channels in 2016 to French film production (advance purchases and coproductions) fell significantly in 2016; they accounted for 25.4% of the budget for French films (i.e. a decrease of 10.1 points compared with 2015, the lowest level since 1994).

*Source: CNC – 2016 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.

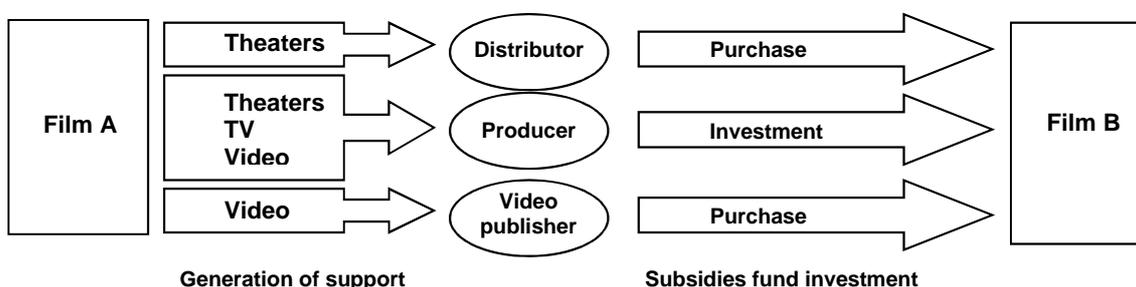
Accordingly, in practice, an approved film can benefit from automatic subsidies that go to the company for earlier works and moreover increase the rights of the company to benefit from subsidies for approved future works. Then, once approval is obtained, the film generates financial subsidies on the 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, 2015, 2016, and 2017, the Group recorded as revenue the amounts of the automatic subsidies funds generated (excluding COSIP) for respectively €5.7 million, €2.3 million, and €2.8 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.

- a) *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, 2017, the film tax credit received by the company was €10,691 thousand. At March 31, 2017, €224 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.

*b) 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 works 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.

*c) 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**

#### *a. 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, 2017, the Group recorded revenue of €1.2 million for its COSIP.

#### *b. 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 2016/2017 financial year, the audiovisual tax credit received by EuropaCorp Television was €392 thousand. At March 31, 2017, €43 thousand were recorded in the consolidated financial statements against the cost of sales and on a prorata basis of the economic amortization of the programs for which these tax credits were granted.

#### *c. Other assistance mechanisms*

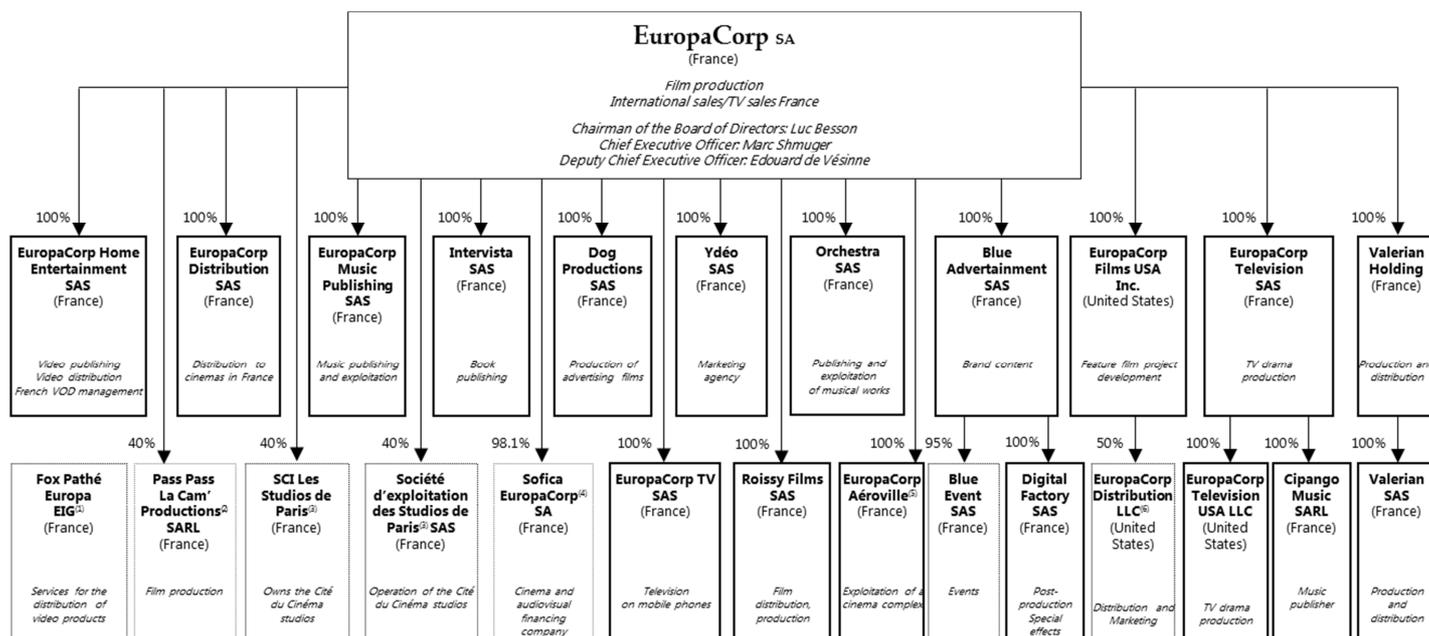
Producers of audiovisual works may also, under certain conditions, benefit from various aid programs at regional and European levels.

#### *d. 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, 2017



- (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 3 avenue Hoche, 75008 Paris (Trade and Company Register of Paris No. 452,204,381). The SOFICA 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, 2016, 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 thousand.

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 authorized period when subscribers could 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 authorized period when subscribers could 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 authorized period when subscribers could 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 authorized period when subscribers could 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 allowed for 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.

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 Guillaume Caixeiro acting as permanent representative. Sofica EuropaCorp was 96.7% owned by EuropaCorp as of March 31, 2017.

### **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 has been 100% owned by EuropaCorp since July 30, 2014, and EuropaCorp is also its Chairman. The name of the company, which was originally Cipango, became EuropaCorp Television on January 1, 2011.

### **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. Thomas Anargyros is the Manager of the company.

### **SCI Les Studios de Paris**

The property investment company (SCI) 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 SCI is an investor in a group of nine film sets, built at a cost of €30.2 million and with a floor area of 600 to 2,200 square meters each, located at the 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.

### **Société d'exploitation des Studios de Paris**

The Société d'exploitation des Studios de Paris is a French simplified joint stock company (SAS) whose registered offices are located at 2 avenue de l'Europe, 94360 Bry-sur-Marne (Trade and Company Register of Créteil No. 521 290 296). EuropaCorp holds a 40% interest in the structure, alongside Euro Media Group (through Transpamedia at 25.01%), Quinta Communications (25%), and Front Line (9.9%). On April 6, 2012, Les Studios de Paris leased the volume comprising the nine film sets with the SCI Les Studios de Paris as well as part of the workshops on the site of La Cité du Cinéma with Front Line, in order to operate them together. Since March 13, 2015, the company's chair has been Wilkat West Limited, a company incorporated in accordance with the laws of the State of California, whose registered office is located at 35 Buena Vista Avenue, Stinson Beach California 94970, USA, represented by Ms. Brigitte Segal. Euro Media Group, which owns various film studios across Europe, brings its operating expertise to Les Studios de Paris. Since the company is 40% owned and EuropaCorp does not own control, the The Société d'exploitation des Studios de Paris SAS operating company is consolidated using the equity method in the EuropaCorp consolidated financial statements.

### **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 Hicham Tragha (25%), Adnane Tragha (25%), and Milos Dupor (10%). EuropaCorp is the Manager of Pass Pass La Cam' Productions.

### **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. 508 804 911).

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 100% 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 Marc Shmuger, Chief Executive Officer of EuropaCorp. See Appendix 1, section 1.3 for more details.

#### **Valerian Holding**

Valerian Holding is a French-registered 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-registered 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.

### *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 would 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 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 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, who signed the agreement during financial year 2012/2013. The same is true for Blue Advertainment, Blue Event and Digital Factory, who joined the agreement during financial year 2013/2014. EuropaCorp Television SAS has been party to this tax consolidation agreement since the 2015/2016 financial year. In March 2017, EuropaCorp requested approval for Valerian and Valerian Holding to join the tax group. They will become party to the agreement as of the 2017/2018 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 2016/2017 financial year:

<i>(in thousands of euros)</i>	<b>2016/2017</b>
EuropaCorp Distribution	309
EuropaCorp Home Entertainment	190
Dog Production	0
EuropaCorp Aéroville	1,007
EuropaCorp La Joliette	0
Intervista	0
EuropaCorp Music Publishing	87
Ydéo	29
EuropaCorp TV	0
Roissy Films	103
Blue Advertainment	0
Blue Event	32
Digital Factory	370
<b>TOTAL</b>	<b>2,127</b>

### 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%.

- *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.

- *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.

## 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.

Following the relocation of the Group's headquarters to La Cité du Cinéma in 2012, improvements were made to the offices by the Group.

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.

As regards La Cité du Cinéma in Saint-Denis, EuropaCorp is a 40% minority shareholder of the SCI Les Studios de Paris, a company which owns a group of nine shooting sets on the site of La Cité du Cinéma, each ranging from 600 to 2,200 square meters, for which the construction cost is €30.2 million excluding VAT. The other shareholders are Euro Media Group, Quinta Communications, and Front Line.

The Group's commitment is limited to an investment with a maximum amount of €6 million, excluding investments in workshops. In addition to investments in the company's share capital, current account funds were provided, mainly to finance the construction of the studios. As of March 31, 2017, capital investments and contributions to associates' current accounts totaled €8.3 million.

### *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 Cité du Cinéma site ranging in size from 600 to 2,200 square meters each, sold by EuropaCorp Studios. EuropaCorp is a 40% shareholder in the SCI Les Studios de Paris; the cost of building these studios was €30.2 million excluding tax. In addition to investments in the company's share capital, current account funds were provided, mainly to finance the construction of the studios. As such, as of March 31, 2017, capital investments and shareholder current account contributions for the SCI Les Studios de Paris totaled €8.3 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, 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, as well as the shares it holds in the shooting set operating company held by said SCI.

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. As of March 31, 2017, capital investments and shareholder current account contributions for Société d'Exploitation des Studios de Paris totaled €1.3 million.

- *Commercial lease for the premises of the 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 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 La 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, 2017 is €9.2 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.

- *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 €333 thousand annually.

- *Signing of a lease for running a Multiplex in a shopping center under construction on the territory of the airport of Roissy*

EuropaCorp Aéroville, which was incorporated on July 26, 2011 and is a wholly owned subsidiary of EuropaCorp, signed a 12-year lease with SCI Aéroville (Unibail-Rodamco group) for the rental of a space of about 8,700 square meters GLA for the operation of a EuropaCorp Cinemas multiplex with 12 screens and 2,400 seats. The multiplex, which opened on October 16, 2013, is situated in the Aéroville shopping mall near Roissy airport, in the municipality of Tremblay-en-France.

A deposit of €375,000 was paid at the signing of the lease.

When the Multiplexes business was sold, the lease was taken over by the Gaumont-Pathé group. EuropaCorp is awaiting the repayment of a guarantee deposit, which will take place once Unibail has finished updating the rents and charges for 2016.

### *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, 2015, 2016 and 2017 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, 2017, the Group had produced or co-produced cumulatively 113 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>	Year ended March 31		
	2017	2016	2015
Revenue	151,699	147,340	226,937
Cost of sales	(221,356)	(110,005)	(155,424)
Net income - Group share	(119,888)	(27,700)	16,248
Number of films produced and co-produced released in theaters during the FY	4	3	6

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, 2017, EuropaCorp has overseen the production of 83 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.

In order to perfect its distribution business in 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 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.

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 2014/2015, 2015/2016, and 2016/2017, prepared according to IFRS:

<i>(in thousands of euros)</i>	<b>Year ended March 31</b>					
	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>
International sales	48,820	32.2%	55,497	37.7%	95,747	42.2%
Theatrical distribution	13,693	9.0%	9,777	6.6%	29,247	12.9%
Video & VOD	17,389	11.5%	15,155	10.3%	13,667	6.0%
Television & SVOD	29,913	19.7%	23,846	16.2%	29,145	12.8%
TV series production	23,570	15.5%	21,774	14.8%	32,829	14.5%
Support	3,941	2.6%	4,201	2.9%	9,751	4.3%
Other activities	14,372	9.5%	17,090	11.6%	16,551	7.3%
<b>Revenue</b>	<b>151,699</b>	<b>100%</b>	<b>147,340</b>	<b>100%</b>	<b>226,937</b>	<b>100%</b>

## 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, coproduction receipts, licensing and partnership agreements, music publishing, events, post-production activities and the operation of movie theaters are sources of additional revenues.

EuropaCorp released seven films in theaters in France and the United States during financial year 2016/2017: two were produced by the company, two were coproduced by the company, two were acquired for France only and one was distributed in France only. For the coming years, EuropaCorp plans to distribute seven to twelve films annually, including an increasing share of English-language films for international consumption. In addition, the Group plans to pursue a policy of acquiring 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.

During the 2016/2017 financial year, and in addition to the movies for which it was producer or co-executive producer, the Group also distributed two English-language movies (*The Nice Guys* and

*The Founder*) in France only and distributed a French-language movie (*Les têtes de l'emploi*) in France only.

- *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, 2017, the sale of international distribution rights represented 32.2% 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.

- *Theatrical distribution*

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 Fox in the United States. The Group supplies the video master and decides on the release date and strategy, while the EIG or Fox take care of marketing and logistics. To accompany the release of new titles on video, tailored marketing programs are developed in collaboration with the EIG or Fox. Billing and collection are the responsibility of the EIG or Fox, 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, 2017, 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 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.

- *Expenditures as a financial co-producer*

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 €133.7 million in financial year 2016/2017, €176.0 million in financial year 2015/2016, and €102.9 million in financial year 2014/2015.

In 2016/2017, these investments mainly concerned the following productions: the film *Valerian and the City of a Thousand Planets* 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 costs related to exploitation in foreign countries are generally paid directly by local distributors (for more details, please refer to Section 7.2).

- *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 20<sup>th</sup> 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.

Revenue from VOD and pay-per-view film offers is 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 open.

- *Subsidies funds*

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 for the financing of film production, thus 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 subsidy funding generated and other similar subsidies amounted to €3,941 thousand and €4,201 thousand respectively for the years ended March 31, 2017 and 2016, or 2.6% and 2.9% 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 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 as deferred income under "Other financial liabilities".

- *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 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 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 particular 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, 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 impairment 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 Pre-paid 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, 2016 and 2017, the deferred income for the sale of television broadcasting rights totaled €18,001 thousand and €11,091 thousand respectively, and those relating to the sale of international distribution rights represented €8,802 thousand and €22,835 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

### 9.4.1 Comparison of the financial years ended on March 31, 2016 and March 31, 2017 <sup>5</sup>

The table below shows a comparison of the major items in the audited consolidated profit and loss statement for the years 2015/2016 and 2016/2017:

<i>(amounts in thousands of euros, except numbers of shares and per share data)</i>	Year ended March 31	
	2017 <sup>6</sup>	2016
Revenue	151,699	147,340
<b>Operating income</b>	<b>151,699</b>	<b>147,340</b>
Cost of sales	(221,356)	(110,005)
<b>Operating margin</b>	<b>(69,657)</b>	<b>37,334</b>
Overheads	(52,892)	(58,393)
Other operating income and expenses	308	(1,256)
<b>Operating profit (loss)</b>	<b>(122,240)</b>	<b>(22,314)</b>
Income from financial investments/(Cost of debt)	(12,760)	(9,133)
Other financial income and expenses	(5,430)	(10,459)
<b>Financial income</b>	<b>(18,190)</b>	<b>(19,592)</b>
<b>Current income before income tax (loss)</b>	<b>(140,431)</b>	<b>(41,906)</b>
Income tax (loss)	20,860	15,139
<b>Net profit (loss) from associates</b>	<b>(119,571)</b>	<b>(26,767)</b>
Share of net income of associates	(321)	(1,010)
<b>Net income</b>	<b>(119,892)</b>	<b>(27,777)</b>
<b>Net income - minority interests</b>	<b>(4)</b>	<b>(77)</b>
<b>Net income - Group share</b>	<b>(119,888)</b>	<b>(27,700)</b>

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

<i>(in thousands of euros)</i>	Year ended March 31			
	2017		2016	
	Revenue	%	Revenue	%
International sales	48,820	32.2%	55,497	37.7%
Theaters	13,693	9.0%	9,777	6.6%
Video & VOD	17,389	11.5%	15,155	10.3%
Television & SVOD	29,913	19.7%	23,846	16.2%
TV Series	23,570	15.5%	21,774	14.8%
Support	3,941	2.6%	4,201	2.9%
Other income	14,372	9.5%	17,090	11.6%
<b>Revenue</b>	<b>151,699</b>	<b>100%</b>	<b>147,340</b>	<b>100%</b>

<sup>5/6</sup> The 2017 financial year includes the Multiplex business until the date it was sold in December 2016 (see the Appendixes for a presentation of IFRS 5 financial statements)

- *Revenue*

Net revenue totaled €151,699 thousand for financial year 2016/2017 compared to €147,340 thousand for the previous year, i.e. an increase of approximately 3%. This financial year saw an increase in revenue from the exploitation of films in the United States, notably from sales on SVOD platforms.

International sales were €48,820 thousand, comprised mainly of deliveries of the films *Nine Lives*, *Miss Sloane*, *Shut In* and *The Warriors Gate*, as well as of royalties, which were significant, but lower than in the 2015/2016 financial year, collected on films from the catalog (notably *Lucy* and *Taken 3*).

Television and SVOD sales were €29,913 thousand as of March 31, 2017 compared to €23,846 thousand for 2015/2016, i.e. an increase of 25%. This was due to development of TV sales in the United States, in particular of SVOD sales on films from the catalog (notably *Transporter Refueled*) and films released during financial year 2016/2017 (*Nine lives*).

Revenue for theater distribution business amounted to €13,693 thousand in financial year 2016/2017, compared to €9,777 thousand for the previous financial year. The growth came from a greater number of films distributed in France and the United States during 2016/2017 (seven films) than during the previous financial year (five films).

Revenue generated by video and VOD reached €17,389 thousand in financial year 2016/2017, compared with €15,155 thousand for the previous financial year, a rise of 14.7%. This business was mainly driven by sales in the US of films released during financial year 2016/2017 financial year and of films from the catalog.

Revenue related to TV series production totaled €23,570 thousand in 2016/2017 compared with €21,774 thousand the previous financial year. This amount corresponds primarily to the delivery of eight episodes of the first season of the international series *Taken*. The revenue also includes sales linked to the delivery of French-language TV drama such as *Le viol*.

Income from subsidies totaled €3,941 thousand, compared with €4,201 thousand at March 31, 2016. 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 increased from €17,090 thousand for financial year 2015/2016 to €14,372 thousand for 2016/2017. "Other receipts" include revenue generated by the operation of the EuropaCorp Cinemas Aéroville multiplex which was sold in December 2016 (€5,180 thousand) and revenue from the "Events" business (€1,024 thousand from events organized by Blue Event). Receipts from the Group's coproduction and other activities (partnerships, licensing, music, brand content, post-production, etc.) are also included in "Other receipts".

- *Cost of sales*

The cost of sales stands at €221,356 thousand for 2016/2017 (compared with €110,005 thousand in financial year 2015/2016). The amount of amortization and write-downs for lack of receipts in financial year 2016/2017 was €93,464 thousand, versus €64,200 thousand in the previous year. Distribution and marketing costs totaled €110,440 thousand for the year ended March 31, 2017, compared to €31,243 thousand in 2015/2016. Payments to third parties are down and represented €19,952 thousand during financial year 2016/2017, compared to €12,746 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 €(69,657) thousand (-45.9% of revenue) for the year ended March 31, 2016, compared to €37,334 thousand (25.3% of revenue) for the previous year.

- *Overheads*

General and administrative expenses amounted to €52.9 million compared with €58.4 million the previous financial year, a drop of €5.5 million. This variation is explained by non-recurring costs borne over the financial year 2015/2016.

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, 2017, 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 expenses*

Other operating income and expenses totaled €308 thousand and is mainly composed of asset write-downs recorded by the company for the year as well as by costs related to the abandonment of certain projects and the net book value of disposed assets.

- *Operating profit (loss)*

After taking into account the above items, operating profit for financial year 2016/2017 totaled €(122,240) thousand, compared with €(22,314) 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 €(18,190) thousand, versus €(19,592) thousand in the previous financial year. It mainly includes a foreign exchange loss of €(1,859) thousand, caused by the appreciation of the US dollar against the euro during the year.

Financial income also includes the cost of net financial debt for €(12,760) thousand and €(2,854) thousand as the share of bank fees relating to the arrangement of credit lines, which are spread over the term of these facilities.

- *Consolidated profit (loss) of associates*

Net income of consolidated companies (before factoring in the contribution of €(321) thousand from companies consolidated using the equity method) stood at €(119,571) thousand for the year ended March 31, 2017, compared with €(26,767) thousand for the previous year.

Net income - Group share (after factoring in the contribution from companies consolidated using the equity method) totaled €(119,888) thousand, compared with €(27,700) thousand for financial year 2015/2016.

## 10. CASH AND EQUITY

### *10.1 General information and information about the company's equity*

As of the filing date of this 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, 2017, please refer to the Notes to the consolidated financial statements as of March 31, 2017 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, composed of a line of approximately €160 million and a line of \$70 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, 2016 and March 31, 2017*

#### **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, 2017 and March 31, 2016.

(in thousands of euros)

	Year ended March 31	
	2017 <sup>7</sup>	2016
<b>Operations</b>		
Net income - Group share	(119,888)	(27,700)
Net income - Minority interest	(4)	(77)
Depreciation and amortization	96,951	69,475
Unrealized gains and losses relating to changes in fair value	8,193	4,662
Changes in the fair value of securities-related liabilities	82	184
Capital gains or losses on the disposal of assets	(2,390)	1,204
Share of income from associates consolidated using the equity method	321	1,010
Expenses and income linked to share-based and equivalent payments	57	226
Other	-	-
<b>Cash flow from operating activities after net financial debt and taxes</b>	<b>(16,667)</b>	<b>48,984</b>
(Income from financial investments)/Cost of financial debt	12,760	9,133
(Income)/Tax expense	(20,860)	(15,139)
<b>Cash flow from operating activities before net financial debt and taxes</b>	<b>(24,777)</b>	<b>42,978</b>
Changes in working capital requirement:		
Inventory	(586)	17
Trade and other accounts receivable	7,262	17,330
Pre-paid expenses	8,571	(4,528)
Trade and other accounts payable	13,542	25,880
Pre-paid income	(2,145)	(1,044)
Tax paid	518	1,041
<b>Cash flow from operations</b>	<b>2,385</b>	<b>81,675</b>
<b>Investment activities</b>		
Acquisition of intangible assets	(133,699)	(175,996)
Acquisition of other intangible assets	(45)	(101)
Acquisition of property, plant and equipment	(2,809)	(2,928)
Income on disposals of intangible assets and property, plant and equipment	17,510	834
Net change in long-term investments	(1,411)	1,198
Change in liabilities on long-term investments	(2,816)	(3,023)
Change in minority reserves	-	-
Impact of changes in scope	(11)	-
<b>Net cash flow from investment activities</b>	<b>(123,281)</b>	<b>(180,016)</b>
<b>Financing activities</b>		
Dividends paid	-	-
Capital increase	60,000	-
Costs related to increase in capital	(667)	-
Net change in bank borrowings and overdrafts	64,177	159,941
Net change in treasury shares and free shares	25	15
Interest paid	(17,766)	(11,268)
Interest received and net gain/loss from disposals	49	32
<b>Net cash flow from financing activities</b>	<b>105,817</b>	<b>148,720</b>
<b>Overall change in cash position</b>	<b>(15,079)</b>	<b>50,379</b>
<b>Cash position at the start of the period</b>	<b>122,207</b>	<b>71,827</b>
<b>Cash position at the end of the period</b>	<b>107,128</b>	<b>122,207</b>
broken down into:		
Marketable securities	1,684	2,825
Cash and cash equivalents	105,444	119,382

- *Cash flows from operations*

During the year ended March 31, 2017, the Group generated net cash flow of €2,385 thousand, a decrease of €79,290 thousand from March 31, 2016.

The change in working capital requirement during the year ended March 31, 2017 amounted to

<sup>7</sup> The 2017 financial year includes the Multiplex business until the date it was sold in December 2016 (see Appendix 1 for an IFRS 5 presentation)

€26,644 thousand versus €37,656 thousand the previous year. This variation in the working capital requirement is mainly explained by the decrease in trade payables.

- *Cash flows from investments*

At March 31, 2017, net investment cash flows stood at €(123,281) thousand, versus €(180,016) thousand for the previous year.

The high cash flow levels are the direct result of continued investments in cinema productions with strong international potential, and significant budgets, such as *Valerian and the City of a Thousand Planets* and season one of the *Taken series*.

- *Cash flows from investments*

At March 31, 2017, net cash from financing stood at €105,817 thousand, versus €148,720 thousand as of March 31, 2016.

## 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:

- the 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;
- the acquisition of exploitation rights for films not produced by the company and, as the case may be, the 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, Dig Production, 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, (iii) making all investments.

- *Group debt*

At March 31, 2017, the Group's net debt amounted to €267,498 thousand. The higher consolidated net debt is due to an increase in production credits as a result of investments made during financial year 2016/2017. A breakdown of the Group's consolidated net debt at March 31, 2016 and 2017 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, SunTrust 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 these agreements as follows:

(i) the principal credit line for an initial amount of \$400 million was reduced to \$250 million; the accordion clause for an additional \$150 million remained unchanged. These new amounts result in much lower non-usage fees, with currently-available collateral meaning that it is not possible to draw down this line in excess of this amount;

(ii) the secondary credit line was increased from \$50 million to around \$80 million, enabling an additional amount of approximately \$30 million to be drawn down. This extension to the secondary credit line benefits from the Group companies' guarantee, as previously.

The secondary credit line now bears interest at an annual 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. This loan can be repaid at any time without penalty.

At March 31, 2017, €131.5 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*) 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.

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, 2017 related to the Group's current activity are summarized below:

Commitments to third parties (in thousands of euros)	March 31, 2017	March 31, 2016
Financial commitments for leases*	36,367	39,036
Financial commitments for cinematographic investments	5,448	7,277
<b>Total commitments given</b>	<b>41,815</b>	<b>46,313</b>

\* Relates to the lease agreement for the Cité du Cinéma business park, with a term of 12 years starting from April 6, 2012.

Commitments in favor of EuropaCorp (in thousands of euros)	March 31, 2017	March 31, 2016
Commitments from clients		
For the cinematographic business	106,467	166,025
Subsidies for audiovisual activities	2,693	4,153
Financial commitments for leases**	16,313	18,644
<b>Total commitments received</b>	<b>125,473</b>	<b>188,822</b>

\*\* Relates to the sub-lease agreement entered into with Front Line for the Cité du Cinéma business park, with a term of 12 years.

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:

<b>Issue of shares by Sofica EuropaCorp</b>	<b>Total amount of issue</b>	<b>Period authorized to implement the repurchase commitment</b>	<b>Total amount of repurchase commitment issued by EuropaCorp</b>
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 SOFICAs guarantees in 2010, Sofica EuropaCorp is now eligible to raise additional funds.

The first authorized period when subscribers could 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 allowed for 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 allowed for 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 allowed for 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 allowed for 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.

For comparison, the share price, which is based on the net position of Sofica EuropaCorp at December 31, 2016, stood at €461.19.

## 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 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 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 company registered the "Cit  du Cin ma" trademark.

The Group owns a portfolio of over 150 domain names, both active and inactive, related in particular to the films it produces (*Taxi 4*, *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 *Registre Public de la Cin matographie 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, and 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 *Registre Public de*

*la Cinématographie et de l'Audiovisuel*. 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 carry 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 following table is a non-exhaustive list of the major projects currently in progress within the Group for the financial years 2016/2017 and following, excluding direct-to-video releases:

Films:

Category	Film	Directors	Stars	Role of EuropaCorp	Status
English-language films	<i>Valerian and the City of a Thousand Planets</i>	Luc Besson	Dane DeHaan, Cara Delevingne, Clive Owen, Rihanna, Ethan Hawke	Executive producer	Released in theaters
	<i>Renegades</i>	Steven Quale	J.K. Simmons, Sullivan Stapleton, Sylvia Hoeks	Executive producer	Post-production
	<i>Kursk</i>	Thomas Vinterberg	Matthias Shoenarts, Léa Seydoux	Executive producer	Shooting in progress
Comedies and comedy-dramas	<i>Room(h)ates</i>	Dominique Farrugia	Gilles Lellouche, Louise Bourgoin, Manu Payet, Marilou Berry	Executive producer	Released in theaters
	<i>Bad Buzz</i>	Stéphane Kazandjian	Eric Metzger & Quentin Margot, Razane Jammal, Marie-Anne Chazel	Co-producer	Released in theaters
	<i>Coexist</i>	Fabrice Éboué	Ramzy Bedia, Fabrice Éboué, Guillaume de Tonquédec	Co-executive producer	Post-production
	<i>Taxi 5</i>	Franck Gastambide	Franck Gastambide, Malik Bentalha, Bernard Farcy	Financial producer	Shooting in progress
Other French-language productions	<i>Sparring</i>	Samuel Jouy	Mathieu Kassovitz, Olivia Merilahti, Souleymane M'Baye, Billie Blain	Co-producer	Post-production
	<i>Carbone</i>	Olivier Marchal	Benoît Magimel, Laura Smet, Idir Chender, Gringe, Michaël Youn, Dani, Patrick Catalifo, Gérard Depardieu	Co-producer	Post-production
	<i>Eva</i>	Benoît Jacquot	Isabelle Huppert, Gaspard Ulliel, Julia Roy, Richard Berry	Co-producer	Post-production
	<i>Je vais mieux</i>	Jean-Pierre Améris	Eric Elmosnino, Alice Pol and Ary Abittan	Executive producer	Post-production
Acquisitions	<i>Their Finest</i>	Lone Scherfig	Sam Claflin, Gemma Arterton, Bill Nighy, Jack Huston, Jake Lacy	Distributor (United States)	Released in theaters
	<i>The Circle</i>	James Ponsoldt	Emma Watson, Tom Hanks	Distributor (United States)	Released in theaters
	<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'	In production
	<i>Aux animaux la guerre</i>	Nicolas Mathieu, Alain Tasma (based on the eponymous novel by Nicolas Mathieu)	Alain Tasma	6 x 52'	In production
	<i>Arthur &amp; the Invisibles The series</i>	Collection managers: Alain Serluppus (adapted from the film "Arthur & the Invisibles" directed by Luc Besson)	Pierre-Alain Chartier	26 x 26'	In production
	<i>Crimson Rivers</i>	Jean-Christophe Grangé	Ivan Fegyveres...	8 x 52'	Planning stage
	<i>No Futur</i>	Fabrice Eboué, Vincent Solignac	<i>To be determined</i>	8 x 52'	Under development
	<i>Sous la peau</i>	Anna Frégonèse, Sylvie Audcoeur	<i>To be determined</i>	3 x 52'	Under development
	<i>Dr. Alix Rocca (co-executive production with BBC France)</i>	Hélène Duchâteau, Baptiste Filleul (based on the original Drama Republic series "Doctor Foster")	<i>To be determined</i>	6 x 52'	Under development
One-off specials	<i>Le viol</i>	Natalie Carter, Alain Tasma (based on the book by Jean-Yves Le Naour and Catherine Valenti "Et le viol devint un crime")	Alain Tasma	Single 90' production	PAD accepted

<i>Rien ne vaut la douceur du foyer (Mary Higgins-Clark Collection)</i>	Charlotte Paillieux, Kéthévane Davrichewy (based on the work of Mary Higgins Clark)	Laurent Jaoui	Single 90' production	PAD accepted
<i>Traqués</i>	Jeanne Le Guillou, Bruno Dega	Ludovic Colbeau-Justin	Single 90' production	Planning stage
<i>Je sais tomber</i>	Pierre Grillet, Alain Tasma	Alain Tasma	Single 90' production	Under developement

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.

### **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 has opted for the corporate form of a corporation (*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 - Expiration of term	Other positions held within the Group	Number of company shares held
Luc Besson* 58 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 74 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 45 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 70 years old 20 rue Ampère 93200 Saint-Denis	Member of the Board of Directors	September 28, 2016 - GM 2020**	Nil	1
Mark Gao 50 years old 20 rue Ampère 93200 Saint-Denis	Member of the Board of Directors	November 17, 2016 - GM 2020**	Nil	1
Rhyzlène Nusse 52 years old 20 rue Ampère 93200 Saint-Denis	Member of the Board of Directors	September 26, 2014 - GM 2018**	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

Virginie Silla-Besson (wife of Luc Besson) and Mark Gao, who represents FF Motion Invest, were appointed as directors following the capital increase reserved for FF Motion Invest carried out after the favorable vote by the shareholders of the company and the implementation of the delegation of power granted to the Board of Directors on November 17, 2016; Grégory Ouanhon and James P. Moore were appointed non-voting members. On the date of filing of the Registration document, the Board of Directors consists of seven 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 must be at least 40% following the first Ordinary General Meeting after January 1, 2017. The company will therefore take all measures required to ensure that the 40% threshold is met at the close of the General Meeting called to approve the financial statements closed on March 31, 2017.

#### 14.1.2 Senior Management

The Chief Executive Officer, Marc Shmuger, was appointed by the Board of Directors on February 10, 2016. 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 appointed by the Board of Directors on April 20, 2016 for an unspecified term. The Deputy Chief Executive Officer may be dismissed at any time by the Board of Directors, in accordance with the company's Articles of Association.

#### 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 58 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 Chief Executive Officer 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, 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 74 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
Virginie Silla-Besson 45 years old 20 rue Ampère 93200 Saint-Denis	Nil	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
Front Line (represented by Didier Kunstlinger) 71 years old 17, avenue Hoche 75008 Paris	Chairman of DK Conseil Head of the Media Unit of Rothschild Martin Maurel	Nil
Patrice Gassenbach 70 years old 6 rue Christophe Colomb 75008 Paris	Director of the Pino Group Senior Advisor of IFM Global Infrastructure Fund Director of Parmalat Director of Veolia Energia Polska	Nil
Jingdong Mark Gao 50 years old Unit 402, 4th Floor, Fairmont House, n°8 Cotton Tree Drive, Admiralty, Hong Kong	Chairman of the Board of Directors of Fundamental Media Chairman of the Board of Directors of Fundamental Films	Chief Executive Officer of Fundamental Media
Rhyzlène Nusse 52 years old RD 52 68490 Ottmersheim	Head of Communications and Creation at Clairefontaine Rhodia	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 15 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, and *Valerian and the City of a Thousand Planets*, which was released in the summer of 2017. 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 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 was a screen writer and producer for several EuropaCorp films. Besides the films he directed, Luc Besson wrote more than 30 feature film screenplays for which he was 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](http://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 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 the Caisse d'Épargne in 1964 and became Chief Executive Officer of the Caisse d'Épargne des Bouches-du-Rhône et de la Corse in 1983 and a member of the Supervisory Board of the Centre National des Caisses d'Épargne (CENCEP).

In 1999, during the merger of these two entities and the creation of the 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 Silla-Besson, 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.

Today, Virginie Besson-Silla is producing 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. Its worldwide release is scheduled for 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 the 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.

**Mark Gao, Director**

Mark Gao (Gao Jingdong) is the founder and Chairman of the Management Board of Fundamental Media, a major outdoor marketing player in China and a national leader in advertising in Chinese metros. He is also the founder and Chairman of the Management Board of Fundamental Films, a company listed on the Shanghai stock exchange and which holds 100% of the capital of FF Motion Invest. Co Ltd.

Fundamental Films is a major player in the production, distribution and financing of films in China. Fundamental Films is also active in local talent representation and the licensing and merchandising of film properties. Mark Gao became Chairman of the Management Board of MCHM in 1997. He sold the pharmaceutical group in 2006.

He holds a BSc from the University of Science and Technology of Nanjing and an EMBA from the University of Fudan.

**Rhyzlène Nusse, Director**

Of German-Moroccan nationality, Rhyzlène Nusse is a graduate of IHK (Industrie und HandelsKammer), school of management and business of Saar (RFA). 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.

### *14.3 Declaration respecting 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 Apipoulai Prod, a company he controls indirectly, sometimes also participated as co-producer or producer of films produced by EuropaCorp. However, it was agreed in February 2013, that Apipoulai 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>				
<b>Luc Besson</b> <i>Chairman of the Board of Directors</i>	<b>March 31, 2017</b>		<b>March 31, 2016</b>	
	<b>Amounts owed</b>	<b>Amounts paid</b>	<b>Amounts owed</b>	<b>Amounts paid</b>
Fixed compensation <sup>(1)</sup>	€2,787,997	€2,787,997	€2,385,169	€2,385,169
Variable compensation <sup>(2)</sup>	€3,323,581	€3,395,258	€3,527,182	€3,527,182
Exceptional compensation			-	-
Directors' fees			-	-
Benefits in kind	€838,956	€838,956	€868,902	€546,861
<b>TOTAL</b>	<b>€6,950,534</b>	<b>€7,022,211</b>	<b>€6,781,253</b>	<b>€6,459,213</b>

<sup>(1)</sup> Including director and screenwriter salaries

<sup>(2)</sup> 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, 2017, Luc Besson received, respectively, the amount of €52,660 and compensation of \$11,000.

<i>Compensation of executive corporate officers</i>				
<b>Marc Shmuger</b> <i>Chief Executive Officer</i> <i>since February 10, 2016</i>	<b>March 31, 2017</b>		<b>March 31, 2016</b>	
	<b>Amounts owed</b>	<b>Amounts paid</b>	<b>Amounts owed</b>	<b>Amounts paid</b>
Fixed compensation	€1,822,490	€2,043,338	€304,871	-
Variable compensation	€359,504	€359,504	-	-
Exceptional compensation	-	-	-	-
Benefits in kind	-	-	-	-
<b>TOTAL</b>	<b>€2,181,994</b>	<b>€2,402,843</b>	<b>€304,871</b>	<b>-</b>

The above compensation for Marc Shmuger includes amounts due to him as Chief Executive Officer.

<i>Compensation of executive corporate officers</i>				
<b>Edouard de Vésinne</b> <i>Deputy Chief Executive Officer</i> <i>since April 21, 2016</i>	<i>March 31, 2017</i>		<i>March 31, 2016</i>	
	<i>Amounts owed</i>	<i>Amounts paid</i>	<i>Amounts owed</i>	<i>Amounts paid</i>
Fixed compensation	€ 339,657	€339,657	-	-
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Benefits in kind	€69,290	€69,290	-	-
<b>TOTAL</b>	<b>€408,947</b>	<b>€408,947</b>	-	-

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 the €210,000 granted as Directors' fees to Board members for the financial year ended March 31, 2016.

Furthermore, 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.

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>		
<b>Corporate officers</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>Patrice Gassenbach</b>	Amount paid for his term as:	Amount paid for his term as:
	<b>Member of the Board of Directors</b>	<b>Member of the Board of Directors</b>
Directors' fees	50,000	51,538
Other compensation	-	-
<b>Charles Milhaud</b>	Amount paid for his term as:	Amount paid for his term as:
	<b>Deputy Chairman of the Board of Directors</b>	<b>Deputy Chairman of the Board of Directors</b>
Directors' fees	50,000	52,308
Other compensation	-	-
<b>Eugenio Minvielle</b>	Amount paid for his term as:	Amount paid for his term as:
	<b>Member of the Board of Directors</b>	<b>Member of the Board of Directors</b>
Directors' fees	20,000	34,031
Other compensation	-	-
<b>Rhyzlène Nusse</b>	Amount paid for her term as:	Amount paid for her term as:
	<b>Member of the Board of Directors</b>	<b>Member of the Board of Directors</b>
Directors' fees	35,000	13,462
Other compensation	-	-
<b>Françoise Nyssen</b>	Amount paid for her term as:	Amount paid for her term as:
	<b>Member of the Board of Directors</b>	<b>Member of the Board of Directors</b>
Directors' fees	50,000	56,154
Other compensation	-	-
<b>Front Line</b>	Amount paid for its term as:	Amount paid for its term as:
	<b>Member of the Board of Directors</b>	<b>Member of the Board of Directors</b>
Front Line Directors' fees	16,670	17,183
Didier Kunstlinger Directors' fees	33,330	34,356
Other compensation	-	-
<b>Luc Besson</b>	Amount paid for his term as:	Amount paid for his term as:
	<b>Member of the Board of Directors</b>	<b>Member of the Board of Directors</b>
Directors' fees	0	0
Other compensation	-	See Section 15.1.1 of the Registration document
<b>TOTAL</b>	<b>255,000</b>	<b>259,031</b>

### 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 the 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 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 functions for 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
<b>Luc Besson</b> Chairman of the Board of Directors  Beginning of term: September 28, 2016  Term of office: 4 years		x		x		x		x
<b>Marc Shmuger</b> Chief Executive Officer  Beginning of term: February 10, 2016, renewed on February 9, 2017  Term of office: expires December 31, 2017		x		x	x			x
<b>Edouard de Vésinne</b> Deputy Chief Executive Officer  Beginning of term: April 21, 2016  Term of office: unspecified		x		x	x			x

### 15.4 Description of the options, warrants or 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 the Registration document.

### *16.3 Information about the Audit Committee and the Compensation Committee.*

See Section I.3. of the Board of Directors' report below.

### *16.4 Statement on the corporate governance in effect*

See Section I.1. of the Board of Directors' report below.

## 16.5 Report of the Chairman of the Board of Directors on the preparation and organizing of the Board's work and the internal control and risk management procedures set up within EuropaCorp Group

This report, prepared by the Chairman of the Board of Directors, was submitted to the Group's Chief Executive Officer and Finance Department for their opinion, then approved by the Board of Directors at its meeting of July 17, 2017.

### Introduction

In accordance with Article L.225-37 of the French Commercial Code, the procedures used for the preparation and organizing of the Board of Directors' work, as well as the internal control and risk management procedures set up by the Company, are presented to you hereunder.

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.

For the preparation of this report, the Chairman of the Board based himself on generally accepted guidelines with respect to corporate governance and internal control, in particular the AMF's "*Cadre de référence sur les dispositifs de gestion des risques et de contrôle interne pour les valeurs moyennes et petites*" (risk management and internal control guidelines for small and mid caps) 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 Middlenext (the "Middlenext 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

### *Separation of the functions of the Chairman of the Board of Directors from those of the Chief*

During the financial year ended March 31, 2017, the company continued to implement 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.

Furthermore, on April 20, 2016, the Board of Directors decided to appoint Edouard de Vésinne as Deputy Chief Executive Officer. The term of this position is not specified.

### *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, 2017, the Board of Directors consists of seven members: Luc Besson, Chairman; Charles Milhaud, Deputy Chairman; Front Line, represented by Didier Kunstlinger; Patrice Gassenbach; Rhyzlène Nusse; Mark Gao 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.

On March 31, 2017, the Board of Directors included two non-voting members sitting as observers: Grégory Ouanhon 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. Accordingly, there are currently three Independent Members out of seven on the company's Board of Directors (Rhyzlène Nusse, 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.

Moreover, the company will do its best to reach the minimum representation of 40% after the end of the first Ordinary General Meeting held after January 1, 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 joint-stock 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 Board members, request 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, 2017, the Board conducted its internal evaluation in respect of the financial year ended March 31, 2017.

### *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/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, 2017***

The Board of Directors met 12 times during the financial year ended March 31, 2017, with an average attendance of six Directors and an attendance rate of around 80%.

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 2016/2017 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 the 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 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 their 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 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 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;
- opinion prior to the following decisions of the Board of Directors: setting the annual budget; decisions to begin insolvency proceedings for the company or one of its subsidiaries or the appointment of any legal representative; management decision which involves changing the annual budget set by the Board by plus or minus than 20%; the issuing of marketable securities; any new loan of more than €15 million, except for film credit lines and film financing from specialized organizations; decisions or commitments on real estate rights for the company, equivalent to a charge for the company of over €2.5 million on an annual basis excluding expenses and tax.

- *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.

At March 31, 2017, three members were appointed by the Board of Directors to make up the Audit Committee: Charles Milhaud, Chairman of the committee and Deputy Chairman of the Board of Directors, Didier Kunstlinger representing Front Line, and Patrice Gassenbach, members of the Board of Directors. The committee thus comprises two Independent Members out of its three members.

- *Audit Committee meetings during the financial year*

The Audit Committee met six times during the 2016/2017 financial year, compared with four 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 executives 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.

At March 31, 2017, the Compensation and Appointments Committee had three members: Charles Milhaud, Deputy Chairman of the Board of Directors, Patrice Gassenbach and Rhyzlène Nusse, Directors. The meetings are chaired by Charles Milhaud. All of the committee's three members are Independent Members.

It met twice this year, as was the case during the previous financial year.

Moreover, since March 31, 2017, the committee has met once.

#### I.4. Principles used to set the compensation and other benefits granted to corporate officers

##### *Directors' fees paid to 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 the €210,000 granted 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 the €180,000 granted as Directors' fees to Board members for the financial year ended March 31, 2017.

### *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, 2017, the Chairman's gross compensation amounted to €2,787,997 (including his salary as director and screenwriter), excluding non-cash benefits which amounted to €838,956 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 2016/2017 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 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 2016/2017 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 Chapter 19.1 of the Registration document and agreements with members of the Board of Directors or management are presented in Chapter 19.2 of the Registration document.

### II.1. Objectives and scope of 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*

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 internal control procedures

### *Identification of risks*

The Management Control team has drawn up a map of 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.

- *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 area as at 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 joint-stock 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 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 comprises Senior Management, the Deputy Chief Executive Officer, the Technical & IT Manager, the Chief Legal Officer, the HR Manager, the Film Administration Officer, the Sales Manager, the Marketing Manager, the Operations Manager, the Manager and CEO of EuropaCorp Television, the Executive Officer of the Blue group, the Director of Digital Factory, the Administrative and Financial Director and the director of French-language productions. 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 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 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*

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 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 signing 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.

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 drew 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 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/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/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" guide (written by the Observatoire de la Communication Financière under the aegis of the AMF). Before the announcement of the half-year and annual results, as well as quarterly data, the company observes a quiet period of two weeks during which it has no contacts 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.

July 17, 2017,

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Luc Besson  
Chairman of the Board of Directors

\* \* \*

**Statutory Auditors' report, drawn up in accordance with Article L.225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of EuropaCorp SA**

To the shareholders,

As Statutory Auditor of EuropaCorp and pursuant to Article L.225-235 of the French Commercial Code, we hereby present our report on the report written by the Chairman of your company in accordance with the provisions of Article L.225-37 of the French Commercial Code for the financial year ended March 31, 2017.

The Chairman is responsible for preparing and submitting for the approval of the Board of Directors a report summarizing the internal control and risk management procedures in place within the company and giving the other information required by Article L.225-37 of the French Commercial Code relating to matters of corporate governance.

It is our responsibility to:

- notify you of our observations concerning the information contained in the Chairman's report concerning the risk management and internal control procedures relating to the preparation and treatment of accounting and financial information and
- to certify that the report contains the other information required by Article L.225-37 of the French Commercial Code, it being specified that we are not responsible for checking the accuracy of this other information.

We conducted our work in accordance with the professional standards applicable in France.

**Information concerning the risk management and internal control procedures relating to the preparation and treatment of accounting and financial information**

Professional standards require the implementation of due diligence to assess the truthfulness of the information concerning the risk management and internal control procedures relating to the preparation and treatment of the accounting and financial information contained in the Chairman's report. These due diligence procedures include:

- reviewing the information concerning the risk management and internal control procedures relating to the preparation and treatment of the accounting and financial information underlying the information presented in the Chairman's report as well as the existing documentation;
- reviewing the work which made the preparation of this information and existing documentation possible;
- determining whether sufficient information regarding the major deficiencies in internal control and the preparation and treatment of the accounting and financial information that we have noted as part of our mission was given in the Chairman's report.

Based on this work, we have no observations to make on the information concerning the company's internal control and risk management procedures as regards the preparation and treatment of the accounting and financial information in the report by the Chairman of the Board of Directors,

prepared in accordance with the provisions of Article L.225-37 of the French Commercial Code.

### **Other information**

In accordance with the law, please note that the report by the Chairman of the Board of Directors does not contain the following information required by Article L.225-37 of the French Commercial Code:

- EuropaCorp further states that it is not governed by any specific code of corporate governance, but draws from a number of recommendations of the Code of Corporate Governance for publicly traded companies, insofar as they are compatible with the organizational structure and size of the company. The Chairman's report does not, however, justify the reasons for this choice.

Paris and Villeurbanne, July 21, 2017

The Statutory Auditors

Auditeurs & Conseils Associés  
ACA Nexia  
Represented by  
Olivier Juramie

Premier Monde  
Represented by  
Arnaud Malivoire

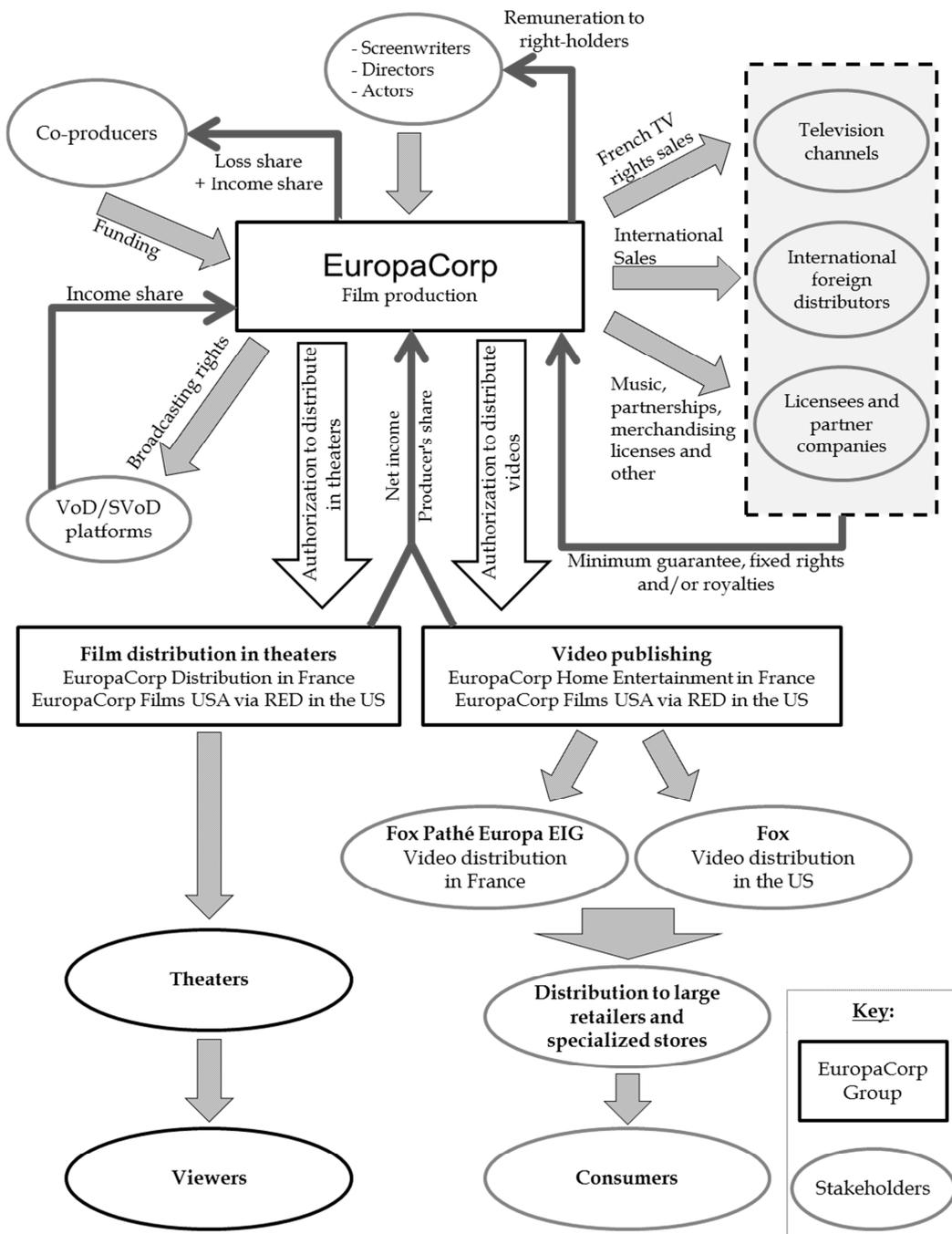
## 17 INFORMATION ON THE COMPANY'S CORPORATE SOCIAL RESPONSIBILITY AND OTHER INFORMATION CONCERNING EMPLOYEES

### 17.1 Information on the company's corporate social responsibility

#### 17.1.1 Stakeholder relations

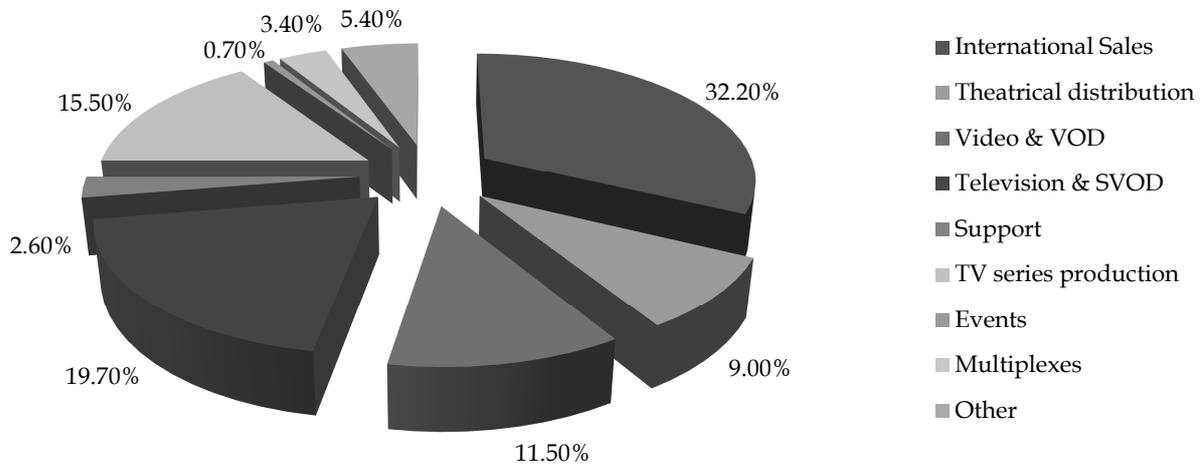
##### 17.1.1.1 Mapping of flows with principal stakeholders

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, 2017**



#### 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 (FNDF), which brings together over 50 film distribution companies. This federation represents film distributors at various festivals and professional events;
- the Union of Cinema Producers (UPC) which is a professional organization that defends French film producers' interests with Luc Besson as Deputy Chairman, and Dominique Farrugia, Edouard de Vésinne and Thomas Anargyros as members of the Management Board. The UPC's main tasks are to organize, defend and develop film production;
- the Union syndicale de la production audiovisuelle (Audiovisual Production Union) (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 FICAM - Fédération des Industries du Cinéma, de l'Audiovisuel et du Multimédia - 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 The Group's societal commitments

### 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, 2017, EuropaCorp produced, co-produced or acquired seven films released in French theaters, which totaled nearly 1.4 million admissions.

In France, 283 approved films were produced in 2016 (221 French films + 62 predominantly foreign films) for an overall investment budget of €1,388.50 million (€1,208.78 million for French films and €179.72 million for predominantly foreign films), i.e. an average budget of €5.47 million per French film. The increase in the amount invested in French films (+18.1% compared to 2015) was mostly due to two films with very big budgets produced by EuropaCorp: Luc Besson's *Valerian* and the *City of a Thousand Planets* (€197.47 million) and Steven Quale's *Renegades* (€66.19 million).

Source: CNC - 2016 Report

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. The 90-minute broadcast of *Marion, 13 ans pour toujours* (France 3) and season 1 of *Section Zéro* (eight 52-minute episodes on Canal+) aired on French channels for the first time during the 2016/2017 financial year. In addition, season 1 of the series *Taken* was broadcast in the United States on NBC (10 45-minute episodes). These dramas amount to 910 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, mainly to finance the construction of the studios. As of March 31, 2017, capital investments and contributions to associates' current accounts totaled €8.3 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.

For several years now, EuropaCorp has been working in partnership with some 160 international distributors. Over the past three financial years, the company has earned over 37% of its revenue internationally.

EuropaCorp's main international successes include the *Taken* saga, *Lucy*, *The Transporter* saga, *Arthur & the Invisibles* (refer to Section 6.2.3 of this Registration document).

Finally, the Cité du Cinéma is a film studio complex which is unique in Europe. It came into being in the summer 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 Cité du Cinéma complex which houses the 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 Cité de Cinéma studios have already hosted the shooting teams of many international feature films, such as *The Smurfs 2*, directed by Raja Gosnell; Luc Besson’s *Malavita (The Family)*, featuring Robert de Niro, Tommy Lee Jones and Michelle Pfeiffer; *3 Days to Kill* with Kevin Costner and Amber Heard; Luc Besson’s *Lucy*, with Scarlett Johansson and Morgan Freeman, and Luc Besson’s *Valerian and the City of a Thousand Planets*, with Dane DeHaan, Cara Delevingne, Clive Owen, Rihanna...

- *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 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.

For the recruitment of staff for the operation of its multiplex in the Aéroville shopping center inaugurated in October 2013, EuropaCorp took part in forums organized by the French national employment agency Pôle Emploi.

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), at 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, 2017	March 31, 2016
<b>Societal and cultural footprint</b>		
International revenue (3-year average)	37.4%	44.3%
<b>Economic footprint</b>		
- Number of films produced or co-produced released in theaters during the FY	4	4
- Number of TV dramas produced or co-produced broadcast during the FY	1	4
- 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	€74 million	€45 million

### 17.1.2.2 *Indirect jobs*

- *Subcontractors and suppliers*

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 & 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 March 31, 2017, authors' contracts were in force for all the films present in the catalog of EuropaCorp SA. For financial year 2016/2017, the royalties paid to third parties out of the operating revenue generated by the films amounted to €10.1 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 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 films distributed by EuropaCorp have received a "General Audiences" rating, of which five had warnings. The exception was *Shut In*, which was forbidden to children under twelve.

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, 2017, 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 registered office and subsidiaries, as well as from the shooting of films for which EuropaCorp acts as executive producer (two feature films out of seven distributed during the 2016/2017 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 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 Cité du Cinéma site.

In addition, on November 14, 2016, the Group initiated testing for the implementation of selective sorting on the fourth floor of its Cité du Cinéma premises located at 20 rue Ampère in Saint-Denis. The test was successful and was extended to all EuropaCorp offices in July 2017. The roll-out to all of the Group's entities in Saint-Denis is planned before the end of 2017. The initiative can become part of a larger system at any time if the owner of the site offers it to its tenants.

- *Environmental impacts of shooting*

For shooting, there are two different situations: the shootings may take place in the Cité du Cinéma studios or on location.

The shootings taking place on the Cité du Cinéma site require the building of sets and usually generate a large amount of waste. This waste is removed by a service provider tasked with sorting this waste.

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 the 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 residents<sup>8</sup>.

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.

Generally, the Group works to apply these approaches to all of its productions.

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<sup>8</sup>Based on the ratios of the French Agency for the Environment and Energy Management

## 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 2016/2017 is that of the Group's scope of consolidation on March 31, 2017, including the two subsidiaries based in Los Angeles, whose workforce accounts for 17.16% of the Group's headcount.

- *Distribution and growth of the workforce*

As of March 31, 2017, the EuropaCorp Group employed 134 people (excluding casual staff), including 31 new employees (i.e. 23.2% of the total workforce).

The company's workforce decreased by 16.25%, notably due to the sale of the Aéroville business on December 14, 2016.

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 2016/2017, the EuropaCorp Group (excluding EuropaCorp Television and USA) hosted 48 interns, including 28 on observation internships. The other 20 interns accounted for 9.28 full-time equivalents. EuropaCorp Television hosted three interns.

Breakdown of workforce per company:

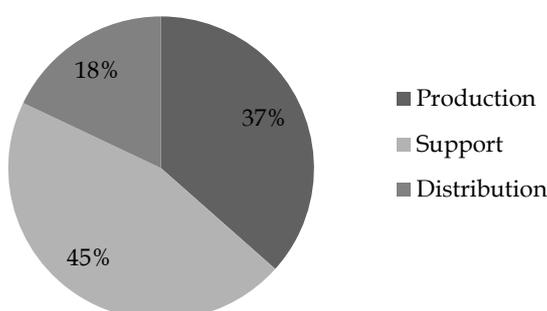
	Headcount at March 31, 2017	Headcount on March 31, 2016	Headcount on March 31, 2015
EuropaCorp SA*	70	62	64
EuropaCorp Distribution*	3	3	3
EuropaCorp Home Entertainment*	2	2	2
Roissy Films*	3	3	4
Ydéo*	2	3	3
EuropaCorp Television*	15	12	13
EuropaCorp Aéroville***	0	40	38
Blue Advertainment*	0	1	4
Blue Event*	0	1	5
Digital Factory*	16	16	17
EuropaCorp Films USA	19	14	15
EuropaCorp Television USA	4	3	0
<b>TOTAL</b>	<b>134**</b>	<b>160**</b>	<b>168**</b>

\*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.

The workforce breakdown based on EuropaCorp's production and distribution activities was as follows on March 31, 2017:



The employees directly involved in the film-making process (distribution and production) account for 55% of the workforce. A total of 37% 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 45% of the workforce and all Group management activities (finance, accounting, legal affairs, IT, corporate services, etc.).

The disappearance of the "Other activities" category is the result of the sale of the Aéroville business on December 14, 2016. The Group wanted to refocus on its core business.

90% of EuropaCorp Group's employees are on permanent employment contracts. Executives account for 63% of the workforce versus 47% on March 31, 2016. 98% of employees work full time. Overall, the workforce comprises 50% women (including 56.7% of executives) and 50% men.

The average age of the employees present on March 31, 2017 is 38 versus 35 on March 31, 2016. At March 31, 2017, 15.67% of the Group's workforce was under the age of 28 and 15.67% was 50 and over.

- *Staff turnover*

During the 2016/2017 financial year, 33 new employees joined the Group and 22 left. The latter consisted of 14 resignations, three expired fixed-term contracts, early termination of one fixed-term contract, one contractual termination and three completed trial periods. No Group employees were dismissed for economic reasons in the 2016/2017 financial year. To date, no staff cut-backs are planned.

The average length of service within the Group is 5.72 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, 2017, EuropaCorp was the line producer of eleven 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, 2017, the company and its subsidiaries directly employed 3,254 casual entertainment industry workers, totaling some 164,852 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.

By way of example, 50% of the Group's employees (excluding EuropaCorp Television and EuropaCorp Films USA) received a salary increase on March 31, 2017.

- *Compensation*

During the financial year ended March 31, 2017, the total gross compensation paid to Group employees and casual staff amounted to €19.3 million, i.e. approximately 12.7% 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 2016/2017 financial year, Group companies did not make any contributions to the special profit-sharing reserve compared to €102 thousand during 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. Working hours applicable to casual staff is covered in Section 17.1.3.1 of this Registration document.

The part-time workforce consists of three women and one man, accounting for 3% of the Group's total workforce.

- *Absenteeism*

During the financial year ended March 31, 2017, Group employees were absent for a total of 1,249 days, including 345 days due to illness, 21 due to occupational accidents, 679 for maternity leave, 131 for parental leave, 24 for paternity leave, four partial days for medical leave and 45 unpaid days. The average number of days of absence per employee comes to 9.3 days over the period. This corresponds to an absenteeism rate<sup>9</sup> of 3.6% versus 5.2% on March 31, 2016, based on a theoretical monthly work period of 151.67 hours. The decrease in absenteeism was in part due to the sale of the Aéroville operation by EuropaCorp on December 14, 2016.

### 17.1.3.3 Labor relations

- *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.

During the 2016/2017 financial year, 11 Works Council and Staff Representative meetings were held. There were also four extraordinary WC meetings.

The WC was consulted about the training plan, the solidarity day, the capital increase, the disposal of the multiplexes, strategic directions and the company's economic and financial situation and its social policy.

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.

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<sup>9</sup> *Absenteeism:*

$(1,249 \text{ days of absence} * 7 \text{ hrs}) / (151.67 \text{ hrs [average theoretical working time per month]} * 12 \text{ months} * 134 \text{ employees})$

- *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, 2017, 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.

During the financial year, no agreement was signed with the staff representative bodies concerning occupational health and safety.

Two collective negotiations were initiated on: the creation of a new profit-sharing agreement (four meetings) and a new work time agreement (three meetings).

#### **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, 2017, met to address issues concerning the health and safety of Group employees.

Furthermore, the Group provided training to its employees on the use of fire extinguishers and first-aid in the workplace in 2012. The latter was also renewed in 2014, 2015 and 2016.

Following the retirement of the physician responsible for EuropaCorp's employees, the Group requested a change to a closer reception center, to facilitate employee access. The company Record and Master Risk Assessment were updated with the new occupational physician.

Seven CHSCT meetings were held during the financial year: three ordinary meetings and four extraordinary meetings. The CHSCT was partially renewed twice.

In addition, a steering committee was created to monitor the Action Plan for Quality of Working Life at the Group. Three meetings were held for this purpose.

- *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 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. During the financial year ended March 31, 2017, the Group recorded two workplace accidents and one commuting accident involving an employee who left the Group during the 2016/2017 financial year. No occupational illness was reported.

- *Actions to improve well-being at work*

During the 2016/2017 financial year, an additional cradle was added to the company nursery at the Cité du Cinéma, allowing six employees (five from EuropaCorp SA, one from EuropaCorp Television) to benefit from a childcare place for their child.

The provision of a new cradle was also agreed for EuropaCorp Television for fall 2017.

- *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**

In the vast majority of cases, the Group responded favorably to employee training requests during 2016. Training needs were identified and categorized for the development of trade-specific skills to ensure that employees enhance their employability and maintain their skills. The Group also

dedicated a portion of the budget to 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, 2017, the budget dedicated to employee training (all training included) amounted to approximately €38,000 excl. tax. A total of 840 hours of training was provided.

#### 17.1.3.6 Equal treatment

- *Gender equality in the workplace*

In the Group, women account for 50% of the workforce and 44.71% of executives. The Management Committee is made up of three women and thirteen men.

There are women in all film-making jobs. They account for 36.73% of the workforce in production activities and 75% of the workforce dedicated to film distribution activities.

- *Integration of employees with disabilities*

The Group has one disabled employee on its workforce. Investments have been made to secure their continued employment.

In addition, the company has worked to raise the awareness of employees regarding the issue of disabilities in the company. Two awareness-raising sessions were held with a partner listed in the directory of AGEFIPH partner consultants:

- November 24, 2016: awareness-raising/discussion about the employment of persons with disabilities, set-up of services to receive and provide information to interested persons and redistribution of the awareness-raising brochure provided the previous year;

- April 27, 2017: breakfast discussion led by our partner and an intern who did a one-month internship with the HR department and who 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, 2017, the Group employed 57 children under the age of 16 for film shooting in France. They included five actors, one silhouette and 41 extras.

Group's commitment to its permanent and casual employees	Unit	March 31, 2017	March 31, 2016
<b>Employment</b>			
- Total Group workforce as of March 31, 2017	Headcount	134*	160*
- Number of casual employees	No. of casuals	3,254	2,885
- Average length of service of Group employees	No. of years	5.7	4.4
- Average age of Group employees	No. of years	38	35

- Payroll (permanent employees + casual staff)	€ million	19.3	20.3
- Average number of days of absence per employee	No. of days	7.8	13.6
<b>Diversity</b>			
- Percentage of women in total workforce	%	50	54.7
- Percentage of women on Management Committee	%	23	18.8
<b>Occupational health and safety</b>			
- No. of occupational/commuting accidents recorded	No. of accidents	3**	10
- No. of occupational illnesses recorded	No. of cases	0	0

\*One person working for two subsidiaries.

\*\*One commuting accident involving an employee who left the Group during the financial year 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, 2017 in France and Los Angeles. The scope of environmental reporting covers the 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).

<b>1. Information on the workforce</b>		
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, 2017
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 taken to use them more efficiently	Not relevant in view 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 Notes concerning certain indicators

**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](http://www.cofrac.fr), we present you with our report on the consolidated corporate social responsibility information for the year ended March 31, 2017, 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 company 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 2017 over a period of around seven person-days.

We conducted the reviews described below in accordance with the professional standards applicable in France and the Decree of May 13, 2013 laying down the procedures to be implemented by the independent third party in its review.

### **1. Certification of the presence of CSR Information**

#### **1.1 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".

#### **1.2 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.

### **2. Reasoned opinion on the fair presentation of CSR Information**

#### **2.1 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 important<sup>10</sup>:

- 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 selected<sup>11</sup> 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 89% 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.

## 2.2 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, 2017 is essentially limited to employee-related aspects.

Paris, July 21, 2017

Auditeurs & Conseils Associés

ACA Nexia

Represented by

Olivier Juramie Eric Chapus

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<sup>10</sup> **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/women on the Management Committee, total payroll and amount of employee profit-sharing.

**Qualitative information:** measures taken to promote employee health and safety at 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.

<sup>11</sup> French and American companies consolidated using the full consolidation method

## 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 thirty-four (34) euro cents each.

The shares are locked-up for a two-year period from May 22, 2015 and will be immediately fungible with existing shares.

The company's share capital was thus increased to €10,046,638.58 divided into 29,548,937 shares with a par value of thirty-four (34) euro cents 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.

### 17.4.2 Profit-sharing, incentive mechanisms, employee savings plan and employee investment fund

- *Profit-sharing*

A profit-sharing agreement, governed by Articles L.442-1 et seq. (former text) and L.3322-7 et seq. (new text) of the French Labor Code, was set up under the collective bargaining agreement of July 8, 2004 within the Front Line Group. In view of the new legal provisions and the modification of the Group's scope, this agreement was amended through a rider dated June 30, 2009.

It applies to the following companies: Front Line, EuropaCorp, EuropaCorp Distribution, EuropaCorp Home Entertainment, Dog Productions, Intervista, EuropaCorp Music Publishing, Ydéo, EuropaCorp TV, Roissy Films, Apipoulai Prod, EuropaCorp Television, Digital Factory, Block One, Block Two, FL Jet One, Mondialum, EuropaCorp Studios and Azione.

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 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 3/4 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, 2017	March 31, 2016	March 31, 2015
EuropaCorp	0	102,163	16,637
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
<b>TOTAL</b>	<b>0</b>	<b>102,163</b>	<b>16,637</b>

- *Incentive mechanisms*

There is no agreement concerning incentive mechanisms within the Group.

## 18 MAIN SHAREHOLDERS

### 18.1 Company shareholders and breakdown of voting rights

As of June 30, 2017, the company's share capital and voting rights broke down as follows:

Shareholders	Number of shares	% of share capital	% of voting rights <sup>4</sup>
Front Line	12,935,903	31.57%	31.60%
Luc Besson	4,035	0.01%	0.01%
<b>Total Luc Besson</b>	<b>12,939,938</b>	<b>31.58%</b>	<b>31.61%</b>
Lambert Capital BV	2,931,415	7.15%	7.16%
Heirs of Christophe Lambert	1	0.00%	0.00%
<b>Total Heirs of Christophe Lambert</b>	<b>2,931,416</b>	<b>7.15%</b>	<b>7.16%</b>
<b>Total Concert<sup>1</sup></b>	<b>15,871,354</b>	<b>38.73%</b>	<b>38.75%</b>
FF Motion Invest	11,428,572	27.89%	27.92%
Equitis Gestion <sup>2/5</sup>	1,019,025	2.49%	2.49%
Habert Dassault Finance (& Benoît Habert) <sup>5</sup>	2,685,540	6.55%	6.56%
BPCE <sup>5</sup>	659,202	1.61%	1.61%
Shares paid to employees under the free share plan	233,783	0.57%	0.57%
Public float <sup>5</sup>	9,041,947	22.07%	22.09%
Treasury shares	38,087	0.09%	0.00%
<b>TOTAL</b>	<b>40,977,509</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> 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).

<sup>2</sup> Bearer shares as at June 30, 2017, 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).

<sup>3</sup> Under the authority vested in it by the General Meeting of the shareholders of September 28, 2012 (19<sup>th</sup> 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.

<sup>4</sup> Percentage of actual voting rights (excluding treasury shares).

<sup>5</sup> Shares held at June 15, 2017 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 3/31/2017			Position as of 3/31/2016			Position as of 3/31/2015		
	Number of shares	% of share capital	% of voting rights <sup>2</sup>	Number of shares	% of share capital	% of voting rights <sup>2</sup>	Number of shares	% of share capital	% of voting rights <sup>2</sup>
Front Line	12,935,903	31.57%	31.58%	12,935,903	43.78%	43.81%	12,935,903	44.13%	44.17%
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	9.92%	9.93%	2,931,415	10.00%	10.01%
FF Motion Invest	11,428,572	27.89%	27.90%	N/A	N/A	N/A	N/A	N/A	N/A
Habert Dassault Finance (& Benoît Habert)	2,685,540	6.55%	6.56%	2,685,540	9.09%	9.10%	2,685,540	9.16%	9.17%
Equitis Gestion <sup>1</sup>	1,019,025	2.49%	2.49%	1,019,025	3.45%	3.45%	1,198,168	4.09%	4.09%
<b>Subtotal</b>	<b>31,004,490</b>	<b>75.66%</b>	<b>75.70%</b>	<b>19,575,918</b>	<b>66.25%</b>	<b>66.30%</b>	<b>19,755,061</b>	<b>67.39%</b>	<b>67.45%</b>
BPCE	659,202	1.61%	1.61%	659,202	2.23%	2.23%	659,202	2.25%	2.25%
Public float	9,294,506	22.68%	22.69%	9,291,635	31.44%	31.47%	8,875,283	30.28%	30.30%
Treasury shares	19,311	0.05%	0.00%	22,182	0.08%	0.00%	25,608	0.09%	0.00%
<b>TOTAL</b>	<b>40,977,509</b>	<b>100%</b>	<b>100%</b>	<b>29,548,937</b>	<b>100%</b>	<b>100%</b>	<b>29,315,154</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> Bearer shares as at March 31, 2017, 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).

<sup>2</sup>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-registered 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 joint-stock 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 following<sup>12</sup> :

- **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, 2017, jointly hold 38.73% of the company's share capital and voting rights (38.75% of the company's actual voting rights).

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 three Independent Board Members out of the Board's seven members and the fact that the Chairman's duties are separate from those of the Chief Executive Officer is aimed at guaranteeing that the company's control is not exercised in an abusive manner.

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<sup>12</sup> For further details, see Notices 213C0631 of June 5, 2013, 213C0686 of June 14, 2014 and 214C0413 of March 18, 2014.

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 terminate upon a change in control of the company, is as follows<sup>13</sup>:

- 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 equivalent to \$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 Chapter 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.

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<sup>13</sup> 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.

- **Commercial lease for the premises of the 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 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, 2017 is €9.2 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 nave 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 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 €333 thousand 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.

- **Coproduction contracts and cinematography service agreements between EuropaCorp and Apipoulai Prod**

In the past, Apipoulai 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, Apipoulai 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, on American soil. 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, 2017, the total amount invoiced by Seaside Films Company to EuropaCorp for the financial year amounted to €305,942.

- **Creation of special purpose subsidiaries by Seaside Films Company**

*For shooting requirements on American soil and the management of American talent*

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 restaurant B.O.**

On October 15, 2013, EuropaCorp and B.O. SARL, 51%-owned by Front Line, entered into a commercial subleasing agreement for ground-floor premises in the main building at the 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 thousand excl. VAT), equivalent to €239 thousand 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 finally 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 the 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 notably between EuropaCorp Films USA, Inc. as Borrower, EuropaCorp SA as parent (Parent), Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo, as guarantors (Guarantors), the lenders (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 security interests 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 security requested, in view of the general financial strategy deployed by the Group as a whole.

On September 30, 2016, 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 (Parent), Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo, as guarantors (Guarantors), the lenders (Lenders) and J.P. Morgan Chase Bank, N.A. as Agent.

On September 30, 2016, an amendment to the credit agreement entitled “Second Lien Credit, Security, Guaranty and Pledge Agreement” was entered into between EuropaCorp Films USA, Inc. as Borrower, EuropaCorp SA as parent (Parent), Blue Advertainment, Digital Factory, EuropaCorp Distribution, EuropaCorp Home Entertainment, EuropaCorp Music Publishing, Roissy Films and Ydéo, as guarantors (Guarantors), the lenders (Lenders) and Vine Investment Advisors, LLP 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 Investment 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 (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 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 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.

- **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*, whose theater release is planned for July 2017.

As security for the payment of this amount, the Valerian SAS and Valerian Holding, both subsidiaries of EuropaCorp SA, granted first-lien guarantees on all of their assets.

The company's Board of Directors considered it to be in the corporate interest of EuropaCorp Group to be a signatory to the Loan and Security Agreement and to arrange the guarantees requested, in view of the positive impact that the film *Valerian and the City of a Thousand Planets* could have on the Group as a whole.

- **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 almost 20% of the loss share + 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 2016/2017 financial year, EuropaCorp recorded revenue of approximately €0.6 million from this output deal (generated by the film *Nine Lives*).

- **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.

## *19.2 Statutory Auditors' Special Report on regulated agreements and commitments for the financial year ended March 31, 2017*

To the shareholders,

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 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

We inform you that we received no information regarding any agreements or commitments authorized during the past financial year to be submitted for the approval of the General Meeting in application of the provisions of Article L.225-38 of the French Commercial Code.

#### 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 sub-let 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 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 €3,152,419.73 excl. VAT.

#### *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 €302,170.52.

#### *2.1.3. Cité du Cinéma film studio financing: memorandum of understanding and granting of guarantees for the lease contract*

The following decisions, as well as 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. Signing of a memorandum of understanding

#### Persons concerned:

- Front Line, 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 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 the 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 the company Société d'Exploitation des Studios de Paris, which is responsible for the operational use of the Cité du Cinéma studios.

### 2.1.3.2. Signing 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 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 commitments amounting to €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.*

##### 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 main building at the 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 Le 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 main building at the 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 thousand, with the total work amounting to €716 thousand;
- 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 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 to first and last refusal for the distribution of a feature film to be produced by Incognita. Your company will pay Incognita an annual amount with a guaranteed minimum of €150 thousand 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.

The expenses recorded by your company for the financial year amount to €150,000 excl. taxes.

#### *2.1.7. 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 benefit 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 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 €408,947 for the position.

## 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 for an 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.

Paris and Villeurbanne, July 21, 2017

The Statutory Auditors

Auditeurs & Conseils Associés  
ACA Nexia  
Represented by  
Olivier Juramie

Premier Monde  
Represented by  
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, 2017, prepared in accordance with IFRS, are included in Appendix 1 to the 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, 2017.*

Dear Shareholders,

In compliance with the assignment entrusted to us by your annual General Meeting, we hereby report to you, for the year ended March 31, 2017, on:

- the audit of the consolidated financial statements of EuropaCorp,
- the justification of the assessments,
- the specific verification required by French law.

The consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

#### **1. Opinion on the consolidated financial statements**

We have conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial consolidated statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position, and its assets and liabilities as of March 31, 2017 and of the results of operations of the companies included in the consolidation for the year then ended in accordance with the IFRS standards as adopted by the European Union.

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.

#### **2. Justification of the assessments**

In accordance with the requirements of article L.823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As explained in paragraph 2.25 of the notes, your company's management must prepare estimates and make assumptions affecting the amounts contained in the financial statements

and the accompanying notes. As such estimates are uncertain in nature, actual results may deviate from initial forecasts. The accounts giving rise to material accounting estimates are described in the said memorandum and mainly cover goodwill in the amount of €28.1m, intangible assets in the amount of €323.1m and deferred tax assets in the amount of €33.4m.

- As regards goodwill, we have reviewed the implementing terms of the impairment tests, as well as the data and assumptions used. We have reviewed the calculations made by your company and ascertained whether paragraphs 2.6 and 3.1 of the notes provide appropriate information.
- As regards the intangible fixed assets related to films, distribution networks and preliminary expenses, we have verified in particular, by sampling, whether the accounting criteria were satisfied, and we have reviewed the amortization and impairment terms used and the determination of the said items' recoverable value. We have also verified the appropriateness of the financial information disclosed in paragraphs 2.7 and 3.2 of the notes.
- As regards deferred tax assets, we have checked whether the recognition criteria were satisfied, and we have assessed the assumptions underlying the taxable net income forecasts and the resulting utilisation of the deferred tax assets. We have also verified whether paragraphs 2.13 and 3.6 of the notes provide appropriate information.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### **3. Specific verification**

We have also performed the specific verification required by law about the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris and Villeurbanne, on 21 July 2017

French original signed by  
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, 2017.

### 20.4 Statutory Auditors' fees

Fees paid to Statutory Auditors for the financial statements of EuropaCorp and its subsidiaries for the financial years ended March 31, 2016 ("N-1") and March 31, 2017 ("N"):

(in thousands of euros)	ACA/CohnReznich				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
<b>Audit</b>												
<b>Statutory audit, certification, review of the separate and consolidated financial statements</b>			<b>82%</b>	<b>94%</b>			<b>100%</b>	<b>100%</b>			<b>98%</b>	<b>100%</b>
- EuropaCorp	141	135	53%	64%					130	125	45%	43%
- Fully consolidated subsidiaries	76	64	29%	30%	7	7	100%	100%	154	163	53%	57%
<b>Other verifications and services directly related to the statutory audit</b>			<b>18%</b>	<b>6%</b>							<b>2%</b>	
- EuropaCorp	39	12	15%	6%					5		2%	
- Fully consolidated subsidiaries												
- Services other than certification of the financial statements	10		3%									
<b>TOTAL</b>	<b>266</b>	<b>211</b>			<b>7</b>	<b>7</b>			<b>290</b>	<b>288</b>		

### 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 year ended March 31, 2013, the General Meeting of Shareholders resolved to pay out a dividend of €0.12 per share, i.e. a total distribution of €3,517,818.

Concerning the appropriation of profits for the financial years ended March 31, 2014, 2015 and 2016, the General Meeting of Shareholders resolved not to pay out any dividend.

#### 20.5.2 The company's dividend allocation policy

The amount of the dividend allocations envisaged for the upcoming financial years is in the range of 20-40% 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 Code of Civil Procedure. Avalanche Productions appealed the decision.

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 financial and business position*

There has been no significant change in the Group's financial or business position since March 31, 2017.

## 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, 2017, (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 €59,507.45 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 was 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:

Other authorizations granted by 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 9/28/2016	9/28/2015 No 8
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	9/28/2016 No 10
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 9/28/2016	9/28/2015 No 22
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	9/26/2016 No 24

It will be proposed that the General Meeting called to approve the financial statements closed on March 31, 2017 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 2015/2016, 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 2016/2017

##### *Legal framework*

The Combined General Meeting of September 28, 2015, in its eighth 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 28, 2016, in its tenth 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 eighth resolution of the Combined General Meeting of September 28, 2015 and by the tenth resolution of the Combined General Meeting of September 28, 2016 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 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, 2015, in its twenty-second 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 28, 2016, 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, 2017

### Share transactions from April 1, 2016 to March 31, 2017

	Liquidity agreement	Share buyback outside the liquidity agreement
Number of shares purchased	320,253	-
Number of shares sold	323,124	-
Weighted average price	€3.88	-
Trading fees	-	-
Reason	Supporting the share price	Possible external growth operations
<b>On the financial year closing date/At March 31, 2017</b>		
Number of shares registered in the company's name	5,082	14,229
Value of the shares at the average share price	€19,683.63	€55,111.83
Value of the shares at the closing price	€19,108.32	€53,501.04
Par value of the shares	€0.34	€0.34
% shares/capital	0.01%	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, 2017.

On March 31, 2017, the company held 19,311 treasury shares, representing 0.05% of its share capital, valued at €72,609.36 based on the closing price of EuropaCorp stock on March 31, 2017 (i.e. €3.76). 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 28, 2017**

The Combined General Meeting of September 28, 2016 authorized the Board of Directors to implement a new share buyback program under the terms of the tenth resolution.

The main characteristics of this program are identical to those of the program approved by the General Meeting of September 28, 2015. 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 28, 2016 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 28, 2016 granted the Board of Directors the following powers and authorizations, which are still valid:

<b>Delegations of power granted to the Board of Directors for capital increases</b>	<b>Maximum nominal amount of the capital increase</b>	<b>Use of the delegation during the year</b>	<b>Term of the delegation</b>	<b>Date of the AGM and resolution number</b>
Delegation of power for the purposes of deciding on the issue, while maintaining shareholders' preferential subscription rights, of common 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	9/28/2016 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	9/28/2016 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	9/28/2016 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	9/28/2016 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	9/28/2016 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 share capital*	Nil	26 months	9/28/2016 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 share capital	Nil	26 months	9/28/2016 No 19
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	9/28/2016 No 18

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 given to the Board of Directors to issue marketable securities giving access to the share capital of the company, without preferential subscription rights, as part of an exchange of financial securities	10% of share capital	Nil	26 months	9/28/2016 No 20
Authorization to grant stock options to employees or corporate officers of the company and its affiliates	5% of share capital	Nil	26 months	9/28/2016 No 21
Authorization for the purposes of warding free shares to employees or corporate officers of the company and its affiliates	10% of share capital	0.93%**	26 months	9/28/2016 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	9/28/2016 No 23

*\*These amounts are deducted from the overall maximum set in the 17th resolution of the General Meeting of September 28, 2016.*

*\*\*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 around 0.93% of the share capital on the date of the Board's decision.*

At the General Meeting of September 28, 2017, 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 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.

#### **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 (ii) all or part of the share capital of a EuropaCorp subsidiary.

### 21.1.7 History of changes to share capital

The table below shows the history of changes to the company's share capital over the past three financial years:

	2014/2015	2015/2016	2016/2017
<b>Opening capital</b>	€9,967,152.36	€9,967,152.36	€10,046,638.58
Number of shares canceled during the financial year	0	0	0
Number of shares issued during the financial year	0	233,783	11,428,572
<b>Share capital at period end</b>			
In euros	€9,967,152.36	€10,046,638.58	€13,932,353.06
Number of shares	29,315,154	29,548,937	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 16	3.76 €	19/07/2016	3.40 €	08/07/2016	3.60 €	483,167	21
August 16	4.10 €	11/08/2016	3.57 €	02/08/2016	3.80 €	296,558	23
September 16	4.50 €	29/09/2016	3.63 €	27/09/2016	4.20 €	495,149	22
October 16	4.19 €	04/10/2016	3.81 €	05/10/2016	4.14 €	418,645	21
November 16	4.18 €	01/11/2016	3.86 €	09/11/2016	3.89 €	287,917	22
December 16	4.19 €	15/12/2016	3.66 €	28/12/2016	3.76 €	566,738	21
January 17	3.79 €	02/01/2017	3.45 €	19/01/2017	3.71 €	411,571	22
February 17	3.71 €	01/02/2017	3.14 €	23/02/2017	3.25 €	443,776	20
March 17	3.89 €	30/03/2017	3.25 €	01/03/2017	3.76 €	445,687	23
April 17	3.84 €	05/04/2017	3.33 €	21/04/2017	3.58 €	208,272	18
May 17	3.90 €	30/05/2017	3.48 €	03/05/2017	3.80 €	437,672	22
June 17	4.19 €	26/06/2017	3.55 €	29/06/2017	3.73 €	690,855	20
<b>Summary/Total</b>	<b>4.50 €</b>		<b>3.14 €</b>			<b>5,186,007</b>	<b>255</b>

### 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 Vice-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 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 CEOs*

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 Meeting

### *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 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 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 requirements. 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 shall 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 has been 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 these agreements as follows:

- (i) the principal credit line for an initial amount of \$400 million was reduced to \$250 million; the accordion clause for an additional \$150 million remained unchanged. These new amounts result in much lower non-usage fees, with currently-available collateral meaning that it is not possible to draw down this line in excess of this amount;
- (ii) the secondary credit line was increased from \$50 million to around \$80 million, enabling an additional amount of approximately \$30 million to be drawn down. This extension to the secondary credit line benefits from the Group companies' guarantee, as previously.

The secondary credit line now bears interest at an annual 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. This loan can be repaid at any time without penalty.

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").

- Signing of a lease for operating a Multiplex

On July 26, 2011, EuropaCorp Aéroville, a wholly-owned subsidiary of EuropaCorp, signed a 12-year lease with SCI Aéroville (Unibail-Rodamco Group) for the rental of premises with a gross leasable area (GLA) of approximately 8,700 square meters for the operation of a multiplex with 12 movie theaters and 2,400 seats, which opened in November 2013, in the Aéroville shopping center on the Roissy airport site in the municipality of Tremblay-en-France.

If renewed, the lease will be extended for 10 years. The contract can be terminated if one of the parties fails to meet their contractual obligations.

For further information, please refer to Section 5.3 of the Notes to the 2013/2014 Consolidated Financial Statements, included in Appendix 1 of this Registration document.

- Relativity EuropaCorp Distribution - "RED" (joint venture)

On February 20, 2014, Relativity Media and EuropaCorp established a jointly owned distribution company in the USA 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 business.

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 2 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 (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*, whose theater release is planned for July 2017.

This contract ends on April 30, 2018. It can be terminated in the event of default in the cases covered in the contract entitled Loan and Security Agreement and if all amounts due are repaid early.

As security for the payment of this amount, the Valerian SAS and Valerian Holding, both subsidiaries of EuropaCorp SA, granted first-lien guarantees on all of their assets.

The company's Board of Directors considered it to be in the corporate interest of EuropaCorp Group to be signatory to the Loan and Security Agreement and to arrange the guarantees requested, in view of the positive impact that the film *Valerian and the City of a Thousand Planets* could have on the Group as a whole.

## 23 INFORMATION FROM THIRD PARTIES, APPRAISERS' STATEMENTS AND DECLARATIONS OF INTEREST

### 23.1 Report on the appraisal of the audiovisual rights catalog as of March 31, 2017

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, 2017. 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. Accuracy has authorized the company to disclose the conclusions of its appraisal in documents available to the public. 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, 2017 based on the discounted future cash flows generated by the production and distribution of the films after April 1, 2016. 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 catalog of the EuropaCorp Group (including the catalog of Roissy Films) using the discounted future cash flow method.*

*The following appraisal corresponds to the market value of the catalog for EuropaCorp.*

*On that basis, we have valued the catalog of EuropaCorp and Roissy Films as of March 31, 2017 at €141 million. The breakdown is as follows:*

<b>Appraisal of the EuropaCorp Group catalog (€ millions)</b>	<b>March 31, 2017</b>
Catalog of EuropaCorp films	100
Licenses	1
Income tax savings on film catalog assets	24
Non-invested financial subsidies generated	12
<b>Value of EuropaCorp film catalog - Signed &amp; estimated future cash flows</b>	<b>136</b>
Value of the Roissy Films catalog - Signed & estimated future cash flows	5
<b>TOTAL</b>	<b>141</b>

*Neuilly-sur-Seine, June 17, 2017 »*

At March 31, 2016, the Group's catalog was valued at €139 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; also on the company's website (<http://www.europacorp-corporate.com>) and AMF website (<http://www.amf-france.org>).

The company 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-corporate.com>).

The person responsible for investor information is:

Edouard de Vésinne  
Deputy 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:** Centre National du Cinéma et de l'image animée (French national cinematography and animation center).

**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 audio visual 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, 2017 AS PER IFRS

### CONSOLIDATED PROFIT AND LOSS STATEMENT

		Financial year ending 31 March	
		2017	2016
(amounts in thousands of euros, except for the number and data per share)			
Turnover	Note 4.1	144,159	147,340
<b>Revenue</b>	<b>Note 4.1</b>	<b>144,159</b>	<b>147,340</b>
Cost of sales		(217,087)	(110,005)
<b>Operating margin</b>	<b>Note 4.2</b>	<b>(72,928)</b>	<b>37,334</b>
Overheads	Note 4.3	(49,694)	(58,393)
Other income and expenses	Note 4.4	30	(1,256)
<b>Operating profit (loss)</b>		<b>(122,592)</b>	<b>(22,314)</b>
Income from financial investments / (Cost of financial debt)		(12,760)	(9,133)
Other financial income and expenses		(5,428)	(10,459)
<b>Financial income</b>	<b>Note 4.5</b>	<b>(18,188)</b>	<b>(19,592)</b>
<b>Current income before income tax</b>		<b>(140,781)</b>	<b>(41,906)</b>
Taxes	Note 4.6	21,521	15,139
<b>Net profit (loss) from associates</b>		<b>(119,260)</b>	<b>(26,767)</b>
Equity in net earnings of associated companies	Note 3.5	(321)	(1,010)
<b>Net income</b>		<b>(119,581)</b>	<b>(27,777)</b>
Net loss of discontinued operations	Note 2.26	(311)	
<b>Net income –Minority interest</b>		<b>(4)</b>	<b>(77)</b>
<b>Net Income – Group share</b>		<b>(119,888)</b>	<b>(27,700)</b>
<b>Net income per share</b>		<b>(2.93)</b>	<b>(0.94)</b>
<b>Diluted earnings per share</b>		<b>(2.93)</b>	<b>(0.94)</b>

### STATEMENT OF COMPREHENSIVE INCOME

	03.31.2017	03.31.2016
<b>Net income</b>	<b>(119,892)</b>	<b>(27,777)</b>
<b>Income or expenses recognized directly in equity</b>		
- Foreign currency translation differences	1,295	(3,721)
- 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		
<b>Total comprehensive income recognized directly in equity</b>	<b>1,295</b>	<b>(3,721)</b>
<b>Total comprehensive income for the period</b>	<b>(118,597)</b>	<b>(31,499)</b>
<b>Breakdown of comprehensive income for the period</b>		
Shareholders of the entity	(118,593)	(31,421)
Minority interests	(4)	(77)
<b>Total comprehensive income for the period</b>	<b>(118,597)</b>	<b>(31,499)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of euros)

		March 31, 2017		March 31, 2016	
		Gross	Amortization/ Provisions	Net	Net
<b>ASSETS</b>					
<b>Non-current assets :</b>					
Goodwill	Note 3.1	32,010	(3,823)	28,188	28,188
Intangible assets	Note 3.2	1,732,470	(1,409,348)	323,121	312,630
Property, Plant and Equipment	Note 3.3	35,738	(21,547)	14,192	29,054
Other financial assets	Note 3.4	2,959	(77)	2,882	4,369
Investments in associates	Note 3.5	2,244	-	2,244	2,665
Deferred taxes assets	Note 3.6	33,351	-	33,351	15,747
Other non-current assets	Note 3.15	4,757	-	4,757	7,305
Assets held for sale and discontinued operations	Note 2.26	484	-	484	-
<b>Total non-current assets</b>		<b>1,844,014</b>	<b>(1,434,795)</b>	<b>409,219</b>	<b>399,957</b>
<b>Current assets :</b>					
Inventory	Note 3.7	1,704	(556)	1,148	562
Trade accounts receivable	Note 3.8	70,602	(4,847)	65,755	62,554
Other accounts receivable	Note 3.9	70,634	(901)	69,733	77,804
Other current assets	Note 3.15	12,736	(0)	12,736	21,904
Cash and cash equivalents	Note 3.12	106,979	0	106,979	122,207
<b>Total current assets</b>		<b>262,656</b>	<b>(6,305)</b>	<b>256,351</b>	<b>285,030</b>
<b>ASSETS TOTAL</b>				<b>665,570</b>	<b>684,986</b>
				March 31 2017	March 31 2016
<b>LIABILITIES</b>					
<b>Equity - Group share</b>					
Issued capital				13,932	10,047
Reserves and earnings brought forward				82,815	145,199
Total equity - Group share	Note 3.10			<b>96,747</b>	<b>155,245</b>
<b>Non-controlling interests</b>	Note 3.10			<b>-235</b>	<b>-231</b>
<b>Non-current liabilities :</b>					
Provisions for pensions and similar	Note 3.11			827	903
Deferred taxes liabilities	Note 3.6			1,170	8,008
Long term borrowings and financial debts	Note 3.12			1,375	1,696
Deposits and guarantees received	Note 3.12			703	696
Equity investment liabilities > 1 year	Note 3.15			0	1,693
Other non-current liabilities	Note 3.15			20,697	19,673
<b>Total non-current liabilities</b>				<b>24,772</b>	<b>32,669</b>
<b>Current liabilities :</b>					
Short term borrowings and financial debts	Note 3.12			372,399	310,191
Provisions for risks and expenses	Note 3.11			5,425	5,728
Trade accounts payable	Note 3.14			51,997	75,269
Equity investment liabilities	Note 3.14			363	1,404
Other financial liabilities	Note 3.14			91,795	77,066
Other current liabilities	Note 3.15			22,205	27,645
Liabilities held for sale or discontinued operations	Note 2.26			101	-
<b>Total current liabilities</b>				<b>544,286</b>	<b>497,303</b>
<b>TOTAL LIABILITIES</b>				<b>665,570</b>	<b>684,986</b>

## 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 Group share	Minority interest	Total Equity
<b>March 31, 2015 balance</b>	<b>29,315,154</b>	<b>9,967</b>	<b>51,732</b>	<b>97,029</b>	<b>11,563</b>	<b>(112)</b>	<b>16,248</b>	<b>186,426</b>	<b>(154)</b>	<b>186,272</b>
Net income appropriation in reserves				16,248			(16,248)	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				226		15		241		241
Impact of the changes in the scope of consolidation								0		0
Currency translation reserve					(3,721)			(3,721)		(3,721)
31/03/2016 net income							(27,700)	(27,700)	(77)	(27,777)
<b>Total of income and costs</b>				<b>0</b>	<b>(3,721)</b>	<b>0</b>	<b>(27,700)</b>	<b>(31,421)</b>	<b>(77)</b>	<b>(31,499)</b>
Capital increase								0		0
Capital increase expenses								0		0
Plan for the award of free shares	233,783	79		(79)				0		0
<b>March 31, 2016 balance</b>	<b>29,548,937</b>	<b>10,047</b>	<b>51,732</b>	<b>113,423</b>	<b>7,841</b>	<b>(97)</b>	<b>(27,700)</b>	<b>155,245</b>	<b>(231)</b>	<b>155,014</b>
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
31/03/2017 net income							(119,888)	(119,888)	(4)	(119,892)
<b>Total of income and costs</b>				<b>0</b>	<b>1,295</b>	<b>0</b>	<b>(119,888)</b>	<b>(118,592)</b>	<b>(4)</b>	<b>(118,597)</b>
Capital increase	11,428,572	3,886	56,114					60,000		60,000
Capital increase expenses			(667)					(667)		(667)
Plan for the award of free shares				57				57		57
<b>March 31, 2017 balance</b>	<b>40,977,509</b>	<b>13,932</b>	<b>107,092</b>	<b>86,517</b>	<b>9,167</b>	<b>(73)</b>	<b>(119,888)</b>	<b>96,747</b>	<b>(235)</b>	<b>96,512</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands of euros)

Financial year ending March 31

	2017	2016
<b>Operations</b>		
Net income - Group share	(117,930)	(27,700)
Net income - Minority interest	(4)	(77)
Depreciation and amortization	95,752	69,475
Unrealised gains and losses relating to changes in fair value	8,193	4,662
Changes in the fair value of securities-related liabilities	82	184
Capital gains or losses on the disposal of assets	(2,055)	1,204
Share of income from associates consolidated using the equity method	321	1,010
Income and expenses due to share-based payments and similar	57	226
Cash flow from discontinued operations	(1,092)	-
<b>Operating cash flow after net financial debt cost and taxes</b>	<b>(16,677)</b>	<b>48,984</b>
(Income from financial investments) / Cost of financial debt	12,760	9,133
Taxes (Income) / Costs	(20,880)	(15,139)
Cash flow from discontinued operations	20	-
<b>Operating cash flow before net financial debt cost and taxes</b>	<b>(24,777)</b>	<b>42,978</b>
Change in working capital requirement:		
Inventory	(708)	17
Trade accounts and notes receivable	6,060	17,330
Deferred costs	7,898	(4,528)
Trade notes and accounts payable	14,377	25,880
Deferred income	(54)	(1,044)
Tax paid	518	1,041
Cash flow from discontinued operations	(929)	-
<b>Net cash flow from operations</b>	<b>Note 5.1</b>	<b>81,675</b>
<b>Investment activities</b>		
Acquisition of intangible assets	(133,699)	(175,996)
Acquisition of other intangible assets	(45)	(101)
Acquisition of property, plant and equipment	(2,809)	(2,928)
Income on disposals of intangible assets and property, plant and equipment	3,495	834
Net change in financial assets	(2,911)	1,198
Change in liabilities on long-term investment	(2,816)	(3,023)
Change in minority reserves	-	-
Impact of the changes in the scope of consolidation	(11)	-
Cash flow from discontinued operations	15,515	-
<b>Net cash flow from investment activities</b>	<b>Note 5.1</b>	<b>(180,016)</b>
<b>Financing activities</b>		
Dividends paid	-	-
Increase in capital	60,000	-
Capital increase expenses	(667)	-
Net change in bank borrowings and overdrafts	78,370	159,941
Net change in treasury shares	25	15
Interests paid	(17,766)	(11,268)
Interest received and net gain/loss from disposals	49	32
Cash flow from discontinued operations	(14,342)	-
<b>Net cash flow from financing activities</b>	<b>Note 5.1</b>	<b>148,720</b>
<b>Overall change in cash position</b>	<b>(15,227)</b>	<b>50,379</b>
<b>Opening cash position</b>	122,207	71,827
<b>Cash position at the end of period</b>	<b>106,979</b>	<b>122,206</b>
broken down into:		
<i>Marketable securities</i>	1,684	2,825
<i>Cash and cash equivalents</i>	105,295	119,382

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, 2016 and March 31, 2017, two companies were excluded from the consolidation scope of EuropaCorp group:

- EuropaCorp La Joliette
- 3DTK

##### 1.2.2 *Consolidated companies*

All the companies within the scope prepare their financial statements in euros (excluding EuropaCorp Films USA, EuropaCorp Television USA, EuropaCorp USA Valerian Holdings and EuropaCorp USA Valerian, LLC, 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, 2017</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	96,70%	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	137, rue du Faubourg St-Honoré, 75008 Paris	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		EM	40%	40%
EuropaCorp Television	20, rue Ampère, 93200 Saint-Denis	441 532 801	April 1, 2010		FC	100%	100%
Cipango Music	19 bis, boulevard Delessert, 75016 Paris	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		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%
3DTK, Inc.	11812 San Vte Blvd FL4 - Los Angeles, CA 90049	EIN (Employer Identification Number) : 46-1246221	October 19, 2012	March 31, 2017	FC	0%	0%
EuropaCorp La Joliette	20, rue Ampère, 93200 Saint-Denis	793 051 285	May 13, 2013	March 31, 2017	FC	0%	0%
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		FC	100%	100%
ECUSA Valerian, LLC	335-345 North Maple Drive, Beverly Hills, CA 90210		September 23, 2015		FC	100%	100%
Valérien NZ	Level 4, Royal Sun Alliance Building, 52 Swanson Street, Auckland NZ	NZBN : 9429042096429	December 11, 2015		FC	100%	100%

### 1.3 Events that occurred during the fiscal year

On April 20, 2016, Edouard de Vésinne was appointed as Deputy Chief Executive Officer of the Group. Edouard de Vésinne has over 20 years of experience in the film and TV production industry.

EuropaCorp closed multiple transactions during the fiscal year to provide additional financial strength. These include restructuring the company's first and second lien debt, raising equity from FF Motion Invest (a subsidiary of Fundamental Films) and sale of the multiplex activities to Cinemas Gaumont-Pathé.

EuropaCorp also entered a new multi-year US theatrical distribution agreement with STX Motion Pictures Group for the release of its upcoming films. It will allow EuropaCorp to reinforce the global distribution on the American territory through the EuropaCorp Distribution, LLC distribution platform (formerly "RED").

Those transactions allow EuropaCorp to have access to significant additional resources in order to implement its strategy of producing and distributing films and series with international potential, such as the highly anticipated releases of *Valerian and the City of a Thousand Planets*, *Taxi 5*, and the second season of the TV series *Taken*.

#### **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, 2017 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, 2017, which are available on the following site:

[https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting\\_fr](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, 2017.

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

#### **Standards, amendments to standards and interpretations adopted by the European Union (mandatory) which came into force on January 1<sup>st</sup>, 2016:**

The following standards and interpretations came into force on January 1<sup>st</sup>, 2016 and had no impact on the Group's financial statements:

- Amendments to IAS, 1 "Disclosure initiative";
- Amendments to IFRS 11, "Accounting for Acquisitions of Interests in Joint Operations";
- Annual improvements 2012-2014 cycle, in particular IFRS 5 "Changes in Methods of Disposal" and IAS 19 "Discount Rate: Regional Market Issue";
- Amendments to IAS 27 "Equity Method in Separate Financial Statements";
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization";

Regarding this amendment, EuropaCorp reviewed the principles of the standard IAS 38 and concluded that the amortization method of films and audiovisual rights currently used, which consists in amortizing films relatively to their estimated proceeds, remains justified, since there is a correlation between the generation of revenues and the consumption of economic benefits for an audiovisual work. Indeed, every broadcast of such work brings a mechanical decrease of its economic value since the audience performance decreases as the number of broadcasts increases.

#### **Standards and interpretations published by the IASB and adopted by the European Union, 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 1<sup>st</sup> 2016. It mostly concerns the following standards:

- IFRS 15 "Revenues from Contracts with Customers" and its amendments whose application will be mandatory on January 1<sup>st</sup> 2018;
- IFRS 9 "Financial instruments" whose application will be mandatory on January 1<sup>st</sup> 2018;
- IFRS 16 "Leases" whose application will be mandatory on January 1<sup>st</sup>, 2019. 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;

Regarding IFRS 15, the group will analyze the potential impact of the implementation of these new standards during the second semester of 2017. At this stage, the Group does not expect any significant change from the implementation of these new standards.

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 26<sup>th</sup>, 2017.

## **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 this is not the case.

## **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.

## 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)...;
- for the **Multiplexes** CGU: EuropaCorp Aéroville ; EuropaCorp has completed the sale of its multiplexes activity to Cinémas Gaumont-Pathé in December 2016;

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 30%, to anticipate in a normative way the announced decrease of the average tax rate in France over the following years.

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, 2017. 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.

The measurement tests used **for the Production and Distribution of TV drama and series CGU** and, if applicable, any CGUs representing **ancillary activities** (book publishing, marketing and advertising revenues) are based on future cash flows generated by these CGUs. 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 the type of activities.

At March 31, 2017, the growth rate used stood at 1.7% and the discount rate after tax at 10.5% (which is appropriate for the production and distribution of TV drama and series).

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, 2017, 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 EuropaCorp acted as Executive producer;
- the value of the acquisition of tangible and intangible rights if EuropaCorp 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, 2017 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, 2017, EuropaCorp had 9 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 1.29% as of March 31, 2017.

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, 2017, 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 financial liabilities" in deferred income.

#### **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.

#### **2.19.9 Multiplexes**

Income generated by theaters over the period in question essentially comes from the sale of tickets. This income is recognized on the date of sale. The Multiplexes activity was sold to Les Cinémas Gaumont-Pathé group in December 2016.

### **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 €3,941 thousand and €4,201 thousand respectively for the years ended March 31, 2017 and 2016, or 2.6% and 2.9% 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, 2017, the company benefited from €10.7 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 €224 thousand.

In the same way as the cinema tax credit, the audiovisual tax credit stood at €392 thousand. At

March 31, 2017, €43 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.

In addition, any foreign tax credits correspond to a percentage of eligible expenses and are reimbursed to the films, thereby reducing the costs of the relevant films.

## **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, 2017.

## **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

The EuropaCorp Group sold its Multiplexes activity during the year ended March 31, 2017. Considering the discussions engaged in order to sell this activity on September 30, 2016, the assets and liabilities linked to this activity were presented in accordance with IFRS 5 during the half-year closing and the related assets ceased to be amortized.

After March 31, 2017, the group sold its catalogue of music copyrights.

In accordance with the standard IFRS 5, those transactions led to a reclassification of the related assets and liabilities in the items: "Non-current assets" and "Current Liabilities" without compensation of the assets and liabilities. 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 value of the non-current assets held for sale is the lowest of carrying amount and fair value less costs to sell.

The details of those reclassified flows are as follows:

	<u>March 31, 2017</u>
<i>(amounts in thousands of euros, except for the number and data per share)</i>	
Turnover	7,540
<b>Revenue</b>	<b>7,540</b>
Cost of Sales	(4,269)
<b>Operating margin</b>	<b>3,271</b>
Overheads	(3,198)
Other products and expenses	279
<b>Operating income</b>	<b>352</b>
Other financial products and expenses	(2)
<b>Financial income</b>	<b>(2)</b>
<b>Current income</b>	<b>350</b>
Taxes	(661)
<b>Net income for consolidated companies</b>	<b>(311)</b>
Equity in net earnings of associated companies	0
<b>Net income</b>	<b>(311)</b>
<b>Equity minority interest's share</b>	<b>0</b>
<b>Net Income – Group share</b>	<b>(311)</b>

<i>(In thousands of euros)</i>	<b>March 31, 2017</b>
Intangible assets	0
Property, plant and equipment	0
Trade receivables	284
Other receivables	52
Cash and cash equivalents	149
<b>Total Assets</b>	<b>484</b>
Borrowings and financial debts < 1 year	2
Trade payables	9
Other payables	90
<b>Total Liabilities</b>	<b>101</b>
<b>Net value of the non-current assets held for sale and discontinued operations</b>	<b>383</b>

## NOTE 3 - NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 3.1 Goodwill

<i>(in thousands of euros)</i>	31.03.16	Movements of the period			31.03.17
		+	-	<i>Other <sup>(1)</sup></i>	
Roissy Films	15,762				15,762
EuropaCorp Television	11,984				11,984
Digital Factory	442				442
<b>Total net value</b>	<b>28,188</b>	-	-	-	<b>28,188</b>

*(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:

At March 31, 2017, monitoring of the value of goodwill relative to the Production and Distribution of TV drama and series CGU showed no depreciation.

The main assumptions based on which the sensitivity of the parameters would cause a change in the recoverable amounts are:

- the discount rate: a 1-point increase in the discount rate would not result in impairment of the goodwill reported for EuropaCorp Television;
- estimated future revenues: a negative change of 5% in each of the main assumptions used for the impairment test (change applied to the projected income from recurring operations before taxes) would not result in impairment of the goodwill reported for EuropaCorp Television;

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>	03.31.16	Movements of the period			03.31.17
		+	-	Other <sup>(1)</sup>	
Films and audiovisual rights	1,394,065	46,740	(1,312)	72,834	1,512,327
Production costs	129,064	51,437	-	(67,742)	112,758
Preliminary expenses	22,651	3,888	(1,443)	(5,326)	19,769
Other	82,736	102	(68)	4,846	87,617
<b>Gross amount</b>	<b>1,628,515</b>	<b>102,167</b>	<b>(2,824)</b>	<b>4,612</b>	<b>1,732,471</b>
Films and audiovisual rights	(1,308,680)	(94,334)	1,313	(318)	(1,402,018)
Other	(7,206)	(185)	60	-	(7,331)
<b>Depreciation/Provisions</b>	<b>(1,315,886)</b>	<b>(94,519)</b>	<b>1,374</b>	<b>(318)</b>	<b>(1,409,349)</b>
<b>Net amount</b>	<b>312,630</b>	<b>7,648</b>	<b>(1,450)</b>	<b>4,294</b>	<b>323,121</b>

(1) Changes in scope, transfers between items, forex effect

At March 31, 2017, the net book value of intangible assets breaks down of as follows:

<i>(in thousands of euros)</i>	03.31.2017	03.31.2016
Preliminary expenses	7,063	12,633
Production costs	112,655	123,296
Completed films	123,119	101,275
Other intangible assets	80,285	75,426
<b>TOTAL INTANGIBLE ASSETS</b>	<b>323,121</b>	<b>312,630</b>

Financing expenses capitalized against intangible assets in production for the year ended March 31, 2017 stand at €4,191 thousand (versus €2,245 thousand for the year ended March 31, 2016).

The increase in the gross value of films and audiovisual rights during the period is mainly attributable to investments in completed productions (*Shut In, Miss Sloane, Nine Lives, The Warriors Gate, Renegades, Room(H)ates...*).

Moreover, the provision for the depreciation of preliminary expenses incurred for film projects amounts to €12,706 thousand, of which €2,689 thousand were recognized during the period. The total value of the provision mainly corresponds to depreciation relating to the remake rights of Roissy Films and to the projects *Vikings, 16 août, Les Frangins, 1 président 4 bédouins et 6 camels, Malavita (The Family), The Butler, Sweet Tony Pierre* and *Underground*.

At March 31, 2017, the residual net book value of projects having had their first expense recognized for over five years stands at €2,030 thousand.

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).

Production costs of films had a net value of €112,655 thousand on March 31, 2017 and mainly concerned the following productions: *Valerian and the City of a Thousand Planets, Coexist, Je vais mieux*, the series *Arthur & the Invisibles*, and 2 episodes of the international series *Taken*.

In order to reflect the latest estimates in revenues and P&A costs, a €24.7 million write-off was recognized during the fiscal year for the completed films not yet released on March 31, 2017.

At March 31, 2017, "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 €79,506 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 indefinite life is, by definition, non-depreciable and is tested annually via the impairment test performed on the Production and Distribution of films CGU. As stated in Note 3.1 "Goodwill", no impairment loss was recognized for this intangible asset following the impairment test performed on assets of the Production and Distribution of films CGU;

- 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 €612 thousand at March 31, 2017. No additional impairment loss was recognized following the impairment test performed at March 31, 2017, 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>	03.31.16	Movements of the period			03.31.2017
		+	-	<i>Other</i> <sup>(1)</sup>	
Plant, machinery and equipment	12,173	1,080	(2,021)	193	11,425
Land, buildings	29,734	1,471	(11,271)	-	19,934
Other property, plant and equipment	8,225	217	(4,102)	40	4,380
Property, plant and equipment in progress	1,952	-	-	(1,952)	-
<b>Gross amount</b>	<b>52,084</b>	<b>2,769</b>	<b>(17,394)</b>	<b>(1,719)</b>	<b>35,739</b>
Plant, machinery and equipment	(7,452)	(808)	618	-	(7,642)
Land, buildings	(11,177)	(917)	1,666	-	(10,427)
Other property, plant and equipment	(4,401)	(503)	1,441	(16)	(3,479)
Property, plant and equipment in progress	-	-	-	-	-
<b>Depreciation/Provisions</b>	<b>(23,030)</b>	<b>(2,227)</b>	<b>3,725</b>	<b>(16)</b>	<b>(21,548)</b>
<b>Net amount</b>	<b>29,054</b>	<b>541</b>	<b>(13,669)</b>	<b>(1,735)</b>	<b>14,192</b>

(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).

The assets retirements mostly correspond to the sale of the multiplexes EuropaCorp Aéroville and of the EuropaCorp Cinemas La Joliette project (Property, plant and equipment in progress).

### 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>	03.31.2017	03.31.2016
Non-consolidated securities	449	469
Deposits and guarantees > 1 year	2,433	3,900
<b>Net amount</b>	<b>2,882</b>	<b>4,369</b>

These deposits and guarantees mostly include the deposit paid by EuropaCorp to the lessor for an amount of €1.6 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 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, 2017.

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, 2017. Thus, the share of net income posted in EuropaCorp's consolidated financial statements corresponds to the company's operations from April 1, 2016 to March 31, 2017.

As a reminder, EuropaCorp holds a 40% stake and does not control this company.

<b>Les Studios de Paris</b>		
<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
<b>Control %</b>	<b>40,00%</b>	<b>40,00%</b>
Book value of net assets held	2,242	2,660
<b>Share of profit (loss)</b>	<b>(418)</b>	<b>(445)</b>
<b>Contribution to consolidated equity</b>	<b>(2,638)</b>	<b>(2,220)</b>
Statement of financial position	22,020	18,555
Revenue	415	804
Profit (loss)	(1,045)	(1,114)

Pass Pass la Cam' Productions closes its accounts on March 31. The share of net income recognized under EuropaCorp corresponds to the figures for the year ended March 31, 2017. As a reminder, EuropaCorp holds a 40% stake and does not control this company.

<b>Pass Pass la Cam' Productions</b>		
<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
<b>Control %</b>	<b>40,00%</b>	<b>40,00%</b>
Book value of net assets held	2	5
<b>Share of profit (loss)</b>	<b>(3)</b>	<b>(3)</b>
<b>Contribution to consolidated equity</b>	<b>(4)</b>	<b>(1)</b>
Statement of financial position	15	30
Revenue	28	40
Profit (loss)	(7)	(8)

Société d'exploitation des Studios de Paris closes its accounts on December 31. For the purpose of closing the EuropaCorp Group's annual financial statements, the company presented its position at March 31, 2017. Thus, the share of net income posted in EuropaCorp's consolidated financial statements corresponds to the company's operations from April 1, 2016 to March 31, 2017.

As a reminder, EuropaCorp holds a 40% stake in this company and merely has significant influence over it.

**Société d'exploitation des  
Studios de Paris**

<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
<b>Control %</b>	<b>40,00%</b>	<b>40,00%</b>
Book value of net assets held	(3,104)	(3,204)
<b>Share of profit (loss)</b>	<b>100</b>	<b>(562)</b>
<b>Contribution to consolidated equity</b>	<b>(3,108)</b>	<b>(3,208)</b>

Statement of financial position	8,910	6,826
Revenue	783	831
Profit (loss)	250	(1,404)

### 3.6 Deferred tax

Deferred tax was determined at March 31, 2016 and at March 31, 2017 based on a standard tax rate of 34.43% for the companies located in France and a rate of 35% increased by federal taxes for the American companies. Deferred tax breaks down as follows at March 31, 2017:

<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
Deferred tax assets	33,351	15,747
Deferred tax liabilities	(1,170)	(8,009)
<b>Net deferred tax</b>	<b>32,182</b>	<b>7,738</b>
<i>Of which time difference for TV Films revenue</i>	<i>3,367</i>	<i>6,137</i>
<i>Of which Support funding generated (CNC subsidies)</i>	<i>(5,483)</i>	<i>(7,098)</i>
<i>Of which Film amortization</i>	<i>(20,365)</i>	<i>(22,445)</i>
<i>Of which Financial instruments</i>	<i>-</i>	<i>-</i>
<i>Of which fair value of forward sales in foreign currencies</i>	<i>527</i>	<i>1,155</i>
<i>Of which tax debt of operations</i>	<i>30,595</i>	<i>14,492</i>
<i>Of which other temporary changes</i>	<i>23,541</i>	<i>15,497</i>
<b>Net amount</b>	<b>32,182</b>	<b>7,738</b>

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 €33.4 million mainly concerns the company EuropaCorp Films USA, for an amount of €29.7 million. It is a deferred tax asset recognized as a part of the tax-loss carryforwards (\$31.7 million), relatively to a maximal theoretical amount of €52.6 million of deferred tax asset, i.e. \$56.2 million. The business forecasts used and updated in May 2017 to recognize these liabilities apply to a three to four years period from the year ended March 31, 2017. As a reminder, as of March 31, 2016, the recognition of the liabilities applied to a five years period.

The expected recovery time of recognized deferred liabilities is thus between three and four years from March 31, 2017.

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>	<b>03.31.2017</b>	<b>03.31.2016</b>
Income before tax and share of net income of associates	(140,781)	(41,906)
Cinema tax credit	(2,987)	(968)
Theoretical tax rate	34.43%	34.43%
<b>Theoretical tax expense</b>	<b>49,499</b>	<b>14,762</b>
(Increase) / Decrease of tax expense resulting from :		
<i>Permanent differences</i>	5,605	532
<i>Recognized tax liabilities</i>	(34,406)	-
<i>Miscellaneous</i>	822	(155)
<b>Actual tax (current and deferred)</b>	<b>21,521</b>	<b>15,139</b>

Permanent differences include €2.4 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 €2.4 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, 2017:

<i>(in thousands of euros)</i>	<b>Production costs (films)</b>	<b>Video (Blu-ray &amp; DVD)</b>	<b>Merchandising</b>	<b>Books</b>	<b>Total</b>
<b>Gross amount as of March 31, 2016</b>	-	<b>500</b>	<b>223</b>	<b>410</b>	<b>1,133</b>
Depreciation provisions	-	(61)	(101)	(410)	(571)
<b>Net amount as of March 31, 2016</b>	-	<b>440</b>	<b>122</b>	-	<b>562</b>
<b>Gross amount as of March 31, 2017</b>	<b>850</b>	<b>333</b>	<b>101</b>	<b>421</b>	<b>1,704</b>
Depreciation provisions	-	(51)	(101)	(405)	(556)
<b>Net amount as of March 31, 2017</b>	<b>850</b>	<b>282</b>	-	<b>16</b>	<b>1,148</b>

### 3.8 Trade receivables

<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
Trade receivables - nominal value	70,602	67,104
Provisions for trade receivables depreciation	(4,847)	(4,550)
<b>Net value of trade receivables</b>	<b>65,755</b>	<b>62,554</b>

The maturity of trade receivables at March 31, 2017 breaks down as follows:

<b>Gross value of receivables</b> <i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>Owing</b>	<b>Not owing *</b> <b>(&lt; 1 year)</b>	<b>Not owing *</b> <b>(&gt; 1 year)</b>
EuropaCorp Group Total	<b>70,602</b>	21,552	47,994	1,056

\* By hypothesis, the maturity of receivables related to TV sales has been set on the estimated broadcast date

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, 2017, the balance of the receivable related to this agreement was reduced to \$15.1 million, or €14.1 million, following payments received of \$5.7 million, or €5.3 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 financial income. The impact of this agreement on financial income stands at €872 thousand.

Trade receivables owing at March 31, 2017 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 €5,386 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>	03.31.16	Charge	Reversal		Other*	03.31.17
			With use	Without use		
Provisions for trade receivables depreciation	(4,550)	(904)	391	216	-	(4,847)

\* 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>	03.31.2017	03.31.2016
Advances and downpayments on orders	5,586	13,617
Support funds & COSIP (audiovisual support)	15,645	20,694
Tax and social security credits	25,092	19,438
Other receivables	24,311	24,955
<b>Gross amount</b>	<b>70,634</b>	<b>78,705</b>
Depreciation provisions	(901)	(901)
<b>Net amount</b>	<b>69,733</b>	<b>77,804</b>

At March 31, 2017, CNC receivables (subsidies funds and COSIP) include €9.2 million to support producers, €3.4 million to support distributors, €1.6 million for video publishers, €4 million for COSIP (audiovisual programming industry subsidies account) and €0.1 million for postproduction.

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, 2017, 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:

#### Changes in share capital ownership between 03/31/2016 and 03/31/2017

##### Corporate officers

Full name / Company	Position as of 03/31/16	Position as of 03/31/17	Nationality	Number of units/shares as of 03/31/2016	Percentage paid up	Number of units/shares as of 03/31/2017	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	0		1	100%
Virginie Besson-Silla		Director	F	28,407	100%	28,407	100%
Françoise Nysen	Director		F	10	100%	10	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%
Eugenio Minvielle	Director		F	1	100%	1	100%
Rhy zène Nusse	Director	Director	All	1	100%	1	100%

##### Other shareholders or uniholders

Full name / Company	Nationality	Number of units/shares as of 03/31/2016	Percentage paid up	Number of units/shares as of 03/31/2017	Percentage paid up
Public float / Other shareholders	F	9,950,821	100%	9,925,284	100%
FF Motion Invest	C			11,428,572	100%
Equitis Gestion <sup>1</sup>	F	1,019,025	100%	1,019,025	100%
Habert Dassault Finance (+ Benoît Habert)	F	2,685,540	100%	2,685,540	100%
Shares held by EuropaCorp	F	22,182	100%	19,311	100%
<b>TOTAL</b>		<b>29,548,937</b>	<b>100%</b>	<b>40,977,509</b>	<b>100%</b>

<sup>1</sup> Bearer shares as at March 31, 2015, under a trust/management agreement between Pierre-Angé Le Pogam and Equitis Gestion, to allow their transfer (Notices 211C0251 and 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, 2017 and 2016:

(in thousands of euros)	03.31.2017	03.31.2016
<b>Equity - Group share</b>	<b>96,747</b>	<b>155,245</b>
Issued capital	13,932	10,047
Reserves and earnings brought forward	82,815	145,199
<b>Non-controlling interests</b>	<b>(235)</b>	<b>(231)</b>

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 2016/2017.

### 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 shall be definitively acquired 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 period, 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 no longer benefits from the free shares plan. In accordance with the standard IFRS 2, the previous expenses linked to the free shares plan related to him were reversed during the fiscal year. From now on, only the expenses relative to the second beneficiary will be recognized.

## 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>	03.31.16	Accruals	Reversal		Other*	03.31.17
			With use	Without use		
Provisions for expenses	-					-
Provisions for risks	5,728	3,226	(1,886)	(1,643)		5,425
Provisions for pensions	903			(76)		827
<b>Provisions</b>	<b>6,631</b>	<b>3,226</b>	<b>(1,886)</b>	<b>(1,719)</b>	<b>-</b>	<b>6,253</b>

### 3.11.1 Provisions for risks

The €2,596 thousand allocated to provisions for risks and expenses (excluding charges for retirement benefits) correspond to provisions for disputes (industrial tribunal cases and litigation notably).

The €3,529 thousand reversal of provisions for risks and expenses breaks down as follows:

- €10 thousand corresponding to the reversal of provisions for amounts payable to third parties by Roissy Films;
- €3,519 thousand corresponding primarily to reversals of provisions following the conclusion of certain disputes (industrial tribunal cases and litigation).

Provisions for risks mainly relate to the following:

- A provision relating to the risk of non-payment of a receivable due from URSSAF, following cancellation of the free share plan for the CEO, on which a social security contribution had been paid for €2.4 million. This provision remained unchanged at March 31, 2017.
- A provision recognized during the fiscal year and relating to disputes between the Company and third party co-producers for a total amount of €1.9 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:

<b>Actuarial liability at 03.31.16</b>	<b>903</b>
Actuarial liability interest	13
Cost of services provided during the financial year	126
Actuarial gains and losses	(215)
Benefits paid during the financial year	-
<b>Actuarial liability at 03.31.17</b>	<b>827</b>

The provision for pensions at March 31, 2017 mainly concerns the EuropaCorp companies (€576 thousand), Digital Factory (€86 thousand) and Roissy Films (€75 thousand).

### 3.12 Bonds and financial liabilities

The Company's net debt is as follows:

<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
Bonds > 1 year	-	-
Deposits and guarantees received	703	696
Other loans and related debt > 1 year	1,375	1,590
<b>Total Loans maturing &gt; 1 year</b>	<b>2,078</b>	<b>2,286</b>
Bonds < 1 year	-	-
Bank loans	-	-
Other loans and related debt < 1 year	-	-
Production credits	317,480	239,785
Bank loans and overdrafts	54,919	70,512
Marketable securities	(1,684)	(2,825)
Cash and cash equivalents	(105,295)	(119,382)
<b>Net debt</b>	<b>267,498</b>	<b>190,377</b>

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, 2017, marketable securities include money market SICAVs, term deposits and passbook savings accounts. 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 €15,307 thousand), in Canadian dollars (equivalent to €4 thousand).

Debt relating to commitments to buy back non-controlling interests in Sofica is posted under "Equity investment liabilities" (refer to Section 3.15 for a description of the features of this debt).

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, 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 approximately (from an initial amount of \$50 million), allowing to draw an extra amount of \$30 million. This upside 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, 2017, €131.5 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>	03.31.17		<i>Breakdown by category of instruments</i>				
	Netbook 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				
<b>Financial assets</b>	<b>110,653</b>	<b>110,653</b>	<b>107,118</b>	-	<b>3,535</b>	-	-
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							
<b>Financial liabilities</b>	<b>374,477</b>	<b>374,477</b>	<b>(1,669)</b>	-	<b>703</b>	<b>375,442</b>	-

<i>(in thousands of euros)</i>	03.31.16		<i>Breakdown by category of instruments</i>				
	Netbook 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	4,369	4,369	39		4,330		
Other current financial assets	1,655	1,655	816		839		
Derivative instruments - assets							
Cash and cash equivalents	122,207	122,207	122,207				
<b>Financial assets</b>	<b>128,230</b>	<b>128,230</b>	<b>123,062</b>	-	<b>5,169</b>	-	-
Debt > 1 year	2,392	2,392	(1,837)		696	3,533	
Debt < 1 year	310,191	310,191	(2,372)			312,563	
Derivative instruments - liabilities							
<b>Financial liabilities</b>	<b>312,583</b>	<b>312,583</b>	<b>(4,209)</b>	-	<b>696</b>	<b>316,097</b>	-

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, 2017:

<i>(in thousands of euros)</i>	<b>03.31.17</b>	<i>Maturities</i>		
		<b>&lt; 1 year</b>	<b>1 - 5 years</b>	<b>&gt; 5 years</b>
Fixed rate financial assets	-			
Variable rate financial assets	106,979	106,979		
Financial assets not exposed	3,674	711	2,962	
<b>Financial assets</b>	<b>110,653</b>	<b>107,690</b>	<b>2,962</b>	<b>-</b>
Fixed rate financial liabilities	-			
Variable rate financial assets	373,774	372,399	1,375	
Financial liabilities not exposed	703		703	
<b>Financial liabilities</b>	<b>374,477</b>	<b>372,399</b>	<b>2,078</b>	<b>-</b>

The following is a summary of the fluctuations in interest rate risk and sensitivity at March 31, 2017 (assumption used 0.5-point increase in interest rates):

<i>(in thousands of euros)</i>	<b>Fixed rate</b>	<b>Variable rate</b>	<b>Not exposed</b>	<b>Total</b>
Financial assets		106,979	3,674	110,653
Financial liabilities		373,774	703	374,477
<b>Net equity before hedging</b>	<b>-</b>	<b>(266,795)</b>	<b>2,971</b>	<b>(263,824)</b>
"Hedging"				-
Net equity after hedging		(266,795)	2,971	(263,824)
<b>Sensitivity</b>	<b>-</b>	<b>(1,334)</b>		<b>(1,334)</b>

- 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, 2017, the fair value of currency hedging instruments stood at €104,552 thousand, and consisted of the following:

03.31.17	Liquidation value (EUR)	Maturities			Market value (EUR)	Fair value adjustment (EUR)
		< 1 year	1 - 5 years	> 5 years		
Outright sale EUR/USD	1,870	1,870			1,856	(14)
Outright purchase EUR/USD	85,964	85,964			85,614	(350)
<b>Total EUR / USD</b>	<b>87,834</b>	<b>87,834</b>	-	-	<b>87,470</b>	<b>(364)</b>
Outright sale EUR/CAD	1,902	1,902			1,928	(26)
Outright purchase EUR/CAD	-					-
<b>Total EUR / CAD</b>	<b>1,902</b>	<b>1,902</b>	-	-	<b>1,928</b>	<b>(26)</b>

03.31.17	Liquidation value (USD)	Maturities			Market value (USD)	Fair value adjustment (USD)
		< 1 year	1 - 5 years	> 5 years		
Outright sale USD/NZD	-					-
Outright purchase USD/NZD	14,522	14,522			15,325	(804)
<b>Total USD / NZD</b>	<b>14,522</b>	<b>14,522</b>	-	-	<b>15,325</b>	<b>(804)</b>
Outright sale USD/CAD	-					-
Outright purchase USD/CAD	11,325	4,554	6,771		11,740	(415)
<b>Total USD / CAD</b>	<b>11,325</b>	<b>4,554</b>	<b>6,771</b>	-	<b>11,740</b>	<b>(415)</b>

On March 31, 2017, the adjustment to fair value of currency hedging instruments stands at €(1,530) thousand, against €(3,354) thousand on March 31, 2016.

Thus, the net impact of the change in the fair value of currency hedging instruments on the period’s financial income is equal to €1,824 thousand at March 31, 2017.

- 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 \$250 million (of which 28% in dollars, i.e. \$70 million, and 72% 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, 2017:

<i>(in thousands of euros)</i>	<b>03.31.17</b>
Trade receivables	65,755
Marketable securities	-
Other receivables exposed to credit risk	-
<b>Total</b>	<b>65,755</b>

- 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, 2017.

In addition, at March 31, 2017, EuropaCorp holds 19,311 treasury shares with a value of €73 thousand.

<i>(in thousands of euros)</i>	<b>Other companies' or UCITS shares portfolio</b>	<b>Treasury shares portfolio</b>
Assets position	Nil	73
Off balance sheet	Nil	-
<b>Overall assets position</b>	<b>Nil</b>	<b>73</b>

### 3.14 Trade payables and other current liabilities

#### Breakdown of other current liabilities by type

<i>(in thousands of euros)</i>	03.31.2017	03.31.2016
<b>Trade payables</b>	<b>51,997</b>	<b>75,269</b>
<b>Equity investment liabilities</b>	<b>363</b>	<b>1,404</b>
Advances and down.payments on orders	1,442	1,871
Taxes and social security contributions payable	25,605	13,545
Miscellaneous liabilities	64,749	61,649
<b>Total other financial liabilities</b>	<b>91,795</b>	<b>77,066</b>
<b>Total operating liabilities</b>	<b>144,155</b>	<b>153,739</b>

Miscellaneous liabilities at March 31, 2017 are mainly expenses comprising repayments to third parties and costs incurred for ongoing productions, and the debt of €40,232 thousand (equivalent to \$51 million) used to finance the repurchase of the Group's initial obligations towards Relativity Media. This operating liability was not discounted at March 31, 2017, 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, 2017 breaks down as follows:

<b>Trade payables</b> <i>(in thousands of euros)</i>	03.31.2017	Owing	Not owing* ( <b>&lt; 1 year</b> )	Not owing* ( <b>&gt; 1 year</b> )
EuropaCorp Group Total	<b>51,997</b>	4,245	47,751	-

### 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, 2017 are mainly prepaid expenses in the amount of €9,000 thousand, relating to productions yet to be commercially exploited, as well as deposits and guarantees of €711 thousand.

Other current assets also include the portion of bank commissions with maturity under one year for €2,944 thousand, spread over the life of the credit lines.

The other non-current assets include, for €4,757 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 €22,205 thousand at March 31, 2017.

Deferred income (current and non-current) breaks down as follows:

<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
TV rights items	11,091	18,001
Undelivered international sales	22,835	8,802
Subsidies	863	1,386
Sales of rights	-	-
Partnerships	1,335	325
Other deferred income	2,742	12,497
<b>Total deferred income</b>	<b>38,865</b>	<b>41,010</b>

Other non-current liabilities include €8,708 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**

Equity investment liabilities stand at €363 thousand corresponding to the buyback guarantee given by EuropaCorp to the shareholders of Sofica EuropaCorp. The guaranteed buyback price for one 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 fifth period during which subscribers could call upon the buyback guarantee ended on June 30, 2016 and covered Sofica EuropaCorp shareholders having subscribed shares during the second capital increase in 2007.

### **Maturities of other non-current liabilities and equity investment liabilities**

<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>
Deferred income	16,660	16,660	
Provisions for risks	933	933	
Other	3,104	3,104	
<b>Total other non-current liabilities</b>	<b>20,697</b>	<b>20,697</b>	<b>-</b>

## NOTE 4 - NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

### 4.1 Revenue

<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
Production	110,616	112,681
Distribution	13,932	10,666
Video	17,433	12,711
Events	1,024	2,571
EuropaCorp Cinémas	-	7,725
Miscellaneous	1,154	986
<b>Revenue</b>	<b>144,159</b>	<b>147,340</b>
<i>Of which support funding generated (including COSIP)</i>	<i>3,941</i>	<i>4,201</i>
<i>Of which revenue from exports</i>	<i>85,667</i>	<i>58,629</i>

Net revenue totaled €144,159 thousand for financial year 2016/2017 compared to €147,340 thousand for the previous year, i.e. a decrease of 2.2%.

*“Production” revenue:*

France and US Television sales produce annual revenue of €29.9 million, up by 12% compared to the previous financial year, corresponding to the various broadcasting windows opened over the period in question. Over the 2016/2017 financial year, six rights windows for a unitary amount greater than €1 million opened (*Lucy*, *Taken 2*, *Transporter Refueled*, *Nine Lives*, *It Boy*) against 6 in the previous financial year.

International sales stand at €48.8 million for the fiscal year, or approximately 34% of total turnover, comprised mainly of deliveries of the films *Nine Lives*, *Shut In*, *Miss Sloane*, and *The Warriors Gate*, as well as significant overages – but lower than the previous fiscal year – collected on films from the catalogue (notably *Lucy* and *Taken 3*).

The annual revenue for the TV Series Production activity stands at €23.6 million in 2016/2017, up by more than 8% compared to the 2015/2016 financial year.

This growth can be explained by the accounting of revenues corresponding to the delivery of 8 episodes of the 1<sup>st</sup> season of *Taken*. The revenues for the period also take into account the turnover deriving from the delivery of TV films like *Le Viol*.

Revenues linked to the corresponding rights (partnerships, licenses, etc.) stand at €1.9 million at March 31, 2017, versus €4.8 million at March 31, 2016.

The other components in “Production” revenue are co-producer revenues (€0.8 million), subsidies funding (€3.5 million) as well as income generated by post-production and brand content activities.

*“Distribution” revenue:*

Theatrical distribution revenue in France and the United States increased by more than 40% to €13.7 million for the fiscal year, or 9% 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:

- *The Nice Guys*, released in May 2016 : 391 thousand admissions;
- *Nine Lives*, released in August 2016 : 242 thousand admissions;
- *Les têtes de l'emploi*, released in November 2016 : 509 thousand admissions;
- *Shut In*, released in November 2016 : 91 thousand admissions;
- *The Founder*, released in December 2016 : 65 thousand admissions;

- *Miss Sloane*, released in March 2017 : 120 thousand admissions;
- *The Warriors Gate*.

Theatrical Distribution in the United States:

- *9 Lives*, released in August 2016: revenues of \$19.7 million (Domestic Box Office “DBO”);
- *Shut In*, released in November 2016: revenues of \$6.9 million (DBO);
- *Miss Sloane*, released in November 2016: \$3.5 million (DBO);
- *The Warriors Gate*.

The growth in Theatrical distribution revenue is explained by a higher number of films distributed in France and the US during the fiscal year – 7 compared with 5 during the previous year.

The other component of the “Distribution” annual revenue is the revenues related to the “distributor share” financial subsidies (€0.2 million).

“Video” revenue:

The video & VOD activity stands at €17.4 million, representing 11.5% of the annual revenue, an increase of 37% compared to the previous financial year, thanks mostly to the video and VOD sales of the films released over the 2016/2017 fiscal year and of the catalogue carried out in the United States. This activity essentially benefited from the following video and VOD releases:

- *The Nice Guys*, September 2016 in France ;
- *Nine Lives*, November 2016 in the United States and December 2016 in France ;
- *Shut In*, February 2017 in the United States ;

This revenue also includes recurrent sales of catalogue films such as the sales in the United States for the films *The Transporter Refueled* and *Big Game*.

Events Revenue:

The Events business generated revenue of €1 million, corresponding to events held within and outside the Cité du Cinéma, and representing a decrease of around 60% compared with the previous financial year. This evolution is explained by a lower demand of event organization during the year.

“EuropaCorp Cinemas” revenue:

Multiplexes segment revenue was €5.2 million from April 2016 to December 2016, when the business was sold to Cinémas Gaumont Pathé. In accordance with IFRS 5, these activities were classified in the financial statements as “Net income from activities held for sale and discontinued operations.”

## 4.2 Operating margin

The operating margin totaled €(72,928) thousand (-50.6% of total revenue) for the year ended March 31, 2017, compared to €37,334 thousand (25.4% of total revenue) for the previous year.

This variation is mainly related to:

- A strong increase in distribution and marketing expenses (P&A), related to the change of model (paying the distribution costs for films in the United States - 3 films distributed in the United States versus 1 during the previous year);
- Disappointing box-office revenues that failed to offset distribution costs to support wide releases;
- A raise in the amortizations due to the write-off on films not yet released, in order to reflect the

latest revenue estimates.

#### 4.3 Overheads

General and administrative expenses amounted to €49.7 million compared with €58.4 million the previous financial year, a decrease of €8.7 million.

This variation is explained by non-recurring costs incurred over the financial year 2015/2016 and by the sale of the Aéroville multiplex.

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, 2017, 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>	<b>03.31.2017</b>	<b>03.31.2016</b>
Depreciation of Blue Advertainment's goodwill	-	(723)
Other	30	(533)
<b>Other operating income and expenses</b>	<b>30</b>	<b>(1,256)</b>

Other operating income and expenses mainly comprise asset write-downs recorded by the company for the year, non-recovered withholding tax, and costs related to the abandonment of certain projects and the net book value of assets sold.

#### 4.5 Financial income

<i>(in thousands of euros)</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
Net debt financial income	(12,760)	(9,133)
Other financial income and expenses	(5,248)	(10,459)
<b>Financial income</b>	<b>(18,188)</b>	<b>(19,592)</b>

Financial income for the period amounted to €(18,188) thousand versus €(19,952) thousand in the previous financial year. It mainly includes a foreign exchange loss of €(1,859) thousand, caused by the appreciation of the US dollar against the euro during the year.

Financial income also includes the cost of net financial debt for €(12,760) thousand and €(2,854) 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>	<b>03.31.2017</b>	<b>03.31.2016</b>
Current tax	(1,661)	1,962
Deferred tax	(23,181)	13,177
<b>Total tax income / (expense)</b>	<b>21,521</b>	<b>15,139</b>

The deferred tax income for the financial year corresponds mainly to tax loss carry-forwards activated for the subsidiary EuropaCorp Films USA.

#### 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>	<b>03.31.2017</b>	<b>03.31.2016</b>
<b>Average permanent workforce</b>	<b>161</b>	<b>154</b>
<b>Payroll costs (including temporary personnel)</b>	<b>(40,426)</b>	<b>(44,824)</b>
Salaries	(29,986)	(32,891)
Profit sharing	-	(102)
Social security contribution	(10,508)	(11,789)
Stocks-options and related expenses		
Retirement benefit commitments	69	(42)
Post-employment benefits		

The decrease in personnel costs is related to three main factors:

- The decrease in production volume with the main consequence being the decrease in the salaries of temporary staff, notably at EuropaCorp Television;
- The change of strategy for the Events activity, which is now outsourced;
- The sale of Europacorp Aeroville business, which therefore no longer employs anyone since December 2016.

## 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 from operations*

During the year ended March 31, 2017, the Group generated a net cash flow of €2,385 thousand, a decrease of €(79,290) thousand from March 31, 2016.

The change in working capital requirement during the year ended March 31, 2017 is equal to €27,573 thousand versus €37,656 thousand the previous year. This variation in the working capital requirement is mainly explained by the decrease in trade payables.

#### *Cash flows from investments*

At March 31, 2017, net investment cash flows stand at € (123,281) thousand versus € (180,016) thousand for the previous year.

The high level of these cash flows is the direct consequence of the continuation of investments in films and series with strong international potential and significant budgets.

#### *Cash flows from financing*

At March 31, 2017, net cash from financing stands at €105,669 thousand, versus €148,720 thousand as of March 31, 2016.

### 5.2 Related party transactions

The table below summarizes flows and balances of related party transactions.

<i>(in thousands of euros)</i>	<b>03/31/2017</b>	<b>03/31/2016</b>
<b>Statement of financial position</b>		
<b><i>Receivables</i></b>		
Trade receivables and other operating receivables	3,571	4,460
Debit balances and other current financial receivables	-	-
<b><i>Debt</i></b>		
Other non-current financial liabilities	585	585
Trade payables and other operating liabilities	4	1,462
Financial current accounts receivables	-	-
<b>Profit and loss statement</b>		
Revenue	-	63
Operating expenses	(306)	(974)
Financial expenses	-	(14)
Financial income	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, 2017, 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 €305,942, versus €1,020,939 in the preceding financial year.

### 5.3 Commitments and contingent liabilities

The Group off-balance sheet commitments at March 31, 2017 are as follows (in thousands of euros):

<i>Commitments in favor of EuropaCorp (in thousands of euros)</i>	<b>31.03.17</b>	<b>31.03.16</b>
Commitments from clients		
<i>For the cinematographic business</i>	<i>106,467</i>	<i>166,025</i>
<i>Support funds for audiovisual activities</i>	<i>2,693</i>	<i>4,153</i>
Financial commitments for leases*	16,313	18,644
<b>Total commitments received</b>	<b>125,473</b>	<b>188,822</b>

\* Relates to the sub-lease agreement entered into with Front Line for the Cité du Cinéma business park, with a term of 12 years

<i>Commitments to third parties (in thousands of euros)</i>	<b>31.03.17</b>	<b>31.03.16</b>
Engagements financiers sur loyers **	36,367	39,036
Engagements financiers sur investissements cinématographiques	5,448	7,277
<b>Total commitments made</b>	<b>41,815</b>	<b>46,313</b>

\*\*Relates to the lease agreement for the Cité du Cinéma business park, with a term of 12 years starting from April 6, 2012

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:

- 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 USA Inc. (pledge under US law),
- 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:
  - 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

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, 2017, capital investments and contributions to associates' current accounts totaled €8.3 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, as well as the shares it holds in the shooting set operating company held by said SCI.

EuropaCorp is also in a partnership with EuroMediaGroup, Quinta Communications, and Front Line for Société d'exploitation Les Studios de Paris, which is managed by EuroMediaGroup to exploit the sets upon their delivery. EuropaCorp holds 40% of the capital of this entity, with capital of €10,000.

- *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, 2015 is €6.8 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. At March 31, 2017, the subletting agreements concluded by Front Line with sub-tenants, for premises not used by EuropaCorp, cover more than 95% of the areas it leases but does not occupy.

Furthermore, in the event of early termination of the lease to the detriment of the Company, the deposit of three months of rent, as well as the three months of rent that it paid in advance would be kept by the lessor and the maximum compensation for which the Company would be liable to the lessor would be limited to 18 months of rent, which would be reimbursed in the event of relocation before the end of the 18-month period, in proportion to the duration of occupation of the new lessee.

EuropaCorp and Front Line each have the possibility of subletting all surface areas and have initiated a search for sub-tenants.

In total, the maximum risk borne by the Company in the event of a termination of the lease to its detriment, notably if Front Line fails to meet its sublease payments, amounts to 24 months of rent, or €13.6 million.

- *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 €333 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>	<b>03.31.2017</b>	<b>03.31.2016</b>
Short-term benefits	9,834	10,041
Termination benefits		
Post-employment benefits		
Other long-term benefits		
Share-based payment		

€300 thousand were also reported as Directors' fees during the year ended March 31, 2017.

## 5.5 Subsequent events

On June 16, 2017, the group sold his catalogue 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.

The transaction price is 14,550,000 euros to which an additional amount of two million euros may be added depending on results.

The companies SAS Studios de Paris and SCI Studios de Paris, both included in the Group's consolidation scope, were subject to a transmission of all their assets and liabilities ("TUP - Transmission Universelle de Patrimoine") in May, 2017. This operation will impact the scope for the closing of March 31, 2018.

No other significant event likely to affect the financial statements closed on March 31, 2017 occurred subsequent to closure.

## 5.6 Other information

Fees of the statutory auditors for EuropaCorp and its subsidiaries for the fiscal years closed on March 31, 2016 ("N-1") and on March 31, 2017 ("N") in € thousand.

(In thousands of euros)	ACA/CohnReznich				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
<b>Audit</b>												
<b>Statutory audit, certification, review of the separate and consolidated financial statements</b>			<b>82%</b>	<b>94%</b>			<b>100%</b>	<b>100%</b>			<b>98%</b>	<b>100%</b>
- EuropaCorp	141	135	53%	64%					130	125	45%	43%
- Fully consolidated subsidiaries	76	64	29%	30%	7	7	100%	100%	154	163	53%	57%
<b>Other verifications and services directly related to the statutory audit</b>			<b>18%</b>	<b>6%</b>							<b>2%</b>	
- EuropaCorp	39	12	15%	6%					5		2%	
- Fully consolidated subsidiaries												
- Other services than certification	10		3%									
<b>TOTAL</b>	<b>266</b>	<b>211</b>			<b>7</b>	<b>7</b>			<b>290</b>	<b>288</b>		

## 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.
- *Multiplexes*: This segment covers the exploitation of films in theaters, i.e. the activities carried out by EuropaCorp Aéroville whose business was sold to Les Cinémas Gaumont Pathé in December 2016.
- *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

03/31/2017	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
<b>Total non-current assets</b>	<b>376,852</b>	<b>28,548</b>	<b>658</b>	<b>397</b>	<b>2,280</b>		<b>408,735</b>
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
<b>Total current assets</b>	<b>222,485</b>	<b>29,931</b>	<b>1,174</b>	<b>2,308</b>	<b>937</b>		<b>256,835</b>
<b>TOTAL ASSETS</b>	<b>599,337</b>	<b>58,479</b>	<b>1,833</b>	<b>2,705</b>	<b>3,217</b>	<b>0</b>	<b>665,570</b>
<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
<b>Total non-current liabilities</b>	<b>21,119</b>	<b>411</b>	<b>338</b>	<b>368</b>	<b>3,166</b>	<b>0</b>	<b>25,402</b>
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
<b>Total current liabilities</b>	<b>498,980</b>	<b>38,673</b>	<b>537</b>	<b>3,701</b>	<b>1,765</b>	<b>0</b>	<b>543,656</b>
<b>TOTAL LIABILITIES</b>	<b>520,099</b>	<b>39,083</b>	<b>640</b>	<b>4,070</b>	<b>4,931</b>	<b>96,747</b>	<b>665,570</b>
Films and audiovisual rights investments	112,568	21,131					133,699

03/31/2016	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	296,886	15,032	699	12	0		312,630
Property, Plant and Equipment	13,274	27	62	15,686	5		29,054
Other net financial assets	2,474	0	0	1,895	0		4,369
Investments in associates	5	0	0	0	2,660		2,665
Deferred tax assets	15,619	84	0	0	44		15,747
Other net non-current assets	7,305	0	0	0	0		7,305
<b>Total non-current assets</b>	<b>351,766</b>	<b>27,127</b>	<b>761</b>	<b>17,594</b>	<b>2,709</b>		<b>399,957</b>
Inventory	440	0	0	122	0		562
Net trade receivables	52,341	8,551	777	450	437		62,554
Other net receivables	63,304	11,336	165	2,875	123		77,803
Other net current assets	19,469	1,750	6	668	10		21,904
Cash and cash equivalents	118,173	2,841	0	537	656		122,207
<b>Total current assets</b>	<b>253,726</b>	<b>24,477</b>	<b>948</b>	<b>4,652</b>	<b>1,226</b>		<b>285,030</b>
<b>TOTAL ASSETS</b>	<b>605,492</b>	<b>51,604</b>	<b>1,710</b>	<b>22,246</b>	<b>3,935</b>	<b>0</b>	<b>684,987</b>
<i>Equity - Group share</i>						155,245	155,245
<i>Non-controlling interests</i>	0	0	-231	0	0		-231
Provisions for pensions and other post-employment benefits	903	0	0	0	0		903
Deferred tax liabilities	7,666	108	177	54	4		8,009
Bonds and financial liabilities > 1 year	1,841	-145	0	0	0		1,696
Deposits and guarantees received	696	0	0	0	0		696
Equity investment liabilities > 1 year	1,693	0	0	0	0		1,693
Other non-current liabilities	14,732	526	200	953	3,262		19,673
<b>Total non-current liabilities</b>	<b>27,531</b>	<b>489</b>	<b>377</b>	<b>1,008</b>	<b>3,266</b>	<b>0</b>	<b>32,670</b>
Bonds and financial liabilities < 1 year	295,270	14,928	-7	0	1		310,191
Provisions for risks and expenses	5,617	0	0	0	111		5,728
Trade payables	67,513	2,709	218	4,762	67		75,269
Equity investment liabilities	1,404	0	0	0	0		1,404
Other financial liabilities	69,992	5,781	257	828	208		77,066
Other current liabilities	25,252	1,115	70	207	1,000		27,645
<b>Total current liabilities</b>	<b>465,048</b>	<b>24,533</b>	<b>538</b>	<b>5,797</b>	<b>1,387</b>	<b>0</b>	<b>497,303</b>
<b>TOTAL LIABILITIES</b>	<b>492,579</b>	<b>25,021</b>	<b>684</b>	<b>6,804</b>	<b>4,653</b>	<b>155,245</b>	<b>684,987</b>
Films and audiovisual rights investments	156,954	19,029		12			175,996

### 6.3.2 Consolidated profit and loss statement by operating segment

03/31/2017	Production and Distribution of films	Production and Distribution of TV films and series	Events	Multiplexes	Other	Total
<b>Revenue</b>	<b>118,387</b>	<b>24,752</b>	<b>1,024</b>	<b>5,318</b>	<b>2,217</b>	<b>151,699</b>
Cost of sales	-193,046	-23,685	-361	-4,232	-32	-221,356
<b>Operating margin</b>	<b>-74,659</b>	<b>1,067</b>	<b>663</b>	<b>1,086</b>	<b>2,186</b>	<b>-69,657</b>
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
<b>Operating profit (loss)</b>	<b>-121,106</b>	<b>-2,053</b>	<b>611</b>	<b>-1,750</b>	<b>2,058</b>	<b>-122,241</b>
<b>Financial income</b>	<b>-17,617</b>	<b>-571</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>-18,190</b>
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
<b>Net income - Group share</b>	<b>-117,301</b>	<b>-2,560</b>	<b>654</b>	<b>-1,767</b>	<b>1,086</b>	<b>-119,888</b>

03/31/2016	Production and distribution of films	Production and distribution of TV films and series	Events	Multiplexes	Other	Total
<b>Revenue</b>	<b>111,482</b>	<b>24,055</b>	<b>2,593</b>	<b>7,686</b>	<b>1,524</b>	<b>147,340</b>
Cost of sales	-79,623	-21,724	-2,770	-5,848	-41	-110,005
<b>Operating margin</b>	<b>31,860</b>	<b>2,331</b>	<b>-177</b>	<b>1,838</b>	<b>1,483</b>	<b>37,334</b>
General and administrative expenses	-50,611	-2,460	-545	-4,107	-670	-58,393
Other op. income and expense	-914	-309	1	-15	-19	-1,256
<b>Operating profit (loss)</b>	<b>-19,665</b>	<b>-438</b>	<b>-721</b>	<b>-2,284</b>	<b>795</b>	<b>-22,314</b>
<b>Financial income</b>	<b>-19,405</b>	<b>-184</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>-19,592</b>
Income tax	15,733	-314	46	74	-400	15,139
Share in results of associates consolidated using the equity method	-3	0	0	0	-1,007	-1,010
Share of non-controlling interests	0	0	-77	0	0	-77
<b>Net income - Group share</b>	<b>-23,340</b>	<b>-936</b>	<b>-599</b>	<b>-2,212</b>	<b>-613</b>	<b>-27,700</b>

The following table shows the distribution percentages by country for international sales of EuropaCorp Group films and series for financial years 2013/2014, 2014/2015, 2015/2016 and 2016/2017.

Country	2013/2014	2014/2015	2015/2016	2016/2017
North America	73.00%	63.30%	26.90%	35.94%
Western Europe, including:	13.70%	19.60%	28.10%	35.64%
<i>Spain and Italy</i>	<i>1.30%</i>	<i>0.70%</i>	<i>2.27%</i>	<i>3.67%</i>
<i>Germany</i>	<i>6.20%</i>	<i>10.70%</i>	<i>10.11%</i>	<i>15.89%</i>
<i>Switzerland, Belgium</i>	<i>2.50%</i>	<i>3.60%</i>	<i>3.72%</i>	<i>5.74%</i>
<i>United Kingdom</i>	<i>2.00%</i>	<i>1.50%</i>	<i>6.91%</i>	<i>8.43%</i>
Central and Eastern Europe	3.00%	3.90%	14.02%	4.53%
Asia	4.90%	6.60%	19.63%	9.37%
Rest of the world	5.50%	6.60%	11.34%	14.52%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**APPENDIX 2 - ANNUAL FINANCIAL STATEMENTS AT MARCH 31, 2017**

*STATEMENT OF FINANCIAL POSITION - ASSETS*

<i>Items</i>	<i>Gross amount</i>	<i>Depreciation provisions</i>	<b>3/31/2017</b>	<b>3/31/2016</b>
<b>INTANGIBLE ASSETS</b>				
Intangible assets	1,220,682,124	1,118,576,045	102,106,079	83,109,914
Other intangible assets	720,792	695,979	24,813	24,684
Intangible assets in progress	26,532,128	10,206,460	16,325,668	61,270,804
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Plant, machinery and equipment	158,582	158,582		
Other property, plant and equipment	4,424,645	2,165,916	2,258,729	2,610,494
<b>FINANCIAL ASSETS</b>				
Financial investments	177,783,961	66,396,491	111,387,470	102,684,913
Other financial assets	2,584,319	6,597	2,577,721	2,515,798
<b>NON-CURRENT ASSETS</b>	<b>1,432,886,550</b>	<b>1,198,206,070</b>	<b>234,680,481</b>	<b>252,216,607</b>
<b>INVENTORY AND WORK IN PROGRESS</b>				
Work in progress - goods	849,874		849,874	
Goods	100,615	100,615	(0)	(0)
Advances and down-payments to suppliers	44,716		44,716	56,411
<b>RECEIVABLES</b>				
Trade receivables	66,817,525	3,441,314	63,376,211	60,259,138
Other receivables	209,563,312	35,061,356	174,501,956	111,130,439
<b>MISCELLANEOUS</b>				
Marketable securities (incl. treasury shares)	11,037,673		11,037,673	2,905,390
Cash and cash equivalents	68,132,702		68,132,702	81,195,599
<b>ACCRUALS</b>				
Prepaid expenses	1,934,256		1,934,256	4,329,409
<b>CURRENT ASSETS</b>	<b>358,480,672</b>	<b>38,603,285</b>	<b>319,877,387</b>	<b>259,876,386</b>
Currency translation assets	13,368,848		13,368,848	5,327,589
<b>OVERALL TOTAL</b>	<b>1,804,736,070</b>	<b>1,236,809,355</b>	<b>567,926,715</b>	<b>517,420,582</b>

STATEMENT OF FINANCIAL POSITION – LIABILITIES

<i>Items</i>	<b>3/31/2017</b>	<b>3/31/2016</b>
Share capital (of which paid up: 13,932,353)	13,932,353	10,046,639
Additional paid-in capital	106,970,772	51,611,282
Legal reserve	1,004,665	917,229
Regulated reserves (including forex reserve)	180,545	180,545
Retained earnings/losses	(20,021,144)	(1,562,485)
<b>NET INCOME FOR THE PERIOD (profit or loss)</b>	<b>(33,833,956)</b>	<b>(18,458,659)</b>
Investment subsidies	4,362,500	50,000
Regulated provisions	42,133,488	45,149,084
<b>EQUITY</b>	<b>114,729,223</b>	<b>87,933,635</b>
<b>OTHER EQUITY</b>		
Provisions for risks	11,875,837	6,045,345
Provisions for expenses	4,616,732	5,500,456
<b>PROVISIONS</b>	<b>16,492,569</b>	<b>11,545,801</b>
<b>DEBT</b>		
Loans and liabilities from financial institutions	51,281,593	69,997,218
Miscellaneous borrowings and financial liabilities (including participating loans)	65,651,171	64,989,466
Advances and down-payments received		549
<b>OPERATING LIABILITIES</b>		
Trade and other accounts payable	29,896,713	29,742,724
Taxes and social security contributions payable	7,861,904	7,030,447
<b>MISCELLANEOUS LIABILITIES</b>		
Other liabilities	265,136,233	231,615,938
<b>ACCRUALS</b>		
Deferred income	13,116,356	10,963,371
<b>DEBT</b>	<b>432,943,969</b>	<b>414,339,712</b>
Currency translation liabilities	3,760,955	3,601,434
<b>OVERALL TOTAL</b>	<b>567,926,715</b>	<b>517,420,582</b>

*Profit (loss) for the period in cents*      **-33,833,955.56**

*Total financial position in cents*      **567,926,715.42**

PROFIT AND LOSS STATEMENT (LIST)

Items	France	Export	03/31/2017	03/31/2016
Sales of goods	3,124	152,399	155,523	151,112
Production sold (goods)		(9,431)	(9,431)	755
Production sold (services)	33,529,070	56,425,605	89,954,676	95,184,844
<b>NET REVENUE</b>	<b>33,532,194</b>	<b>56,568,573</b>	<b>90,100,768</b>	<b>95,336,711</b>
Stored production			297,417	
Capitalized production			35,769,735	96,123,301
Reversals of depreciation, provisions (and amortization), transfers of expenses			46,605,694	37,311,311
Other income			18,651	47,106
<b>TOTAL OPERATING INCOME</b>			<b>172,792,266</b>	<b>228,818,429</b>
Purchases of merchandise (including customs duties)			494	
Other purchases and external charges			52,493,398	111,188,285
Tax, duties and related payments			1,666,037	1,156,296
Wages and salaries			12,901,592	9,068,138
Social security contributions			5,009,873	4,074,067
<b>OPERATING PROVISIONS</b>				
For tangible and intangible assets: amortization			49,100,460	33,538,220
For tangible and intangible assets: depreciation			50,646,073	36,597,089
For current assets: depreciation			752,332	2,035,158
For risks and expenses: provisions			2,725,039	5,885,739
Other expenses			17,963,259	26,074,289
<b>TOTAL OPERATING EXPENSES</b>			<b>193,258,558</b>	<b>229,617,280</b>
<b>OPERATING INCOME</b>			<b>(20,466,293)</b>	<b>(798,852)</b>
<b>JOINT OPERATIONS</b>				
Loss incurred or profit transferred			2,563	2,547
<b>FINANCIAL INCOME</b>				
Income on other securities and receivables from non-current assets			2,563,205	1,404,866
Other interest and related income			23,869	17,451
Reversals of depreciation and provisions, transfers of expenses			9,161,342	5,056,532
Foreign exchange gains			5,574,583	7,302,344
Gain on sale of marketable securities			654	28,014
<b>TOTAL FINANCIAL INCOME</b>			<b>17,323,654</b>	<b>13,809,207</b>
Financial allocations to impairment, amortization and provisions			19,143,448	18,741,750
Interest and similar expenses			14,973,915	13,624,628
Foreign exchange losses			1,089,523	5,770,110
Loss on sale of marketable securities				31,675
<b>TOTAL FINANCIAL EXPENSES</b>			<b>35,206,886</b>	<b>38,168,162</b>
<b>FINANCIAL INCOME</b>			<b>(17,883,233)</b>	<b>(24,358,955)</b>
<b>INCOME FROM RECURRING OPERATIONS BEFORE TAXES</b>			<b>(38,352,088)</b>	<b>(25,160,354)</b>
Non-recurring income from management transactions			204,498	39,517
Non-recurring income from capital transactions			2,506,704	7,069,973
Reversals of provisions and transfers of expenses			7,686,437	12,541,393
<b>TOTAL NON-RECURRING INCOME</b>			<b>10,397,639</b>	<b>19,650,884</b>
Non-recurring expenses on management transactions			1,393,353	487,119
Non-recurring expenses on capital transactions			979,380	6,669,148
Extraordinary allocations to impairment, amortization and provisions			4,422,077	8,894,691
<b>TOTAL NON-RECURRING EXPENSES</b>			<b>6,794,810</b>	<b>16,050,958</b>
<b>NON-RECURRING INCOME</b>			<b>3,602,829</b>	<b>3,599,926</b>
Statutory employee profit sharing			(33,926)	102,163
Income tax			(881,378)	(3,203,932)
<b>TOTAL INCOME</b>			<b>200,513,558</b>	<b>262,278,519</b>
<b>TOTAL EXPENSES</b>			<b>234,347,513</b>	<b>280,737,178</b>
<b>PROFIT OR LOSS</b>			<b>(33,833,956)</b>	<b>(18,458,659)</b>

## ACCOUNTING PRINCIPLES AND METHODS

### 1. Valuation principles and methods

The annual financial statements for the financial year ended March 31 2017 have been drawn up and presented in accordance with the accounting standards and with the 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.

As part of the transposition of the accounting directive 2013/34/UE of June 26, 2013, and of the publication in the Official Journal of July 23, 2015 of the order No. 2015-900 and of the decree No. 2015-903, the ANC (“Autorité des Normes Comptables” or “Authority of Accounting Principles”) modified the regulation No. 2014-03 of June 5, 2014 relating to the chart of accounts. The changes in the ANC regulation No. 2014-03 of June 05, 2014 relating to the French General Chart of Accounts (“Plan Comptable Général”) caused by the ANC regulation No. 2015-06 of November 23, 2016, and for the opened fiscal years following January 1<sup>st</sup>, 2016 deal with the definition of the stock-in-trade (business), the valuation of the tangible and intangible assets, and of the stock-in-trade posterior to their entrance date, the technical merger deficit, the information to disclose in the appendix of the annual accounts.

The implementation of this change of regulation has had no incidence on the annual accounts of the company.

### 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.

### 3. Significant events during the period

#### 3.1 Trade receivables

As previously mentioned, at March 31, 2014, the Group recognized annual revenue of €29.7 million (\$42.7 million) resulting from the buy-out agreement signed with Fox in March 2014. At March 31, 2017, the balance of the receivable related to this agreement was reduced to \$15.1 million, (€14.1 million), following payments of \$5.7 million (€5.3 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 financial income. The impact of this agreement on financial income amounted to €1,468,020.

### ***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, 2017 was €40,231,614.69 (\$43,011,619).

### ***3.3 Debt***

As of March 31, 2015, EuropaCorp had net debt of €135,469,984 under the Senior facility arranged. Cash flow is provided by J. P. Morgan based on accounts receivable and repayments are made as the assigned receivables are settled.

EuropaCorp has recognized \$80,000,000 (€84,667,482) in respect of its Mezzanine facility, including capitalized interest, posted to a sundry third-party account of EuropaCorp Films USA. An additional subscription of \$30 million took place during the fiscal year.

### ***3.4 Share capital transactions: reserved capital increase***

On November 21, 2016, the company completed a capital increase with suppression of shareholders preferential subscription rights, reserved for FF Motion Invest, subsidiary of Fundamental Films, for a total amount of €60 million. FF Motion Invest effectively subscribed to the new shares issued in the reserved capital increase, making it EuropaCorp's second largest shareholder.

Main terms and conditions of the operation are:

- Number of shares issued: 11,428,572 new shares
- Issue price : €5.25 per new share, or a premium of 38.5% on the average of last 20 days' prices before the signing of the investment protocol
- Issuance gross proceeds: €60,000,003
- Governance: Fundamental Films has one voting seat, Mark Gao, and one observer seat at EuropaCorp's Board of Directors.

Fundamental Films is an international feature film production, financing and distribution studio founded in 2008. It has headquarters in Shanghai, China, and offices in Beijing and in Los Angeles.

### ***3.5 Events with regard to Management: appointment of Edouard de Vésinne***

On April 21, 2016, Edouard de Vésinne was appointed as Deputy Chief Executive Officer of the Group. Edouard de Vésinne has over 20 years of experience in the film and TV production industry.

### ***3.6 Sale of the Multiplexes***

In December 2016, the Company sold to Cinémas Gaumont-Pathé its multiplex activity consisting of the Aéroville multiplex in Tremblay-en-France and of the project of La Joliette multiplex in Marseille.

From now on EuropaCorp wishes to focus on its core business activities which are film and series production and distribution worldwide.

#### **4. Main films**

Films released in French theaters over the financial year were:

- *The Nice Guys* (May 2016)
- *Nine Lives* (August 2016)
- *Les Têtes de l'Emploi* (November 2016)
- *Shut In* (November 2016)
- *The Founder* (December 2016)
- *Miss Sloane* (March 2017)
- *The Warriors Gate* (March 2017)

#### **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.

€1,790,384 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 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 funding invested in film production is accounted for in the statement of financial position under "Investment subsidies" when the CNC authorizes the payment.

Several CNC subsidies are expected for the following films:

- €2,125 thousand for the film *Room(H)ates*;
- €1,250 thousand for the film *Coexist*;
- €937.5 thousand for the film *Je vais mieux*.

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, 2017, the provision for impairment of intangible assets showed a net charge of €21,310,101.11, corresponding to the provision for film impairment and reversal, with a net charge of €6,122,622.88 for preliminary expenses, corresponding to a total negative impact on net income for the period of €15,187,478.23.

### 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	33.33 to 10%
Office equipment	3 - 10 years	33.33 to 10%
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.

The treasury shares held by the Group on March, 31, 2017 stand at €61,780.84 (19,311 shares) against €82,583.36 (22,182 shares) on March 31, 2016.

## **8. Inventory**

The Company's inventory is recognized at the acquisition price of the elements comprising the inventory.

On March, 31, 2017, the Company's inventories stand at €950,488.22. The inventory includes fully depreciated goodies for an amount of €100,614.41 and productions in progress held for sale for an amount of €849,873.61.

## **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 have been 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 relate primarily to the following:

- A provision relating to the risk of non-payment of a receivable due from URSSAF, following 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 but the URSSAF appealed the court's decision. This provision is unchanged.
- The Company specifies that it has been ordered in first trial by the Commercial Court of Paris to pay the amount of €1.5 million in proceedings against a co-producer third party. Provisional enforcement has been granted for €500,000, with the co-producer being required to provide a reimbursement guarantee of 50% of this amount, i.e. €250,000. The Group has lodged an appeal against this decision.

A provision has been recognized based on the legal opinion of the law firm in charge of the matter in the financial statements closed at March 31, 2013 for the amount of the preliminary enforcement, minus the reimbursement guarantee imposed upon the co-producer. At March 31, 2015, an additional provision for €500,000 had been recognized.

During the period, the company reached an agreement with the coproducer, settling the litigation at the amount of the accounted provisions.

- At the end of June 2013, the Company was sentenced to pay €0.2 million in damages and interest in addition to the amounts legally payable in a dispute against a former employee. It should be noted that a provision of a higher amount was created in the financial statements closed at March 31, 2011. Consequently, the Company adjusted the value of the provision to align it with the decision of the court of first instance. During the fiscal year the Court of Appeal confirmed the decision of first-instance. The sums due were paid and the provision reversed.
- If the company decided to give up a coproduction project, a lump sum of €0.6 million has been provisioned on the period after a mutual agreement with the co-producer.
- 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 over the period. The Company was brought before the courts and is awaiting a court decision.
- Lastly, following a favorable court decision for the company in first instance, a provision for litigation of €1.0 million was reversed. This provision had been recognized following a coproduction contract signed in 2002 for a film that was finally not produced with this partner.

## 13. Revenue recognition

### 13.1 Accrual of production receipts

The operating events for sales agreement with minimum guarantee receipts or a flat-fee sale are:

- *Operations – France*: Date of obtaining the “broadcast master” from the TV stations;
- *Other operations*: Date of delivery if the contract has been signed and the rights recognized.

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. 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

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 be entitled to a tax credit from the Government by choosing the carry-back option for the overall loss.

The distribution agreement takes into account the specific results of each company of the Group, and the taxable income of the Company as if it were taxed separately has been determined to be €-11,246,651.14. Following the tax consolidation, the Group’s taxable income is €-21,406,776.

Without tax consolidation, the Company would have carried forward its tax deficit.

## **15. Other information**

EuropaCorp’s financial statements are consolidated using the full consolidation method in the consolidated statements prepared by Front Line.

A cinema tax credit of €2,984,801 was recorded in the financial statements including €392,000 corresponding to a cinema tax credit received by EuropaCorp Television.

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.

Treasury shares held by EuropaCorp have a value of €61.8 thousand. They were reclassified this year as financial assets. During the previous period, they only appeared in the marketable securities accounts.

## 16. Competitiveness and employment tax credit

At March 31, 2017, EuropaCorp recorded a competitiveness and employment tax credit of €176,630 deducted from payroll costs. The use of the competitiveness tax credit is allowed under current regulations.

## 17. Subsequent events : sale of the music publishing activity to Sony/ATV Music Publishing

The Company has sold its catalogue of music copyrights to Sony/ATV Group for an amount of €14.6 million. This sale concerns approximately 1.500 titles linked to more than 100 films. Sony/ATV Music Publishing is a joint-venture created in 1995 by Sony Corporation and Michael Jackson and is one of the world leaders of music publishing.

## 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, EuropaCorpHome 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: 1.29%  
 Salary increase rate: 4%  
 Turnover rate: 13%

The off-balance sheet commitment stands at €576,323 at period end.

## TANGIBLE AND INTANGIBLE ASSETS

Items	Start of period	Revaluation	Acquisitions, contributions
<b>INTANGIBLE ASSETS</b>	<b>1,210,004,725</b>		<b>37,930,319</b>
<i>Components</i>			
Plant, machinery and equipment	158,582		
General plant, fixtures and fittings	3,779,307		28,075
Vehicles	88,347		9,917
Office and IT equipment, furniture	508,967		19,022
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>4,535,202</b>		<b>57,014</b>
Other investments	174,968,911		2,816,050
Loans and other financial assets	2,515,798		777,638
<b>FINANCIAL ASSETS</b>	<b>177,484,710</b>		<b>3,593,688</b>
<b>OVERALL TOTAL</b>	<b>1,392,024,637</b>		<b>41,581,021</b>

Items	Transfer	Disposal	End of period	Initial value
<b>INTANGIBLE ASSETS</b>			<b>1,247,935,044</b>	
Plant, machinery and equipment			158,582	
General plant, fixtures and fittings			3,807,383	
Vehicles		8,990	89,274	
Office and IT equipment, furniture			527,988	
<b>PROPERTY, PLANT AND EQUIPMENT</b>		<b>8,990</b>	<b>4,583,226</b>	
Other investments		1,000	177,783,961	
Loans and other financial assets		709,118	2,584,319	
<b>FINANCIAL ASSETS</b>		<b>710,118</b>	<b>180,368,280</b>	
<b>OVERALL TOTAL</b>		<b>719,108</b>	<b>1,432,886,550</b>	

## AMORTIZATION

Items	Start of period	Charges	Reversals	End of period
<b>INTANGIBLE ASSETS</b>	<b>1,020,623,077</b>	<b>48,691,681</b>		<b>1,069,314,758</b>
Plant, machinery and equipment	158,582			158,582
General plant, fixtures and fittings	1,284,390	382,211		1,666,601
Vehicles	85,656	5,096	8,990	81,762
Office and IT equipment, furniture	396,081	21,473		417,554
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>1,924,709</b>	<b>408,779</b>	<b>8,990</b>	<b>2,324,498</b>
<b>OVERALL TOTAL</b>	<b>1,022,547,786</b>	<b>49,100,460</b>	<b>8,990</b>	<b>1,071,639,256</b>

## 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			3,920,840			6,936,437	(3,015,597)
<b>TANGIBLE</b>							
<b>TOTAL</b>			<b>3,920,840</b>			<b>6,936,437</b>	<b>(3,015,597)</b>

Accrued expenses	Start of period	Increases	Charges	End of period

## PAYABLES AND RECEIVABLES

RECEIVABLES	Gross amount	≤ 1 year	> 1 year
Other financial assets	2,584,319	61,781	2,522,538
Doubtful or disputed trade receivables	3,532,640		3,532,640
Other trade receivables	63,284,885	52,018,327	11,266,558
Staff	65,400	65,400	
Social Security and other welfare institutions	2,441,377	2,441,377	
National Government, other authorities: Income tax	3,572,336	3,572,336	
National Government, other authorities: value-added tax	1,859,908	1,859,908	
National Government, other authorities: miscellaneous receivables	894,571	894,571	
Group and associates	183,638,475	172,977,057	10,661,418
Miscellaneous receivables	17,091,245	17,091,245	
Prepaid expenses	1,934,256	1,934,256	
<b>OVERALL TOTAL</b>	<b>280,899,412</b>	<b>252,916,257</b>	<b>27,983,155</b>

PAYABLES	Gross amount	≤ 1 year	1 - 5 years	> 5 years
Borrowings originally ≤ 1 year	51,281,593	51,281,593		
Miscellaneous borrowings	815,221		815,221	
Trade payables	29,896,713	29,896,713		
Staff	994,910	994,910		
Social Security and other welfare institutions	1,193,706	1,193,706		
National Government: value-added tax	4,553,796	4,553,796		
National Government: other taxes and duties	1,119,492	1,119,492		
Group and associates	64,835,950	64,835,950		
Other liabilities	265,136,233	145,660,900	119,475,333	
Deferred income	13,116,356	13,116,356		
<b>TOTAL GENERAL</b>	<b>432,943,969</b>	<b>312,653,416</b>	<b>120,290,553</b>	
Loans taken out during the period	10,176			
Loans repaid during the period	7,083			

## PROVISIONS AND DEPRECIATION

Items	Start of period	Charges	Reversals	End of period
Exceptional amortization	45,149,084	3,920,840	6,936,437	42,133,487
<b>REGULATED PROVISIONS</b>	<b>45,149,084</b>	<b>3,920,840</b>	<b>6,936,437</b>	<b>42,133,487</b>
Provisions for litigation	9,893,478	3,226,276	7,828,307	5,291,447
Provisions for foreign exchange losses	1,299,137	6,359,789	1,299,138	6,359,788
Other provisions for subsidiaries' risks and expenses	353,186	4,672,424	184,277	4,841,333
<b>PROVISIONS FOR RISKS AND EXPENSES</b>	<b>11,545,801</b>	<b>14,258,488</b>	<b>9,311,720</b>	<b>16,492,569</b>
Depreciation of intangible assets	44,976,246	50,646,073	35,458,594	60,163,725
Depreciation of equity holdings	72,283,998	69,307	5,956,814	66,396,491
Depreciation of other financial assets		6,597		6,597
Depreciation of inventory and work in progress	100,615			100,615
Depreciation customer accounts	3,011,369	752,333	322,388	3,441,314
Other depreciation	28,747,140	8,035,331	1,721,114	35,061,356
<b>DEPRECIATION</b>	<b>149,119,368</b>	<b>59,509,642</b>	<b>43,458,911</b>	<b>165,170,099</b>
<b>OVERALL TOTAL</b>	<b>205,814,252</b>	<b>77,688,970</b>	<b>59,707,068</b>	<b>223,796,155</b>
Charges and reversals of operating provision		54,123,551	42,859,287	
Charges and reversals of financial provision		19,143,342	9,161,342	
Extraordinary allocations		4,422,077	7,686,437	

PROVISIONS FOR RISKS AND EXPENSES

Items	Position and movements				
	Provisions at start of period	Increases during period	Reductions		Provisions at period end
			Amounts used during the period	Amounts not used during the period	
Provision for risks and expenses	9,893,478	3,226,276	6,185,307	1,643,000	5,291,447
Net position provision	353,186	4,672,424		184,277	4,841,333
Provision for foreign exchange losses	1,299,137	6,359,789	1,299,138		6,359,788
<b>TOTAL</b>	<b>11,545,801</b>	<b>14,258,489</b>	<b>7,484,445</b>	<b>1,827,277</b>	<b>16,492,569</b>

ACCRUED EXPENSES

At 3/31/2017

<b>Accrued expenses</b>	<b>27,489,102.51 €</b>
Trade payables	22,874,494.86 €
Accrued credit notes	37,757.75 €
Taxes and social security contributions payables	2,639,405.88 €
Other financial liabilities	1,825,662.89 €
Interest on overdrafts	111,781.13 €
<b>TOTAL ACCRUED EXPENSES</b>	<b>27,489,102.51 €</b>

DEFERRED INCOME

At 3/31/2017

<b>Deferred income</b>	<b>29,264,983.47 €</b>
Trade receivables	29,245,408.95 €
Banks, financial institutions	19,574.52 €
<b>TOTAL ACCRUED INCOME</b>	<b>29,264,983.47 €</b>

## NON-RECURRING INCOME AND EXPENSES

<i>Type of expense</i>	<i>Amount in euros</i>	<i>Allocation to account</i>
Other non-recurring expenses	1,372,182	67180000
Fines and penalties	21,171	67120000
Net book value of fixed assets sold	1,000	67500000
Subsidiary depreciation provisions		67510000
Non-recurring expenses - Memorandums of understanding	978,380	67880000
Regulated provisions - Exceptional amortisation	3,920,840	68725000
Provisions for risks and expenses	501,237	68750000
Extraordinary provisions		68750002 & 68750004
Net book value of financial assets sold		67560015 & 67560047
<b>TOTAL</b>	<b>6,794,810</b>	

<i>Type of income</i>	<i>Amount in euros</i>	<i>Allocation to account</i>
Income from disposal of fixed assets	2,461,110	7751&7752
Natixis capital gains	10,502	77510000
Reversal of exceptional amortization	6,936,437	78725000
Subsidies taken to profit (loss)	35,091	77700000
Reversal of provision for risks and expenses	750,000	771000
Other non-recurring income	204,498	7718&778
<b>TOTAL</b>	<b>10,397,639</b>	

## INCOME AND EXPENSES OF PREVIOUS PERIODS

<i>Type of expense</i>	<i>Amount</i>	<i>Allocation to account</i>
Regularization of various operating expenses	84,210.00 €	67200000
<b>TOTAL</b>	<b>84,210.00 €</b>	

<i>Type of income</i>	<i>Amount</i>	<i>Allocation to account</i>
Regularization of various operating income	53,291.00 €	77200000
<b>TOTAL</b>	<b>53,291.00 €</b>	

## TRANSFERS OF EXPENSES

<i>Type of transfer</i>	<i>Amount</i>	<i>Allocation to account</i>
Afdas (performing arts training insurer) and other reimbursements		79100000
Miscellaneous		79100000
Transfer of general and administrative expenses to films	3,656,159.00 €	79100000
Re-invoicing of loge rentals to films	90,246.00 €	79101000
Deferred expenses		79100000
<b>TOTAL</b>	<b>3,746,406.00€</b>	

## IMPACT OF SPECIAL TAX VALUATIONS

<i>Items</i>	<i>Charge</i>	<i>Reversal</i>	<i>Amount</i>
<b>NET INCOME FOR THE PERIOD</b>			<b>-33,833,956.00 €</b>
Income tax			-554,505.00 €
<b>INCOME BEFORE TAX</b>			<b>-34,388,461.00 €</b>
<b>REGULATED PROVISIONS</b>			
<b>OTHER SPECIAL VALUATIONS</b>			
<b>INCOME EXCLUDING SPECIAL TAX VALUATIONS (before tax)</b>			<b>-34,388,461.00 €</b>

## 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	36,366,749					36,366,749
Coproductions and acquisitions	5,448,000					5,448,000
<b>TOTAL</b>	<b>41,814,749</b>					<b>41,814,749</b>

<i>Commitments received</i>						
<i>Catégories d'engagements</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>
Subsidies funding generated	2,692,919					2,692,919
TV presales	14,479,488					14,479,488
International sales	25,269,993					25,269,993
Partnership and licencing	1,050,000					1,050,000
Rent	16,313,334				16,313,334	
<b>TOTAL</b>	<b>59,805,734</b>				<b>16,313,334</b>	<b>43,492,400</b>

<i>Mutual commitments</i>						
<i>Types 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>
<b>TOTAL</b>						

## BREAKDOWN OF INCOME TAX

<i>Breakdown</i>	<i>Income before taxes</i>	<i>Tax payable</i>	<i>Profit (loss) after taxes</i>
Income from recurring operations before taxes	(38,352,089)	(972,760)	(37,379,328)
Short-term non-recurring income	3,602,829	91,382	3,511,446
Employee profit sharing	33,926	0	33,926
<b>BOOK PROFIT (LOSS)</b>	<b>(34,715,334)</b>	<b>(881,378)</b>	<b>(33,833,956)</b>

## CHANGE IN EQUITY

<i>Start-of-period position</i>		<i>Balance</i>
Equity before distribution of previous earnings		87,933,635
Equity after distribution of previous earnings		87,933,635
<i>Changes during the period</i>		<i>Negative</i>
		<i>Positive</i>
Changes in share capital		3,885,714
Changes in additional paid-in-capital		55,359,490
Changes in reserves		87,436
Changes in investment subsidies		4,312,500
Changes in regulated provisions		3,015,597
Other changes		40,238,479
<b>BALANCE</b>		<b>20,391,065</b>
<i>End-of-period position</i>		<i>Balance</i>
Equity before dividends		108,324,700

## 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	11,428,572		0.34

## BREAKDOWN OF REVENUE IN EUROS

	<i>Revenue France</i>	<i>Revenue Export</i>	<i>Total March 31, 2017</i>	<i>Total March 31, 2016</i>	<i>% 2017/2016</i>
Film production business (the Company only has one business)	33,532	56,569	90,101	95,337	-5.49%
<b>TOTAL</b>	<b>33,532</b>	<b>56,569</b>	<b>90,101</b>	<b>95,337</b>	<b>-5.49%</b>

## PARENT COMPANIES CONSOLIDATING THE COMPANY'S FINANCIAL STATEMENTS

<i>Legal name - Registered office</i>	<i>Legal form</i>	<i>Share Capital</i>	<i>% held</i>
Front Line - 20 RUE AMPERE - 93200 ST-DENIS	SAS	2,242,240	31.57 %

## AVERAGE HEADCOUNT

<i>Headcount</i>	<i>Salaried employees</i>	<i>Staff made available to the company</i>
Managers at March 31, 2017	45	
Non-managers at March 31, 2017	20	
<b>TOTAL</b>	<b>66</b>	

## REMUNERATION OF EXECUTIVES

Items	Total executives	Bodies		
		Administration	Management	Surveillance
Financial commitments				
Remuneration paid	515,714		515,714	
Conditions of loans granted during the year				
Repayments made during the year				

## LIST OF SUBSIDIARIES AND EQUITY INTERESTS

Company name Registered office	Share capital Equity	Stake held Dividend received	Gross value Securities Net value Securities	Loans, advances Deposits	Revenue Profit (loss)
<b>SUBSIDIARIES (&gt;50%)</b>					
Dog Productions - 422132829 20 rue Ampère - 93200 St-Denis	46,200 (583,891)	100.00 %	2,647,750		(15,238)
Intervista - 395246408 20 rue Ampère - 93200 St-Denis	46,200 (1,044,349)	100.00 %	2,082,074		9,971 (39,506)
EuropaCorp Distribution - 434969861 20 rue Ampère - 93200 St-Denis	324,100 (7,327,321)	100.00 %	27,945		4,799,143 (6,616,491)
EC Home Entertainment - 438619512 20 rue Ampère - 93200 St-Denis	38,500 36,838,076	100.00 %	7,700 7,700		3,694,177 35,148
EuropaCorp Music Publishing - 482467859 20 rue Ampère - 93200 St-Denis	167,400 5,649,925	100.00 %	201,808 201,808		1,854,476 1,298,225
Ydéo - 434677688 20 rue Ampère - 93200 St-Denis	37,000 (2,047,170)	100.00 %	676,188		2,228,918 (342,435)
<b>INTERESTS (10 to 50%)</b>					
SE des studios de Paris 2 av. de l'Europe - 94360 Bry s/ Marne	10,000 (7,758,966)	40.00 %	4,000 4,000		4,476,176 250,292
Pass Pass la cam Productions 231 rue Saint Honoré - 75001 Paris	14,200 4,404	40.00 %	5,680 5,680		27,327 (7,237)
SCI Les Studios de Paris 137 rue du Fbg Saint Honoré - 75008 Paris	12,200,000 5,604,593	40.00 %	4,880,000 4,880,000		414,851 (1,045,340)
<b>OTHER SECURITIES</b>					
SOFICA EuropaCorp 3 avenue Hoche - 75008 Paris	19,294,000 8,898,272	96.70 %	15,858,050 8,644,468		304,598 (6,106)

LIST OF SUBSIDIARIES

<i>Company name</i>	<i>Share capital</i>	<i>Stake held</i>	<i>Gross value Securities</i>	<i>Loans, advances</i>	<i>Revenue</i>
<i>Registered office</i>	<i>Equity</i>	<i>Dividend received</i>	<i>Net value Securities</i>	<i>Deposits</i>	<i>Profit (loss)</i>
Europacorp Television 20 rue Ampère - 93200 St Denis	107,841.00 1,368,563.00	100.00%	7,975,136.00 7,975,136.00		21,620,367.00 (1,647,248.00)
Europacorp TV 20 rue Ampère - 93200 St Denis	37,000.00 (332,062.00)	100.00%	37,000.00		9,000.00 1,271.00
Europacorp Aéroville 20 rue Ampère - 93200 St Denis	1,000.00 (13,277,203.00)	100.00%	1,000.00		5,181,099.00 (3,316,379.00)
Roissy Films 20 rue Ampère - 93200 St Denis	10,000.00 22,317,610.00	100.00%	41,279,073.00 22,317,610.00		437,826.00 59,089.00
Valérian Holding 20 rue Ampère - 93200 St Denis	45,000.00 63,813.00	100.00%	45,000.00 45,000.00		296,338.00
Blue Advertainment 20 rue Ampère - 93200 St Denis	75,182.00 (3,326,445.00)	100.00%	6,832,434.00		(158,085.00)
Europacorp Films USA 335-345 Maple Drive Beverly Hills	9,354.00 (2,209,495.00)	100.00%	67,306,068.00 67,306,068.00		47,043,622.00 (50,132,904.00)
Valérian SAS 20 rue Ampère - 93200 St Denis	45,000.00 8,383,925.00	100.00%	45,000.00 45,000.00		1,130,901.00
Blue Event 20 rue Ampère - 93200 St Denis	10,000.00 (5,174,002.00)	100.00%	10,000.00 10,000.00		1,023,980.00 (37,080.00)
Digital Factory 20 rue Ampère - 93200 St Denis	2,368,341.00 (3,437,809.00)	100.00%	2,368,341.00 2,368,341.00		6,222,528.00 (537,525.00)

BREAKDOWN OF PREPAID EXPENSES AND DEFERRED INCOME

	<b>At 03/31/2017</b>
<b>PREPAID EXPENSES</b>	1,934,255.68 €
<b>OPERATING EXPENSES/INCOME</b>	1,934,255.68 €
48600000 CCA FRAIS SOCIETE (« Prepaid Expenses Company »)	332,705.70 €
4866xxx CCA FILMS (« Prepaid Expenses Films »)	1,601,549.98 €
<b>DEFERRED INCOME</b>	-13,116,356.02 €
487xxxxx PCA FILMS (« Deferred Income Films »)	-13,116,356.02 €
<b>TOTAL OF PREPAID EXPENSES AND DEFERRED INCOME</b>	-11,182,100.34 €

## **APPENDIX 3 - STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017**

To the shareholders,

In pursuance of the mission entrusted to us by your General Meeting, we present to you our report for the financial year ended March 31, 2017 on:

- the audit of the annual financial statements of EuropaCorp, which accompany this report;
- the justification for our assessments;
- specific verifications and information in accordance with the law.

The annual financial statements were prepared by your Board of Directors. It is our responsibility, on the basis of our audit, to express an opinion on these financial statements.

### **1. Opinion on the annual financial statements**

We conducted our audit according to the professional standards applicable in France. These standards require the performance of due diligence to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit consists of verifying, through surveys or other methods of selection, the items justifying any amounts and information contained in the annual financial statements. It also consists of assessing the accounting principles and significant estimates used and the overall presentation of the financial statements. We believe that the items we have collected form a sufficient and appropriate basis for our opinion.

In our opinion, the annual financial statements, in accordance with French accounting rules and principles, give a true and fair view of the financial position and assets and liabilities of the company and the results of its operations at the end of the financial year.

### **2. Justification of our assessments**

Pursuant to the provisions of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- As mentioned in Note "5.5 Film amortization methods" in the appendix, your Company's management is required to make estimates regarding future net receipts generated by films. Since these estimates are inherently uncertain in nature, the actual figures may differ. As part of our work, we tested the correct application of the methods described in the notes and the consistency of the significant estimates made based on external analysis we were able to obtain (including reports and appraisals by independent experts).
- As explained in Notes "5.2 Production costs" and "5.3 Preliminary expenses", your Company recognizes intangible assets relating to production costs and preliminary expenses. We tested that the recognition criteria had been met and examined the arrangements for their amortization and the determination of their recoverable value. We also verified the appropriateness of the financial information presented in the notes to the financial statements.
- Note 7 entitled "Financial assets and related receivables" sets out the accounting principles and methods used in the evaluation of equity holdings and related receivables. We verified the appropriateness of the accounting methods described in this note and the related information disclosed in the note "Provisions and depreciation", which presents the provisions for negative positions of subsidiaries and the provisions for depreciation of equity holdings.

- With regard to note 12 of the appendix entitled “Provisions for risks and expenses”, your Company constitutes provisions to cover the risks associated with its business.  
Based on the information currently available, our assessment of provisions was based on the analysis of processes implemented by management to identify and assess risks, a review of the risks identified and the estimates used, and an examination of subsequent events corroborating these estimates.

The assessments thus made are part of our auditing approach for the annual financial statements, taken as a whole, and therefore contributed to the formation of our opinion expressed in the first part of this report.

### **3. Specific procedures and disclosures**

We also conducted, in accordance with professional standards applicable in France, the specific verifications provided for by law.

We have no matters to report as to the fair presentation and consistency with the annual financial statements of the information disclosed in the management report prepared by the Board of Directors and in documents sent to shareholders with respect to the financial position and the financial statements.

Regarding the information provided in accordance with the provisions of Article L.225-102-1 of the French Commercial Code on the compensation and benefits paid to corporate officers as well as the commitments made to them, we have verified their consistency with the financial statements or the data used in the preparation of the financial statements and, where appropriate, with the items collected by your company from the companies controlling your company or controlled by it. On the basis of this work, we certify the accuracy and truthfulness of this information.

We have also, as we are required to do by law, satisfied ourselves that the management report contains the appropriate disclosures as to equity participation and control and the identity of the owners of the share capital.

Paris and Villeurbanne, July 21, 2017

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**

<b>Type of information</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b><u>I. Share capital at period end</u></b>					
- Share capital	13,932,353	10,046,639	9,967,152	9,967,152	9,967,152
- Number of existing ordinary shares	40,977,509	29,548,937	29,315,154	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
<b><u>II. Operations and net income for the period</u></b>					
- Revenue excluding taxes	90,100,768	95,336,711	168,298,827	169,488,312	115,940,875
- Revenue before tax, profit-sharing, and amortization and provision charges	32,333,103	41,203,112	119,312,090	99,313,911	78,870,086
- Income tax	(881,378)	(3,203,932)	(1,535,102)	(3,462,242)	2,284,712
- Profit sharing for the period	(33,926)	102,163	16,637	6,485	219,523
- Profit (loss) after tax, profit-sharing, and amortization and provision charges	(33,833,956)	(18,458,659)	2,248,742	(38,419,406)	15,339,677
- Distributed income	0	0	0	0	3,517,818
<b><u>III. Profit (loss) per share (excluding potential dilution)</u></b>					
- Profit (loss) after tax, profit-sharing, but before amortization and provision charges	1	2	4,12	3,51	2,6
- Profit (loss) after tax, profit-sharing, and amortization and provision charges	-1	-1	0,08	-1,31	0,52
- Dividend per share	0	0	0	0	0,12
<b><u>IV. Staff</u></b>					
- Average permanent headcount during the period	66	215	216	109	75
- Headcount for the period	12,901,592	9,068,138	18,468,178	9,934,369	14,567,824
- Amounts paid as social security benefits during the period (government and corporate welfare benefits, etc.)	5,009,873	4,074,067	7,410,223	4,156,704	5,712,764

## 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 <sup>14</sup>	Chapter 15
16	Executive share ownership commitment	Chapter 18.2

<sup>14</sup> 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 <sup>15</sup>	Sections 18.1 and 18.4
26	Penalties or fines for anti-competitive practices <sup>16</sup>	<i>Not applicable</i>
27	<p>Factors likely to have an impact in the event of a public offer:</p> <p>Structure of EuropaCorp's capital;</p> <p>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;</p> <p>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;</p> <p>List of owners of any securities containing any special rights of control and description of these;</p> <p>Control mechanisms envisaged by employee share-ownership schemes, if any, where employees do not exercise control themselves;</p> <p>Shareholder agreements known to EuropaCorp and that could lead to restrictions on the transfer of shares or the exercise of voting rights;</p> <p>Rules governing the appointment and replacement of members of the Board of Directors and amendment of the Articles of Association of EuropaCorp;</p> <p>Powers of the Board of Directors, particularly to issue or buy back shares;</p> <p>Agreements entered into by EuropaCorp that are amended or terminate upon a change in control<sup>17</sup>;</p> <p>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</p>	<p>Sections 18.1 and 21.1</p> <p><i>Not applicable</i></p> <p>Sections 18.1 and 18.4</p> <p>Section 18.1</p> <p><i>Not applicable</i> Sections 18.1 and 18.4</p> <p>Chapter 16, Sections 21.2.3 and 21.2.10</p> <p>Sections 21.1.2 and 21.1.3</p> <p>Sections 10.2.2, 10.2.3 and 18.4</p> <p><i>Not applicable</i></p>
28	EuropaCorp senior management model	Section 21.2.3

<sup>15</sup> This information also includes, where applicable, the percentage of treasury shares held by the Company.

<sup>16</sup> Only if the French Competition Council requires its inclusion in the management report as an additional measure.

<sup>17</sup> Unless this disclosure, except where legally required, would seriously harm EuropaCorp's interests.

No	Information	Reference
29	Information on share buyback programs <sup>18</sup>	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 <sup>19</sup>	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
7	Report of the Chairman of the Board of Directors on the preparation and organizing of the Board's work and the internal control procedures set up within EuropaCorp Group	Chapter 16
8	Statutory Auditors' report on internal control	Chapter 16
III	Other reports	
1	Statutory Auditors' special report on regulated agreements	Section 19.2

<sup>18</sup> 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.

<sup>19</sup> This information also includes the amount of distributed income eligible for the allowance, as well as the ineligible amount, for each share class.